JAGUAR MINING INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated annual audited financial statements for the year ended December 31, 2017, and related notes thereto which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). For further information on Jaguar Mining Inc., reference should be made to its public filings (including its most recently filed annual information form ("AIF") which is available on SEDAR at www.sedar.com). Information on risks associated with investing in the Company's securities and technical and scientific information under National Instrument 43-101 concerning the Company's material properties, including information about mineral resources and reserves, are contained in the Company's most recently filed AIF and technical reports.

All amounts included in this MD&A are in United States dollars ("$"), unless otherwise specified. References to C$ are to Canadian dollars and R$ are to Brazilian Reais. This report is dated as at March 28, 2018.

Where we say "we," "us," "our," the "Company" or "Jaguar," we mean Jaguar Mining Inc. or Jaguar Mining Inc. and/or one or more or all of its subsidiaries, as it may apply. The following abbreviations are used to describe the periods under review throughout this MD&A:

Abbreviation	**Period**	**Abbreviation**	**Period**
FY 2017	January 1, 2017 – December 31, 2017	**FY 2016**	January 1, 2016 – December 31, 2016
Q1 2017	January 1, 2017 – March 31, 2017	**Q1 2016**	January 1, 2016 – March 31, 2016
Q2 2017	April 1, 2017 – June 30, 2017	**Q2 2016**	April 1, 2016 – June 30, 2016
Q3 2017	July 1, 2017 – September 30, 2017	**Q3 2016**	July 1, 2016 – September 30, 2016
Q4 2017	October 1, 2017 – December 31, 2017	**Q4 2016**	October 1, 2016 – December 31, 2016

OUR BUSINESS

Jaguar Mining Inc. is a Canadian-listed junior gold mining, development, and exploration company operating in Brazil with three gold mining complexes, and a large land package with significant upside exploration potential. The Company's principal operating assets are located in the state of Minas Gerais and include the Turmalina Gold Mine Complex ("MTL") and Caeté Gold Mine Complex ("MSOL"). The Company also owns the Paciência Gold Mine Complex ("Paciência"), which has been on care and maintenance since 2012.

Led by a proven and experienced senior management team in Brazil, our operating philosophy focuses on creating excellent shareholder value through the execution of a safe and sustainable operating plan, prudent cost management practices, generating free cash flow, and increasing Mineral Reserves and Resources through exploration growth projects.

We benefit from the exploration and development of the Company's existing brownfield land package and from mineral concessions comprising approximately 26,000 hectares, with close proximity to current operations, in the Iron Quadrangle mining district of Brazil, a prolific greenstone belt located near the city of Belo Horizonte in the State of Minas Gerais. In addition, approximately 35,000 hectares in the State of Ceará, where the Company's Pedra Branca Project is located, provide future upside potential.

Q4 & FY 2017 FINANCIAL & OPERATING SUMMARY

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Financial Data				
Revenue	**$ 26,626**	$ 30,261	**$ 105,231**	$ 120,539
Operating costs	**15,526**	19,355	**69,140**	71,012
Depreciation	**5,302**	10,153	**22,572**	35,752
Gross profit	**5,798**	753	**13,519**	13,775
Net income (loss)	**16,034**	(9,280)	**(2,830)**	(82,795)
Per share ("EPS")	**0.05**	(0.03)	**(0.01)**	(0.50)
EBITDA[1]	**22,927**	3,037	**26,871**	(38,671)
Adjusted EBITDA[1,2]	**7,698**	6,348	**21,711**	36,648
Adjusted EBITDA per share[1]	**0.02**	0.02	**0.07**	0.22
Cash operating costs ($ per ounce sold)[1]	**745**	735	**837**	719
All-in sustaining costs ($ per ounce sold)[1]	**1,104**	1,098	**1,212**	1,099
Average realized gold price ($ per ounce)[1]	**1,278**	1,205	**1,256**	1,239
Cash generated from operating activities	**5,387**	8,467	**14,968**	37,781
Free cash flow[1]	**502**	2,295	**(5,071)**	12,363
Free cash flow ($ per ounce sold)[1]	**24**	91	**(61)**	127
Sustaining capital expenditures[1]	**4,885**	6,172	**20,039**	25,419
Non-sustaining capital expenditures[1]	**1,111**	1,648	**4,582**	4,429
Total capital expenditures	**5,996**	7,820	**24,621**	29,848

[1] Average realized gold price, sustaining and non-sustaining capital expenditures, cash operating costs and all-in sustaining costs, free cash flow, EBITDA and Adjusted EBITDA and Adjusted EBITDA per share are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

[2] Adjusted EBITDA excludes non-cash items such as impairment and write downs. For more details refer to the Non-IFRS Performance Measures section of the MD&A.

	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Operating Data				
Gold produced (ounces)	**21,311**	25,407	**84,152**	96,608
Gold sold (ounces)	**20,841**	25,110	**83,750**	97,277
Primary development (metres)	**908**	1,091	**3,574**	5,462
Secondary development (metres)	**677**	1,205	**3,969**	4,751
Definition, infill, and exploration drilling (metres)	**13,973**	9,914	**48,498**	37,860

Financial and Operational Summary

Revenue, Operating Costs, Gross Profit, Net Income (Loss), and Adjusted EBITDA[1]

- Gold ounces sold for the 3 and 12 months ended December 31, 2017 were 20,841 ounces and 83,750 ounces, respectively, compared with 25,110 ounces and 97,277 ounces sold for the comparative periods due to lower production.
- Revenue for Q4 2017 decreased 12% to $26.6 million, compared with $30.3 million in Q4 2016, due to 17% lower gold sales offset by higher gold realized price of $1,278/oz in Q4 2017 as compared to $1,205/oz for Q4 2016. Also FY 2017 revenue decreased 13% to $105.2 million from $120.5 million in FY 2016.
- Operating costs decrease 19.8% and 2.6% to $15.5 million and $69.1 million in Q4 2017 and FY 2017 respectively, compared with $19.4 million and $71.0 million in Q4 2016 and FY 2016 respectively.
- Net income for Q4 2017 was $16.0 million, mainly due to the impairment reversal of $20.0 million, and the net loss for FY 2017 was $2.8 million, compared to net loss of $9.3 million and $82.8 million for the comparative periods.
- Adjusted EBITDA[1] for Q4 2017 was $7.7 million compared to $6.3 million for Q4 2016, while adjusted EBITDA for the 12 months of 2017 was $21.7 million compared to $36.6 million for the 12 months of 2016.

Cash Operating Costs, All-In-Sustaining Costs ("AISC"), Capital Expenditures and Adjusted Operating Cash Flow

- Cash operating costs were marginally higher at $745 per ounce of gold sold for Q4 2017, compared to $735 per ounce sold during Q4 2016, due to lower production at Turmalina. Cash operating costs have increased 16.4% in FY 2017 to $837 per ounce of gold sold, compared to $719 per ounce sold in FY 2016, due to lower sales and higher foreign exchange.
- AISC was $1,104 and $1,212 per ounce of gold sold in Q4 2017 and FY 2017, respectively, compared to $1,098 and $1,099 per ounce sold during Q4 2016 and FY 2016, mainly as a result of lower production.
- In Q4 2017 and FY 2017, sustaining capital expenditures totalled $4.9 million and $20.0 million respectively, focused on primary development and equipment, compared to $6.2 million and $25.4 million in Q4 2016 and FY 2016.
- Operating cash flow was $5.4 million for Q4 2017, compared to $8.5 million in Q4 2016. For FY 2017, operating cash flow was $15.0 million compared to $37.8 million for FY 2016 mainly due to lower ounce production.
- Free cash flow[1] was $0.5 million and negative $5.1 million for Q4 2017 and FY 2017, based on operating cash flow less sustaining capital expenditures, compared to $2.3 million and $12.4 million in Q4 2016 and FY 2016.

Cash Position and Working Capital

- As at December 31, 2017, the Company had a cash balance of $18.6 million, compared to a cash balance of $26.3 million, as at December 31, 2016. During the fourth quarter, the Company received $2 million from Avanco for the second installment of the Accelerated Earn-in Agreement signed for the Gurupi Project on September 17, 2017.
- Working capital was $14.1 million as at December 31, 2017 compared to $11.3 million as at December 31, 2016 mainly due to short term portion receivable of $3.5 million from Accelerated Earn-in Agreement signed for the Gurupi Project on September 17, 2017. Working capital is net of $5.2 million in loans from Brazilian banks, which are renewed every six months, and are expected to be rolled forward.

Tonnes Processed and Average Grade, Gold Production

- Total processing was 190,000 tonnes in Q4 2017 (Q4 2016 – 237,000 tonnes) at an average head grade of 3.87 g/t (Q4 2016 – 3.61 g/t).
    - In Q4 2017, Turmalina Gold Mine ("Turmalina") processed 95,000 tonnes (Q4 2016 – 122,000 tonnes) at an average head grade of 4.41 g/t (Q4 2016 – 4.39 g/t).
    - Pilar Gold Mine ("Pilar") processed 81,000 tonnes in Q4 2017 (Q4 2016 – 84,000 tonnes) at an average head grade of 3.53 g/t (Q4 2016 – 3.11 g/t).
    - Roça Grande Mine ("RG") processed 14,000 tonnes in Q4 2017 (Q4 2016 – 31,000 tonnes) at an average head grade of 2.18 g/t (Q4 2016 – 1.93 g/t).
- Total processed for FY 2017 was 833,000 tonnes (average head grade of 3.47 g/t), as compared to 881,000 tonnes processed in the FY of 2016 (average head grade of 3.77 g/t).

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[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

- Consolidated gold production was 21,311 ounces in Q4 2017 compared to 25,407 ounces in Q4 2016. Consolidated gold production for FY 2017 was 84,152 ounces compared to 96,608 ounces for FY 2016 mainly due to ground control issues at Turmalina mine during the first half of 2017. Gold recovery of 90.7% in FY 2017 compared to 91.2% in FY 2016.
- Pilar production increased 22% from 27,848 ounces in FY 2016 compared to 34,017 ounces produced in FY 2017. Turmalina produced 12,245 and 45,467 ounces in Q4 2017 and FY 2017 compared to 16,101 and 63,260 ounces in Q4 2016 and FY 2016 respectively. 2017 boasts a record production level for Pilar mine.

Major Growth Exploration Initiative; Update on Pilar and Turmalina Mineral Resources and Reserves

- The Company completed 13,973 metres and 48,498 metres of definition, infill and exploration drilling during the three and 12 months ended December 31, 2017, respectively (Q4 2016 and FY 2016 – 9,914 metres and 37,860 metres respectively) focused on current orebody extensions at depth at both Turmalina and Pilar.
- Year-End 2017 Pilar Gold Mine Mineral Reserves and Mineral Resources Highlights:
    - Total Measured Resources increased 277% to 317,000 ounces of gold, net of depletion, grading 4.47 g/t. Total Measured and Indicated ("M&I") Resources increased 10% to 532,000 ounces of gold, grading 4.37 g/t.
    - Inferred Resources increased 104% to 433,000 ounces grading 5.69 g/t, reflecting successful growth exploration drilling campaign in 2017 targeting high-grade deeper extensions to the principle banded iron formation orebodies.
    - Proven and Probable ("2P") Mineral Reserves of 125,000 ounces of gold, grading 3.99 g/t reflecting two-year replacement of mineral reserve depletion through production and addition of new mineral reserves.
- Interim Year-End 2017 Turmalina Gold Mine Mineral Resources Highlights:
    - M&I Resources of 420,000 ounces of gold reflect full replacement of 45,000 ounces of 2017 mining depletion for Orebodies A, B, and C. Measured Resources increased 8% to 265,000 ounces with a 6% increase in grade to 5.7 g/t.
    - Inferred Resources increased 158% to 305,000 ounces of gold with a 14% increase in grade to 5.49 g/t, reflecting successful growth exploration drilling campaign in 2017 targeting high-grade deeper extensions to the orebodies.

2018 Guidance

Guidance for FY 2018 for Turmalina and Caeté Mining Complex ("CCA") Pilar and RG mines is as follows:

2018 Production & Guidance cost	Turmalina		CCA				Consolidated	
			Pilar		RG			
	Low	High	Low	High	Low	High	Low	High
Gold production (ounces)	50,000	57,000	39,200	47,000	800	1,000	90,000	105,000
Cash Operating Cost (US$/oz sold)	675	775	650	800	1,000	1,100	660	800
All-in sustaining cost (US$/oz sold)	900	1,000	900	1,050	1,050	1,200	920	1,100
Sustaining Capex (US$'000)	12,000	15,000	9,000	12,000	100	500	22,000	28,000
Development								
Primary waste (m)	2,200	2,800	2,000	2,600	N/A	N/A	4,500	5,400
Secondary ore (m)	1,800	2,100	1,000	1,150	N/A	N/A	3,000	3,500
Definition, infill and exploration drilling (m)	18,000	25,000	14,000	20,000	200	300	35,000	50,000

REVIEW OF OPERATING AND FINANCIAL RESULTS

Turmalina Gold Mine Complex

Turmalina Quarterly Production

($ thousands, except where indicated)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Tonnes of ore processed ('000)	**95,000**	107,000	112,000	113,000	122,000	128,000	124,000	128,000
Average head grade (g/t)[1]	**4.41**	3.10	3.37	3.79	4.39	4.36	4.10	4.29
Average recovery rate (%)	**91%**	91%	91%	91%	93%	92%	91%	90%
Gold (oz)								
Produced	**12,245**	9,616	10,870	12,736	16,101	16,304	15,083	15,772
Sold	**12,142**	9,082	10,815	13,536	16,024	15,945	15,035	16,635
Cash operating cost (per oz sold)[2]	**$ 646**	$ 749	$ 695	$ 738	$ 562	$ 528	$ 586	$ 590
All-in sustaining cost (per oz sold)[2]	**$ 784**	$ 993	$ 956	$ 903	$ 784	$ 730	$ 860	$ 780
Cash operating cost (R$ per tonne)[2]	**$ 268**	$ 201	$ 216	$ 278	$ 243	$ 214	$ 249	$ 299

[1] The 'average head grade' represents the recalculated head-grade milled.
[2] Cash operating costs, average realized cost and All-in sustaining costs are a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the fourth quarter of 2017, Turmalina produced 12,245 ounces of gold compared to 16,101 ounces in the corresponding 2016 period, a decrease of 24% or 3,856 ounces. The decrease in ounces produced was a result of a 22% decrease in the tonnes processed from 122,000 in Q4 2016 to 95,000 in Q4 2017. Mining activities in one section of Orebody A were interrupted during the first half of 2017 to conduct ground control rehabilitation work. During Q4 2017, the Company continued to increase the number of working areas in an effort to stabilize the mining cycles in order to have consistent gold production. This included increasing gold production from Orebody C while the mining cycle was normalized in Orebody A and until access to lower Orebody C containing higher grades could be established. The cash operating cost per ounce sold for the fourth quarter of 2017 increased by 15%, or $84 per ounce, as compared to the same period in 2016, but were significantly lower than the first half of 2017.

Turmalina Capital Expenditures

($ thousands)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Sustaining capital[1]				
Primary development	**$ 1,404**	$ 2,090	**$ 6,725**	$ 9,439
Brownfield exploration	**80**	360	**632**	866
Mine-site sustaining	**189**	1,107	**1,510**	3,751
Total sustaining capital[1]	**1,673**	3,557	**8,867**	14,056
Total non-sustaining capital[1]	**858**	1,186	**2,621**	2,972
Total capital expenditures	**$ 2,531**	$ 4,743	**$ 11,488**	$ 17,028

[1] Sustaining and non-sustaining capital are non-IFRS financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are in included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Primary development	**363**	483	**1,676**	2,985
Secondary development	**261**	466	**1,644**	2,620
Total development	**624**	949	**3,320**	5,605
Definition drilling	**228**	1,073	**1,606**	3,491
Infill drilling	**1,250**	2,136	**12,502**	9,933
Exploration drilling	**7,867**	1,914	**14,347**	4,224
Total definition, infill, and exploration drilling	**9,345**	5,123	**28,455**	17,648

Mining

Turmalina is an underground mine utilizing the sub-level stoping mining method with rockfill and historically paste fill, as well as some areas of the mine previously using mechanized cut and fill mining method. Ore produced at Turmalina is transported to the adjacent Carbon-In-Leach ("CIL") processing plant. In December 2017, Jaguar remobilized the development contractor Toniolo Busnello ("TBSA") to site to start high-speed development in the mine to recover the minimum of one full level ahead of the active mine. Jaguar will continue to develop into Levels 4 and 5 of Orebody C, which have shown grades equivalent to Orebody A.

During the second half of 2017, all efforts were made at Turmalina to manage overall cash costs even though the mine continued to struggle. Plans to manage cash costs have resulted in similar cash costs to those prior to the reduction in production experienced during 2017. The management of cash costs will continue through 2018. The fourth quarter results consisted of 95,573 tonnes mined at a feed grade of 4.40 g/t Au and produced 12,245 ounces. In December 34,887 tonnes were mined at a feed grade of 4.98 g/t Au, the highest feed grade since September 2009, to produce 4,925 ounces, which was the highest monthly ounce production in 2017. In December 2017, the Company reinitiated high-speed ramp development using an external contractor at Turmalina. During 2017, primary development was entirely insourced and carried out by the Jaguar team.

Processing

Ore produced at Turmalina is transported to the adjacent CIL processing plant. The Turmalina plant consists of three ball mills, of which primary grinding is done Mill #3, which was rebuilt and commissioned at the end of 2016, with an estimated installed capacity of 1,600 tonnes per day. Using only Mill #3, Turmalina was able to achieve the entire throughput of the plant with a lower operating cost, through electricity consumption savings, compared to using both Mills #1 and #2 in 2016. Mills #1 and #2 have been taken off-line for maintenance and are kept on standby mode with Mill #1 occasionally supplementing the capacity of Mill #3. During Q4 2017, the plant processed 95,000 tonnes at an average grade of 4.41 g/t compared to 122,000 tonnes at 4.39 g/t in Q4 2016. Overall, the processing plant maintained a recovery rate of 90.9% during Q4 2017, a slight decrease from the 92.5% recovery rate for Q4 2016.

In October 2017, the Turmalina Paste Fill plant re-build program was substantially completed and passed over to site operations and maintenance staff to complete the final connections and start commissioning. The new Schwing paste fill plant was connected to power, and the site automation team established communication to the Jaguar control room. The plant was connected and run through a series of commissioning tests in November and two issues were found that needed to be corrected for operation. Both the issues will be resolved by April 2018 when the plant will be ready to operate. Turmalina will recommence using paste fill as a backfill method when the plant is operational.

Turmalina Free Cash Flow[1]

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Turmalina Complex				
Revenue	**$ 15,512**	$ 19,311	**$ 57,266**	$ 78,857
Less cash operating costs	**7,843**	9,000	**32,152**	36,049
Less sustaining capital expenditures	**1,673**	3,557	**8,867**	14,056
Free Cash Flow	**$ 5,996**	$ 6,754	**$ 16,247**	$ 28,752

[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

Caeté Gold Mine Complex

Caeté Quarterly Production

($ thousands, except where indicated)	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Tonnes of ore processed (t)	**95,000**	106,000	104,000	101,000	115,000	103,000	93,000	68,000
Average head grade (g/t)[1]	**3.33**	3.62	2.97	3.17	2.79	3.17	3.30	2.83
Average recovery rate (%)	**89%**	90%	90%	91%	91%	91%	91%	90%
Gold (oz)								
Produced	**9,067**	11,164	8,899	9,556	9,307	9,479	9,139	5,425
Sold	**8,699**	11,339	7,638	10,498	9,085	9,372	8,935	6,246
Cash operating cost (per oz sold)[2]	**$ 883**	$ 856	$ 1,087	$ 1,165	$ 1,041	$ 842	$ 1,049	$ 1,146
All-in sustaining cost (per oz sold)[2]	**$ 1,252**	$ 1,068	$ 1,315	$ 1,526	$ 1,329	$ 1,180	$ 1,468	$ 1,442
Cash operating cost (R$ per tonne)[2]	**$ 256**	$ 290	$ 257	$ 381	$ 267	$ 249	$ 354	$ 411

[1] The 'average head grade' represents the recalculated head-grade milled.

[2] Cash operating costs, average realized cost and All-in sustaining costs are a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

The Caeté Mining Complex is composed of two underground mines (Pillar Mine and Roça Grande Mine) that utilize a combination of mechanized cut and fill and sub-level stope mining methods. Ore produced from these mines is transported to the 2,200 tonnes per day gravity, flotation and CIL treatment of flotation concentrate, processing plant adjacent to Roça Grande. Ore from Pilar is trucked a total distance of approximately 40 kilometres by road to the Caeté plant.

Caeté Complex Free Cash Flow[1]

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Caeté Complex				
Revenue	**$ 11,114**	$ 10,949	**$ 47,965**	$ 41,682
Less cash operating costs	**7,682**	9,460	**37,917**	33,883
Less sustaining capital expenditures	**3,213**	2,616	**11,173**	11,363
Free Cash Flow	**$ 219**	$ (1,127)	**$ (1,125)**	$ (3,564)

[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

Pilar Quarterly Production

($ thousands, except where indicated)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Tonnes of ore processed (t)	**81,000**	88,000	85,000	84,000	84,000	78,000	72,000	56,000
Average head grade (g/t)[1]	**3.53**	3.77	3.16	3.39	3.11	3.51	3.62	2.89
Average recovery rate (%)	**89%**	90%	90%	91%	91%	91%	91%	90%
Gold (oz)								
Produced	**8,156**	9,674	7,702	8,485	7,569	7,923	7,804	4,552
Sold	**7,880**	9,820	6,625	9,422	7,326	7,821	7,622	5,369
Cash operating cost (per oz sold)[2]	**$ 835**	$ 804	$ 1,033	$ 1,092	$ 942	$ 762	$ 958	$ 1,096
All-in sustaining cost (per oz sold)[2]	**$ 1,198**	$ 1,042	$ 1,235	$ 1,434	$ 1,287	$ 1,235	$ 1,382	$ 1,414
Cash operating cost (R$ per tonne)[2]	**$ 264**	$ 284	$ 259	$ 437	$ 271	$ 248	$ 356	$ 410

[1] The 'average head grade' represents the recalculated head-grade milled.

[2] Cash operating costs, average realized cost and All-in sustaining costs are a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the fourth quarter of 2017, Pilar produced 8,156 ounces of gold compared to 7,569 ounces in Q4 2016, an increase of 8% due to the net impact of a 14% increase in average head grade, slight decrease in recovery, and a 4% decrease in tonnes processed. Production increased 22% from FY 2017 to FY 2016 mainly as a result of a 17% increase in tonnes milled. Pilar has been using a specialized development contractor to advance primary development. The contractor also completed some secondary waste and ore development which, for 2017, is approximately equal to that done by Jaguar. As the primary ramp advances ahead, the amount of secondary ore development completed by the contractor is reducing.

The cash operating cost per ounce sold for Q4 2017 decreased 11% as compared to Q4 2016, primarily as a result of increase in average head grade higher.

Pilar Capital Expenditures

($ thousands, except where indicated)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Sustaining capital[1]				
Primary development	**$ 1,958**	$ 2,135	**$ 6,592**	$ 8,013
Brownfield exploration	**196**	134	**620**	699
Mine-site sustaining	**702**	258	**2,541**	1,427
Total sustaining capital[1]	**2,856**	2,527	**9,753**	10,139
Total non-sustaining capital[1]	**203**	189	**1,399**	345
Total capital expenditures	**$ 3,059**	$ 2,716	**$ 11,152**	$ 10,484

[1] Sustaining and non-sustaining capital are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are in included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Primary development	**475**	608	**1,634**	2,262
Secondary development	**416**	718	**2,124**	1,293
Total development	**891**	1,326	**3,758**	3,555
Definition drilling	**455**	473	**2,670**	1,275
Infill drilling	**2,431**	1,557	**6,863**	6,898
Exploration drilling	**1,252**	558	**9,266**	2,994
Total definition, infill, and exploration drilling	**4,138**	2,588	**18,799**	11,167

Mining

Based on the strong exploration drilling results and increased reserves and resources, primary and secondary development that had been suspended during Q4 2014 was resumed at Pilar during Q1 2016. A specialized development contractor arrived on site in March 2016 to accelerate the main ramp below Level 10 to open up additional resources. The contractor continued to assist with primary and secondary development at Pilar during 2017. Efforts have been made at Pilar to increase monthly production in a sustainable way and to lower overall cash costs. During the third quarter, a 33-tonne haul truck was added to the fleet at Pilar, replacing two older trucks, which improved equipment availability and lowered operating costs.

Mining improved at Pilar during 2017, producing 34,017 ounces – the highest production since 2013 – at an average feed grade of 3.46 g/t Au – the highest average feed grade in the life of the mine.

In December 2016, the main public road from Pilar to the Roça Grande mill was shut down due to a safety concern where the road transited Vale's Gongo Soco Pit. From December 2016 through June 2017, the ore from Pilar had been transported through various routes in order to deliver the ore to the mill. During this period, negotiations were held with landowners and the City of Caeté to acquire a right of way that would bypass communities and become the permanent road for ore transport. This new road was completed and has been operating since July 2017, providing a 40 kilometre one-way trip without passing through any areas of higher population. The renegotiated haulage costs and the new shorter road route for ore from the Pilar mine to the Caeté mill reduced cash operating costs by approximately $20–25 per ounce of gold sold.

Processing

During Q4 2017, the Caeté plant processed 81,000 tonnes from Pilar at an average grade of 3.53 g/t compared to 84,000 tonnes at 3.11 g/t in Q4 2016. Recovery for the quarter was 89.4%, which was lower than the Q4 2016 recovery of 90.8%.

<u>Pilar Free Cash Flow</u>[1]

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Pilar				
Revenue	**$ 10,068**	$ 8,829	**$ 42,403**	$ 34,866
Less cash operating costs	**6,582**	6,903	**31,619**	26,043
Less sustaining capital expenditures	**2,856**	2,527	**9,753**	10,139
Free Cash Flow	**$ 630**	$ (601)	**$ 1,031**	$ (1,316)

[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

Roça Grande Quarterly Production

($ thousands, except where indicated)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Tonnes of ore processed (t)	**14,000**	18,000	19,000	17,000	31,000	25,000	21,000	12,000
Average head grade (g/t)[1]	**2.18**	2.89	2.15	2.12	1.93	2.12	2.18	2.53
Average recovery rate (%)	**89%**	90%	90%	91%	91%	91%	91%	90%
Gold (oz)								
Produced	**911**	1,491	1,197	1,071	1,738	1,556	1,335	873
Sold	**819**	1,519	1,013	1,076	1,759	1,551	1,313	877
Cash operating cost (per oz sold)[2]	**$ 1,344**	$ 1,195	$ 1,439	$ 1,787	$ 1,454	$ 1,249	$ 1,578	$ 1,454
All-in sustaining cost (per oz sold)[2]	**$ 1,780**	$ 1,241	$ 1,842	$ 2,330	$ 1,504	$ 1,320	$ 1,961	$ 1,609
Cash operating cost (R$ per tonne)[2]	**$ 255**	$ 319	$ 247	$ 224	$ 272	$ 252	$ 346	$ 415

[1] The 'average head grade' represents the recalculated head-grade milled.

[2] Cash operating costs, average realized cost and All-in sustaining costs are a non-IFRS financial performance measure with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A.

During the fourth quarter of 2017, Roça Grande produced 911 ounces of gold compared to 1,738 ounces in the corresponding 2016 period, a decrease of 48% or 827 ounces. The cash operating cost per ounce sold for Q4 2017 decreased 8% compared to Q4 2016.

Roça Grande Capital Expenditures

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Sustaining capital[1]				
Primary development	**$ 346**	$ -	**$ 1,130**	$ 717
Brownfield exploration	**11**	69	**172**	387
Mine-site sustaining	**-**	20	**118**	120
Total sustaining capital[1]	**357**	89	**1,420**	1,224
Total non-sustaining capital[1]	**50**	-	**215**	47
Total capital expenditures	**$ 407**	$ 89	**$ 1,635**	$ 1,271

[1] Sustaining and non-sustaining capital are non-IFRS financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are in included in our calculation of all-in sustaining costs and all-in costs.

(metres)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Primary development	**70**	-	**264**	215
Secondary development	**-**	21	**201**	838
Total development	**70**	21	**465**	1,053
Definition drilling	**-**	-	**-**	-
Infill drilling	**-**	1,395	**557**	6,786
Exploration drilling	**490**	808	**686**	2,259
Total definition, infill, and exploration drilling	**490**	2,203	**1,243**	9,045

The Roça Grande mining activity has historically focused on surface exposures of gold deposits, where the orebody outcropped. The outcrops were mined using open-pit mining techniques, with exploration focused solely on the immediate down-dip projection of gold mineralization, and minimal exploration along strike between the outcrops. At the start of June 2017, underground staff was reduced from four crews working three shifts per day seven days a week, to two crews working two shifts from Monday through Friday.

During Q4 2017, the Caeté plant processed 14,000 tonnes from Roça Grande compared to 31,000 tonnes in Q4 2016. Recovery for the quarter was 89.4%, which was lower than the Q4 2016 recovery of 90.8%. A total of 4,668 ounces of gold were produced for the year. Due to lack of future reserves and lower grade, in March 2018, the Company made the decision to put RG mine on care & maintenance.

Roça Grande Free Cash Flow[1]

	2017	2016	2017	2016
RG				
Revenue	**$ 1,046**	$ 2,120	**$ 5,562**	$ 6,816
Less cash operating costs	**1,101**	2,557	**6,297**	7,840
Less sustaining capital expenditures	**357**	89	**1,420**	1,224
Free Cash Flow	**$ (412)**	$ (526)	**$ (2,155)**	$ (2,248)

[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

CONSOLIDATED FINANCIAL RESULTS

Quarterly Financial Review[1]

($ thousands, except where indicated)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	**$ 26,626**	$ 26,062	$ 23,352	$ 29,192	**$ 30,261**	$ 33,618	$ 29,996	$ 26,664
Cost of sales (excluding depreciation)[2]	**(15,526)**	(16,116)	(15,990)	(21,508)	**(19,355)**	(16,191)	(17,887)	(17,579)
Gross profit (excluding depreciation)[2]	**11,100**	9,946	7,362	7,684	**10,906**	17,427	12,109	9,085
Net income (loss)	**16,034**	(7,664)	(3,323)	(7,877)	**(9,280)**	(31,648)	(26,866)	(15,001)
Cash flows from operating activities	**5,387**	7,509	216	1,855	**8,467**	9,353	10,435	9,526
Total assets	**183,679**	177,806	182,399	181,242	**192,788**	189,779	189,554	184,996
Total liabilities	**65,293**	75,591	72,671	74,330	**78,454**	131,618	139,665	108,349
Working Capital	**14,132**	23,171	9,561	3,052	**11,332**	2,650	892	(1,044)
Total Debt	**17,525**	19,997	24,299	21,340	**22,590**	77,786	85,849	61,343
Average realized gold price (per oz.)[2]	**$ 1,278**	$ 1,276	$ 1,266	$ 1,215	**$ 1,205**	$ 1,328	$ 1,251	$ 1,165
Cash operating cost (per oz. sold)[2]	**$ 745**	$ 809	$ 857	$ 924	**$ 735**	$ 645	$ 758	$ 742

[1] Sum of all the quarters may not add up to the annual total due to rounding.

[2] Average realized gold price, gross margin (excluding depreciation) and cash operating costs are all non-IFRS financial performance measures with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

The relative strength in the global gold market positively impacted the Company's revenue in Q4 2017. However, the impact was partially offset by the 8% strengthening of the Brazilian Real as compared to the US Dollar in FY 2017 compared to FY 2016.

Current assets decreased $3.1 million as at December 31, 2017, compared to December 31, 2016, primarily as a result of the decrease in cash. Current liabilities decreased $5.9 million as at December 31, 2017, compared to December 31, 2016, due to a decrease in notes payable, accounts payable and accrued liabilities. Non-current liabilities decreased $5.9 million as at December 31, 2017, compared to December 31, 2016, resulting from decreases in notes payable, reclamation provisions and other taxes payable.

Revenue

($ thousands, except where indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	Change	**2017**	2016	Change
Revenue	**$ 26,626**	$ 30,261	(12%)	**$ 105,231**	$ 120,539	(13%)
Ounces sold	**20,841**	25,110	(17%)	**83,750**	97,277	(14%)
Average realized gold price[1]	**$ 1,278**	$ 1,205	6%	**$ 1,256**	$ 1,239	1%

[1] Average realized gold price is a non-IFRS financial performance measure with no standard definition under IFRS. For further information, refer to the Non-IFRS Financial Performance Measures section of the MD&A.

Revenue for the fourth quarter of 2017 decreased 12% compared to the same period in 2016, primarily as a result of a 17% decrease in ounces sold. The market price of gold is a primary driver of our profitability and our ability to generate free cash flow. During the three months ended December 31, 2017, the market price of gold (London PM Fix) traded in a range of $1,241–$1,303, averaged $1,276 per ounce, and closed at $1,291 per ounce on December 31, 2017. The average market price during the fourth quarter of 2017 was higher compared to the average market price of $1,257 per ounce for the fourth quarter of 2016.

Production

A total of 190,000 tonnes were processed in Q4 2017 (Q4 2016 – 237,000 tonnes) at an average head grade of 3.87 g/t (Q4 2016 – 3.61 g/t), a 7% increase in average head grade compared to the same period in 2016. Total production for FY 2017 was 833,000 tonnes (average head grade of 3.47 g/t), as compared to 881,000 tonnes processed in the FY of 2016 (average head grade of 3.77 g/t).

Consolidated Production Costs

($ thousands, except where indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	Change	**2017**	2016	Change
Direct mining and processing cost	**$ 14,569**	$ 17,531	(17%)	**$ 65,026**	$ 65,174	(0%)
Mining	**8,265**	10,936	(24%)	**39,803**	40,317	(1%)
Processing	**6,304**	6,595	(4%)	**25,223**	24,857	1%
Royalties, production taxes and others	**957**	1,824	(48%)	**4,114**	5,838	(30%)
Royalty expense and CFEM taxes	**895**	879	2%	**3,169**	3,844	(18%)
NRV adjustment and others	**62**	945	(93%)	**945**	1,994	(53%)
Total operating expenses	**$ 15,526**	$ 19,355	(20%)	**$ 69,140**	$ 71,012	(3%)
Depreciation	**5,302**	10,153	(48%)	**22,572**	35,752	(37%)
Total cost of sales	**$ 20,828**	$ 29,508	(29%)	**$ 91,712**	$ 106,764	(14%)

Total operating expenses remained relatively the same at $69.1 million in the year ended December 31, 2017, compared to $71.0 million in 2016, primarily as a result of cost-cutting measures and the lower tonnage. The decrease in the depreciation expense is a result of a change in the basis for the calculation of depreciation for Turmalina by utilizing Measured and Indicated Mineral Resources compared to the prior period for which the basis was Proven and Probable Mineral Reserves. This change in accounting estimate was made in Q1 2017 to ensure depreciation reflects Management's best estimate of the useful life of Turmalina.

Operating Expenses

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	Change	**2017**	2016	Change
Changes to legal and recoverable tax provisions	**$ 840**	$ 587	43%	**$ 3,653**	$ (7,635)	(148%)
General and administration expenses	**2,407**	2,523	(5%)	**10,144**	10,137	0%
Exploration and evaluation costs	**84**	300	(72%)	**769**	349	120%
Care & maintenance costs (Paciência mine)	**287**	334	(14%)	**1,282**	1,096	17%
Stock-based compensation	**140**	189	(26%)	**991**	538	84%
Amortization	**42**	826	(95%)	**239**	869	(72%)
Impairment reversal[1]	**(20,008)**	-	(100%)	**(14,830)**	-	(100%)
Impairment charges	**-**	1,095	(100%)	**-**	1,095	(100%)
Other operating expenses	**848**	1,524	(44%)	**3,262**	2,425	35%
Total operating expenses	**$ (15,360)**	$ 7,378	(308%)	**$ 5,510**	$ 8,874	(38%)

[1] The impairment reversal of $20.0 million in Q4 2017, is a result of the impairment reversal of $14.8 million, and the reclassification of the impairment charge of $5.2 million relating to the Gurupi sale.

Operational Excellence Programs

Jaguar initiated a Mining for Excellence (M4Exc) initiative at all its operations along with an external consulting Brazilian firm. The key to success is to build culture from mine to management where everyone can understand and seek excellence. The ultimate goal is aligning everyone at Jaguar to deliver results and growth in a sustainable and safe way to improve long-term production, embedding the continuous improvement from the shop floor to the management team.

By evaluating current processes and establishing its place in the value chain, KPIs were mapped and transformed data into information, bottlenecks were identified in order to implement Excellence Teams (multifunctional teams with aligned goals and financial impact defined) driven by a systematic routine follow-up. Jaguar's teams have been trained, on the Plan, Due, Check and Act Methodology (PDAC) to help implement and monitor the program. Efficiency initiatives at CCA and MTL are yielding tangible results, even breaking records, such as increasing fandrill efficiency, increasing the average tons hauled per trip to surface. Controlling the day-to-day routine, the program affects everyone at the company.

Care & Maintenance Costs – Paciência Gold Complex

The Paciência Gold Complex remained on care and maintenance during the fourth quarter of 2017. No gold has been produced since the fourth quarter of 2012 when the mine was put on care and maintenance. No underground development or drilling work was carried out by the Company at Paciência during the FY 2017. The complex has been secured and the facilities are preserved and patrolled. A limited maintenance staff turns the mills and equipment on a monthly basis to maintain the plant in working order.

General and Administration Expenses

The general and administration ("G&A") expenses exclude mine-site administrative costs which are charged directly to operations and include legal, accounting, costs to maintain offices and personnel in Belo Horizonte, Brazil and Toronto, Canada, and other corporate costs associated with being a publicly-traded company.

($ thousands)	Three months ended December 31,					Twelve months ended December 31,				
	2017		2016		Change	2017		2016		Change
Director's fees	$	130	$	89	46%	$	417	$	423	(1%)
Audit related and insurance		189		204	(7%)		770		632	22%
Corporate office (Toronto)		443		592	(25%)		2,548		3,425	(26%)
Belo Horizonte office		1,645		1,638	0%		6,409		5,657	13%
Total G&A expenses	$	2,407	$	2,523	(5%)	$	10,144	$	10,137	0%

For the 12 months ended December 31, 2017, the total G&A expenses were almost the same compared to the same period in 2016. Costs associated with the Belo Horizonte office were 13% higher in in the 12 months ended in December 31, 2017, partially due to the strengthening of the Brazilian Real. Costs for the corporate office in Toronto were 26% lower in FY 2017 compared to FY 2016 due to cost cutting measures. Management will continue its cost reduction focus for both Toronto and Belo Horizonte corporate office expenses.

Changes to Legal and Recoverable Taxes Provisions

($ thousands)	Three months ended December 31,					Twelve months ended December 31,				
	2017		2016		Change	2017		2016		Change
Changes to legal provisions	$	(402)	$	1,126	(136%)	$	1,418	$	(6,014)	(124%)
Changes to recoverable taxes provision		1,242		(539)	(330%)		2,235		(1,621)	(238%)
Changes to legal and recoverable taxes provisions	$	840	$	587	43%	$	3,653	$	(7,635)	(148%)

Legal Provisions

As at December 31, 2017, there were 438 employee-initiated active lawsuits (December 31, 2016 – 472) against the Company, largely related to disputed wages. Based on Management's assessment of the likelihood of loss related to 301 lawsuits (December 31, 2016 – 385), the Company has recorded approximately $9.4 million as labour legal provisions, with $4.1 million classified as a current liability as at December 31, 2017 (December 31, 2016 – $11.2 million and $4.9 million, respectively).

During Q1 2016, Management in conjunction with external counsel, revised its estimate in regards to the labour litigation provisions in order for the provision to be more representative of the likelihood of loss. The change in estimates was derived from applying certain probability factors to the potential loss claim amounts based on the stage of each lawsuit.

During Q4 2017, 32 new lawsuits were initiated. The Company paid approximately $293,000 in appeal deposits and escrow payments, $385,000 in settlement instalments, and $28,000 for other costs such as social security, income tax, legal fees, and expert fees. The total amount spent in Q4 2017 was $704,000 compared to $993,000 in Q4 2016.

Recoverable Taxes Provision

As at December 31, 2017, gross recoverable taxes which are primarily denominated in Brazilian Reais, but also includes Canadian HST recoverable of $1.7 million, amounted to $22.5 million (December 31, 2016 – $27.3 million). As at December 31, 2017, the provision for recoverable taxes was approximately $7.3 million (December 31, 2016 – $5.2 million). Consequently, the net book value of recoverable taxes as at December 31, 2017 was $15.2 million (December 31, 2016 – $22.1 million).

Certain taxes paid in Brazil on consumables and property, plant, and equipment generate tax credits through various mechanisms. The Company is currently working on several initiatives to ensure optimum utilization of those tax credits, which include assessment of the tax credits for offset against taxes otherwise payable and restitution in cash.

The Company recorded a provision against its recoverable taxes to reduce the net carrying amount of value added taxes and other taxes to their estimated recoverable value. As at December 31, 2016, the provision was recorded based on historical losses on tax credits and their estimated present value based on the timing of expected recovery, discounted at a rate of 9.38% (Brazilian Central Bank's estimated Selic rate).

The Company continues to pursue approval of Federal Value Added Tax ("VAT") input tax credits with respect to the years 2008 to 2011. As a result of these ongoing efforts, during Q1 2016, the Company obtained a VAT cash refund of approximately $1 million (R$3.5 million) relating to the MSOL legal entity. In July 2016, the Company initiated a lawsuit to obtain a court order to force the tax authority to review the Company's remaining tax credits for MSOL with respect to the years 2008 to 2011. By the end of November 2016, the tax authority reviewed the Company's claim, partially recognizing its tax credits. Although the tax credits were partially recognized, the Company will continue to challenge the tax authority's review by appealing its results.

ICMS is a type of value added tax which can either be sold to other companies (usually at a discount rate of 15–35%) or be used to purchase specified machinery and equipment, as subject to approval by government authority. The ICMS credits can only be realized in the state where they were generated; in the case of Jaguar, this is in the state of Minas Gerais, Brazil. In April 2017, the Company received approval from the state to be able to sell R$14.6 million (approximately $4.6 million) of its gross ICMS tax credits related to MTL to third parties, of which the Company sold a total of R$9.5 million gross ICMS tax credits during the 12 months ended December 31, 2017. On February 5, 2018, Jaguar received a judgment in its favour from the tax court of Canada relating to HST refunds claimed for the period October 1, 2013 to December 31, 2015. Jaguar has received approximately $1.7 million (approximately C$2.2M) in refunds relating to the aforementioned periods in March 2018.

Impairment

The Turmalina, Caeté, and Paciência projects are each cash generating units ("CGUs"), which include property, plant and equipment, mineral rights, deferred exploration costs, and asset retirement obligations net of amortization. The CGUs also include mineral exploration project assets relating to properties not in production such as mineral rights and deferred exploration costs. A CGU is generally an individual operating mine or development project.

During the year ended December 31, 2017, the Company identified increases in the reserves and resource bases of the Pilar and Turmalina gold mines, resulting in an extension of the life of mine ("LOM"), as an indicator of a potential reversal to an impairment recognized against carrying value for the year ended December 31, 2017.

Consequently, the Company performed an assessment to determine the recoverable amount of its mine operations for a potential impairment reversal by comparing the carrying value of the Turmalina and Caeté projects to the recoverable amount. The recoverable amount was determined to be the fair value less costs to dispose ("FVLCD") and the Company's estimate of the FVLCD is classified as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

The significant assumptions used in determining the recoverable amount of the project were LOM production profiles, future gold prices, reserves and resources, discount rates, foreign exchange rates, and capital expenditures. LOM plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs and capital expenditures. The Company bases its future gold price estimate with reference to forward prices and industry analyst consensus.

Pilar

The estimates of future cash flows were derived from the most recent LOM plans which extend to 2025 for Pilar. For the determination of the impairment reversal, a gold price estimate of $1,300 was used for 2018, and $1,350 for 2019 and beyond. A discount rate of 10.1% was used to present value the estimated future cash flows from the operation. The assessment indicated that the discounted cash flows of the Caeté project exceeded the carrying value of the project as at December 31, 2017, and consequently an impairment reversal of $14.8 million was recorded. The impairment reversal for the year ended December 31, 2017 was allocated as follows: $13.4 million to property, plant and equipment and $1.4 million to mineral exploration projects.

Roça Grande

As at December 31, 2016, the Company identified the negative operating cash flows for Roça Grande as an indicator of impairment for the Caeté complex. The Company concluded that the carrying value of Roça Grande in the Caeté CGU should be $nil based on RG's negative operating cash flows and consequently recorded an impairment charge of $1.1 million for the year ended December 31, 2016. As at December 31, 2017, the net book value of the Roça Grande mining property was zero and there were no indicators of potential reversal of impairment identified.

In Q1 2018, the Company has made the difficult decision to temporarily suspend production at Roça Grande Mine, and will commence a growth exploration program in the area. Over the last few years, work has been focused on mining the end of the known resource on the orebodies RG01 and RG07 while infill drilling continued to expand the resources. Due to these conditions, production has decreased resulting in significantly increased cash costs at unsustainable levels above the average realized gold price.

The Company has planned to commence a broader Regional Growth Exploration program in order to get a complete understanding of all the orebodies in the region, which will allow management to properly plan the restart of mining with sufficient reserves and resources to be financially viable. The Company has been successful in acquiring concessions around RG (see press release June 21, 2017), bringing total concession to 1,000 hectares. This concession includes areas where there has already been underground mining work on RG01 and RG07 orebodies, and open pit mining on RG 02E, RG 02W, RG03, RG05 and RG06 orebodies. The licensed area contains a number of strategic exploration targets including the highly prospective Morro da Mina target, which forms part of the Banded Iron Formation ("BIF") continuity running through the concession hosting the mineralization that makes up the RG complex.

Non-Operating Expenses (Recoveries)

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	Change	**2017**	2016	Change
Foreign exchange loss (gain)	**$ (1,103)**	$ 68	(1722%)	**$ (478)**	$ 2,816	(117%)
Financial instruments loss	**-**	292	(100%)	**(327)**	76,321	(100%)
Finance costs	**1,541**	840	83%	**5,593**	5,310	5%
Loss on disposal of mineral exploration properties	**4,902**	-	100%	**4,902**	-	100%
Other non-operating expenses (recoveries)	**(224)**	957	(123%)	**(148)**	1,056	(114%)
Non-operating expenses	**$ 5,116**	$ 2,157	137%	**$ 9,542**	$ 85,503	(89%)

During the three and 12 months ended December 31, 2017, finance costs mainly represent interest on debt and accretion expense.

Sprott Facility

On June 9, 2017, the Company entered into an agreement with Sprott Resource Lending (referred as "Sprott Facility") for an additional tranche of totalling $5.0 million ("Tranche 2"). Tranche 2 of the Sprott Facility is payable over a term of 36 months, in equal monthly repayments of principal, plus interest, with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR or 1.25% per annum. In consideration for the structuring and syndication of Tranche 2, the Company has made a cash payment to Sprott Lending for legal fees. In consideration for providing the financing commitment, the Company has issued an aggregate of 375,000 common shares of Jaguar to Sprott Resource Lending and to Natural Resource Income Investing Limited Partnership.

The Company incurred transaction costs totalling $246,000 to obtain Tranche 2 of the Sprott Facility, which includes legal fees, transaction fees, listing fees, and common share issuance (valued at $116,000). All transaction costs, other than the common shares, were measured and recorded at the amount paid as it represents fair value.

The Sprott Facility is a financial liability, under IAS 32, and was initially measured at fair value and subsequently measured at amortized cost using the effective interest method. During the three and 12 months ended December 31, 2017, $105,000 and $428,000 respectively was recorded as finance costs in the annual consolidated statements of operations and comprehensive loss related to the accretion of the transaction costs (three and 12 months ended December 31, 2016 - $66,000). During the three and 12 months ended December 31, 2017, and in accordance with the terms of the Sprott Facility, the Company made principal repayments of $1.4 million and $5.0 million respectively ($667,000 respectively during the three and 12 months ended December 31, 2016), and interest payments of $214,000 and $827,000 respectively ($117,000 respectively during the three and 12 months ended December 31, 2016).

The Sprott Facility is provided by security agreements comprising the Company's and MSOL's present and future assets, the shares of MSOL and a loan guarantee by MSOL. The Sprott Facility requires, among other things, that the Company adhere to specific financial covenants, such as maintaining a minimum of $5 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending waived the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017, through June 29, 2017, and the Company was in compliance with the Sprott Facility covenants as at period end. To the date of this MD&A, Jaguar has repaid $7.1 million of principal from the Sprott Facility and $7.9 million remains outstanding as at December 31, 2017.

Taxes

Brazilian Taxes

Brazilian tax regulation involves three jurisdictions and tax collection levels: Federal, State and Municipal. The main taxes levied are: corporate income tax with companies generally subject to income tax at a rate of 25%, social contribution tax on the net profit at a current rate of 9%, and VAT taxes at a rate of 9.25% for PIS/CONFINS and 12–18% for ICMS.

Government Royalty

In July 2017, an executive decree was published increasing the Brazilian royalty that is levied on gold sales, Compensação Financeira pela Exploração de Recursos Minerais ("CFEM"), from 1% to 1.5% effective November 1, 2017. The decree also outlines a change in the methodology for calculating the royalty from being calculated on gross revenue less refining charges and insurance, as well as any applicable sales taxes, to being calculated on gross revenue only.

Income and Deferred Taxes Expenses

($ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2017	2016	Change	**2017**	2016	Change
Current income tax expense	**$ 8**	$ 486	(98%)	**$ 1,297**	$ 4,721	(73%)
Deferred income tax expense (recovery)	**-**	12	(100%)	**-**	(2,528)	(100%)
Income tax expense	**$ 8**	$ 498	(98%)	**$ 1,297**	$ 2,193	(41%)

The income tax provision is subject to a number of factors, including the allocation of income between different countries, different tax rates in various jurisdictions, the non-recognition of tax assets, foreign currency exchange rate movements, changes in tax laws and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors as discussed above, it is expected that the Company's effective tax rate will fluctuate in future periods. In Q4 2017, the current income tax expense primarily consisted of the Social Contribution on Net Income ("CSLL") tax expense.

REVIEW OF FINANCIAL CONDITION

Outstanding Debt

Total debt outstanding as at December 31, 2017, was $17.5 million (of which $9 million was the amortized cost of the Sprott Facility), compared to $22.6 million as at December 31, 2016 (of which $8.8 million was the amortized cost of the Sprott Facility).

Liquidity and Cash Flow

The Company had a working capital of $14.1 million as at December 31, 2017 ($11.3 million as at December 31, 2016). Working capital as at December 31, 2017, is net of $5.2 million in loans from Brazilian banks ($10.3 million as at December 31, 2016), which mature every six months and are expected to continue to be rolled forward. The Company is in compliance with the financial covenants related to the Sprott Facility that require the Company to maintain a minimum of $5 million unrestricted cash and cash equivalents and positive working capital computed monthly.

	December 31, 2017	December 31, 2016
Cash and cash equivalents	**$ 18,628**	$ 26,304
Non-cash working capital		
Other current assets:		
Restricted cash	**2,926**	2,420
Inventory	**12,257**	12,615
Recoverable taxes	**10,848**	9,509
Other accounts receivable	**3,576**	690
Prepaid expenses and advances	**1,241**	1,017
Current liabilities:		
Accounts payable and accrued liabilities	**(17,896)**	(19,879)
Notes payable	**(12,385)**	(15,173)
Other provisions and liabilities	**(4,069)**	(4,869)
Other current liabilities	**(994)**	(1,302)
Working capital[1]	**$ 14,132**	$ 11,332

The use of funds during the three and 12 months ended December 31, 2017, is outlined below:

($ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Cash generated from operating activities	**$ 5,387**	$ 8,467	**$ 14,968**	$ 37,781
Investing activities				
Capital expenditures on equipment and brownfield exploration				
Mineral exploration projects	**$ (223)**	$ (289)	**$ (416)**	$ (1,622)
Purchase of property, plant and equipment	**(4,813)**	(7,508)	**(23,494)**	(28,202)
Proceeds from disposition of property, plant and equipment	**208**	519	**514**	542
Proceeds from disposition of mineral exploration projects	**2,000**	-	**4,200**	-
Cash used in investing activities	**$ (2,828)**	$ (7,278)	**$ (19,196)**	$ (29,282)
Financing activities				
Net change in debts	**$ (2,750)**	$ 7,989	**$ (6,840)**	$ 5,689
Interest paid	**(90)**	(338)	**(1,571)**	(3,076)
Deferred share units redeemed	**0**	-	**-**	(41)
Other	**-**	395	**5,775**	395
Cash provided by financing activities	**$ (2,840)**	$ 8,046	**$ (2,636)**	$ 2,967
Effect of exchange rate	**(335)**	(211)	**(812)**	(481)
Increase in cash and equivalents	**$ (616)**	$ 9,024	**$ (7,676)**	$ 10,985

The $22.8 million decrease in operating cash flows for FY 2017 compared to FY 2016 is primarily due to the increase in cash operating costs and the decrease in the ounces sold. The $2 million and $4.2 million in cash provided by investing activities in Q4 2017 and FY 2017 respectively relates to the Accelerated Earn-In Agreement between the Company and Avanco.

A summary of capital spending is outlined below:

($ thousands)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Sustaining capital[1]				
Primary development	**$ 3,708**	$ 4,226	**$ 14,446**	$ 18,170
Brownfield exploration	**287**	563	**1,424**	1,952
Mine-site sustaining				
Engineering	**79**	138	**373**	1,819
Equipment	**811**	1,245	**3,796**	3,478
Total sustaining capital	**4,885**	6,172	**20,039**	25,419
Non-sustaining capital (including capital projects)[1]				
Gurupi	**-**	273	**348**	922
Turmalina	**858**	1,186	**2,621**	2,972
Caete	**253**	189	**1,613**	392
Others	**-**	-	**-**	143
Total non-sustaining capital[1]	**1,111**	1,648	**4,582**	4,429
Total capital expenditures	**$ 5,996**	$ 7,820	**$ 24,621**	$ 29,848

[1] Sustaining and non-sustaining capital are non-IFRS financial measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

Annual Review – Three Year Financial Summary

($ thousands, except per share amounts)	2017	2016	2015	Change 2017 vs 2016	Change 2016 vs 2015
Revenue	**$ 105,231**	$ 120,539	$ 106,513	$ (15,308)	$ 14,026
Gross profit (loss)	**13,519**	13,775	22,667	(256)	(8,892)
Net (loss) income	**(2,830)**	(82,795)	(11,212)	79,965	(71,583)
Basic (loss) income per share	**(0.01)**	(0.50)	(0.10)	0.49	(0.40)
Diluted (loss) income per share	**(0.01)**	(0.50)	(0.10)	0.49	(0.40)
Current assets	**49,476**	52,555	34,468	(3,079)	18,087
Non-current assets	**134,203**	140,233	148,941	(6,030)	(8,708)
Total assets	**183,679**	192,788	183,409	(9,109)	9,379
Current liabilities	**35,344**	41,223	32,489	(5,879)	8,734
Non-current liabilities	**29,949**	37,231	58,135	(7,282)	(20,904)
Total liabilities	**65,293**	78,454	90,624	(13,161)	(12,170)

Current assets decreased $3.1 million as at December 31, 2017 compared to December 31, 2016, driven primarily by a $7.7 million decrease in Cash and cash equivalents, offset by a $3.5 million increase in Other accounts receivable considering the royalty interest receivable from Avanco. The decrease in Cash and cash equivalents is attributed to a $2.6 million outflow in 2017 financing activities as the Company repaid its high interest-bearing debt in favour of reducing its ongoing finance costs, a $19.2 million outflow in capital investment activities, offset by a $15.0 million inflow in cash generated from operating activities.

Contractual Obligations and Commitments

The Company's contractual obligations as at December 31, 2017, are summarized as follows:

($ thousands, except where indicated)	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Notes payable					
Principal					
Bank indebtedness[1]	$ 5,176	$ -	$ -	$ -	**$ 5,176**
Capital leasing obligations	1,083	1,113	-	-	**2,196**
Vale note	750	750	-	-	**1,500**
Sprott Facility[2]	5,667	3,694	-	-	**9,361**
Interest	769	285	-	-	**1,054**
Total financial liabilities	$ 13,445	$ 5,842	$ -	$ -	**$ 19,287**
Other Commitments					
Operating lease agreements	$ 52	$ -	$ -	$ -	**$ 52**
Suppliers' agreements[3,4]	795	-	-	-	**795**
Other provisions and liabilities	4,069	7,296	-	-	**11,365**
Reclamation provisions[5]	542	7,886	1,837	11,933	**22,198**
Total other commitments	$ 5,458	$ 15,182	$ 1,837	$ 11,933	**$ 34,410**
Total	**$ 18,903**	**$ 21,024**	**$ 1,837**	**$ 11,933**	**$ 53,697**

[1] Bank indebtedness represents the principal on Brazilian bank loans that are renewed every six months.

[2] Amounts payable as at December 31, 2017.

[3] Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls and other spares.The Company has the contractual right to cancel the mine operation contracts with 30 days advance notice. The amount included in the commitments table represents the contractual amount due within 30 days.

[4] Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls and other spares.

[5] Reclamation provisions - amounts presented in the table represent the undiscounted uninflated future payments for the expected cost of reclamation.

CAPITAL STRUCTURE

The capital structure of the Company as at December 31, 2017 is outlined below:

All amounts in $ thousands, except number of common shares		As at December 31, 2017
Bank indebtedness	$	5,176
Capital leasing obligations		1,944
Vale note		1,380
Sprott Facility		9,025
Total debt	**$**	**17,525**
Less: cash and cash equivalents		(18,628)
Total net debt[1]	**$**	**(1,103)**
Number of common shares outstanding		325.1 million

[1] Net debt is a Non-IFRS Performance Measure and is defined as total indebtedness excluding unamortized transaction costs and premiums or discounts associated with debt, less cash and cash equivalents. Net debt provides a measure of indebtedness in excess of the current cash available. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt.

OFF-BALANCE SHEET ITEMS

The Company does not have any off-balance sheet investment or debt arrangements.

RELATED PARTY TRANSACTIONS

The Company incurred legal fees from Azevedo Sette Advogados (“ASA”), a law firm where Luis Miraglia, a director of Jaguar, is a partner. Fees paid to ASA are recorded at the exchange amount, representing the amount agreed to by the parties and included in general and administrative expenses in the consolidated statements of operations and comprehensive loss. Legal fees paid to ASA were $131,000 for the year ended December 31, 2017 ($128,000 for the year ended December 31, 2016).

On November 7, 2016 and on June 9, 2017, the Company entered into two secured loan facilities with Sprott Private Resource Lending (Collector) LP, which is an indirectly wholly-owned subsidiary of Sprott Inc., of which the Chairman is Mr. Eric Sprott. Mr. Sprott is a shareholder and held approximately 21.9% of the common shares of the Company as at December 31, 2017 (2016 – 19%). Refer to Note 11(d) for further information regarding the facilities.

DEVELOPMENT AND EXPLORATION PROJECTS

Development Project - Gurupi

Avanco – Gurupi Project Earn-In Agreement

On October 4, 2016, the Company announced that it entered into an earn-in agreement with Avanco Resources Limited (“Avanco”), pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project. On September 17, 2017, Jaguar and Avanco agreed to a revised, accelerated earn-in agreement with Avanco, pursuant to which Avanco will earn up to a 100% ownership interest in the Gurupi Project after meeting some short-term milestones and making a series of payments to Jaguar.

Main Terms of the Revised Accelerated Earn-in Agreement

Upon the satisfactory completion of certain closing conditions, the agreement provides Avanco with the right to acquire 100% of Jaguar’s interest in the Gurupi Project by paying to Jaguar an aggregate cash payment of $4 million in two installments of $2 million each ($2.0 million, due immediately upon signature; $2.0 million, due immediately upon transfer of ownership) and committing to a net smelter royalty due to Jaguar. Jaguar received an initial aggregate cash payment of $4 million, in two installments of $2 million each in September and October 2017. The Company expects to collect the additional $5 million from Avanco in a series of 10 instalments of $500,000 during fiscal years 2018 and 2019, starting in the month in which Avanco receives “clear title and access” to the project.

Within 24 months of the initial $4 million payment, Avanco will arrange to have published an Australian Joint Ore Reserve Committee (JORC) code compliant technical report regarding the Project with mineral reserves in excess of 500,000 ounces of gold. Any delay in this milestone will result in a project delay fee payable to Jaguar of $250,000 per six months of delayed period. Within 60 months of the initial $4 million payment, Avanco will aim to commission the Gurupi mine and plant. Any delay in this commissioning milestone will result in a separate project delay fee payable to Jaguar of $250,000 per six months of delayed period.

Consistent with the original earn-in agreement, Jaguar will retain a life of mine Net Smelter Return (“NSR”) royalty (“Royalty”) from production at Gurupi. The Royalty will be 1% NSR on the first 500,000 ounces of gold or gold ounce equivalents sold; 2% NSR on sales from 500,001 to 1,500,000 ounces of gold or gold ounce equivalents; and 1% NSR on gold sales exceeding 1,500,000 ounces of gold or gold ounce equivalents.

Greenfield Exploration

Jaguar currently holds approximately 64,000 hectares of mineral rights. New mining legislation in Brazil has been tabled and the outcome of any mining law reform is, as of yet, unknown. The Company intends to assess its holdings in due course, to establish a disposition plan of certain assets in the context of any change to holding cost, which is currently minimal.

Apart from properties in relatively close proximity to the existing mining operations, the only significant greenfield asset within the exploration portfolio is the Pedra Branca target where good grade surface expressions were identified by mapping and channel samples and have led to some 8,000 metres of exploration drilling to date. Due to prior financial constraints, this prospect has remained dormant but offers opportunity for further exploration should funds be available.

Pedra Branca Project

The Pedra Branca Project is located in the State of Ceará in northeastern Brazil and is currently comprised of 18 exploration licences, totalling 34,855 hectares covering a 38-kilometre section of a regional shear zone. Final exploration reports and a Preliminary Economic Analysis ("PEA") have been delivered to DNPM for three of these licences. The concessions are located in and around municipal areas with good infrastructure. The mineralized structures are open along strike with potential for significant gold mineralization.

Further work on the Pedra Branca Project has been delayed as the Company focuses its efforts on the Turmalina and Caeté operations. Consequently, the Company made only those expenditures required to maintain the claims and land tenure in good standing. The Pedra Branca Project is 100% owned by Jaguar. Based on the acquisition agreement of the project entered into with Glencore Xstrata plc. ("Glencore"), Glencore holds rights to a NSR of 1% on future gold production and rights of first refusal on any Base Metal Dominant Deposit (as defined in the amendment) discovered which, if exercised, would allow Glencore to hold 70% of equity in a newly formed legal entity to hold such rights upon payment of 300% of the Company's exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

QUALIFIED PERSON

Scientific and technical information contained in this MD&A have been reviewed and approved by Jonathan Victor Hill, BSc (Hons) (Economic Geology - UCT), Senior Expert Advisor Geology and Exploration to the Jaguar Mining Management Committee, who is also an employee of Jaguar Mining Inc., and is a "qualified person" as defined by National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("NI 43-101").

OUTSTANDING SHARE DATA

The following are the issued and outstanding common shares and numbers of shares issuable under share-based compensation, warrants, and convertible debentures:

	As at March 28, 2018
Issued and outstanding common shares	325,115,403
Stock options	10,686,248
Deferred share units	5,148,964
Finder's warrants	3,073,411
Total	**344,024,026**

NON-IFRS PERFORMANCE MEASURES

The Company has included the following non-IFRS performance measures: cash operating costs per tonne of ore processed, cash operating costs per ounce of gold sold, all-in sustaining costs per ounce of gold sold, cash operating margin per ounce of gold sold, all-in sustaining margin per ounce sold, adjusted operating cash flow, free cash flow, earnings before tax, depreciation and amortization ("EBITDA"), adjusted Working Capital, and adjusted EBITDA in this document. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies.

The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company's performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. More specifically, Management believes that these figures are a useful indicator to investors and management of a mine's performance as they provide: (i) a measure of the mine's cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of performance to allow for comparison against other mines. The definitions of these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are outlined below.

Reconciliation of Cash Operating Costs, All-In Sustaining Costs, All-In Costs per Ounce Sold

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Operating expenses (per note 17 of the consolidated FS)	**$ 15,526**	$ 19,355	**$ 69,140**	$ 71,012
Cost adjustment[1]	**-**	(895)	**930**	(1,080)
Adjusted operating expenses	**15,526**	18,460	**70,070**	69,932
General & administration expenses	**2,407**	2,523	**10,144**	10,137
Corporate stock-based compensation	**140**	189	**991**	538
Sustaining capital expenditures	**4,885**	6,172	**20,039**	25,419
All-in sustaining cash costs	**22,958**	27,344	**101,244**	106,026
Reclamation - accretion (operating sites)	**50**	222	**257**	892
All-in sustaining costs	**$ 23,008**	$ 27,566	**$ 101,501**	$ 106,918
Non-sustaining capital expenditures	**1,111**	1,648	**4,582**	4,429
Exploration and evaluation costs (greenfield)	**84**	300	**769**	349
Reclamation - accretion (non-operating sites)	**66**	72	**112**	749
Care and maintenance (non-operating sites)	**287**	334	**1,282**	1,096
All-in costs	**$ 24,556**	$ 29,920	**$ 108,246**	$ 113,541
Ounces of gold sold	**20,841**	25,110	**83,750**	97,277
Cash operating costs per ounce sold	**$ 745**	$ 735	**$ 837**	$ 719
All-in sustaining costs per ounce sold	**$ 1,104**	$ 1,098	**$ 1,212**	$ 1,099
All-in costs per ounce sold	**$ 1,178**	$ 1,192	**$ 1,292**	$ 1,167
Average realized gold price	**$ 1,278**	$ 1,205	**$ 1,256**	$ 1,239
Cash operating margin per ounce sold	**$ 533**	$ 470	**$ 419**	$ 520
All-in sustaining margin per ounce sold	**$ 174**	$ 107	**$ 44**	$ 140

[1] Cost adjustment includes any unusual items recorded during the quarter that do not relate to the current quarter's cost of sales or are non-cash items.

Reconciliation of Cash Operating Costs, All-In Sustaining Costs per Ounce Sold by Mine Complex/Site

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Turmalina Complex				
Operating costs	**$ 7,843**	$ 9,000	**$ 32,152**	$ 36,049
Sustaining capital expenditures	**1,673**	3,557	**8,867**	14,056
All-in sustaining costs[1]	**$ 9,516**	$ 12,557	**$ 41,019**	$ 50,105
Ounces of gold sold	**12,142**	16,024	**45,575**	63,639
Cash operating costs per ounce sold[1]	**$ 646**	$ 562	**$ 705**	$ 566
All-in sustaining cost per ounce sold[1,2]	**$ 784**	$ 784	**$ 900**	$ 787
Caeté Complex				
Operating costs	**$ 7,682**	$ 9,460	**$ 37,917**	$ 33,883
Sustaining capital expenditures	**3,213**	2,616	**11,173**	11,363
All-in sustaining costs[1]	**$ 10,895**	$ 12,076	**$ 49,090**	$ 45,246
Ounces of gold sold	**8,699**	9,085	**38,174**	33,638
Cash operating costs per ounce sold[1]	**$ 883**	$ 1,041	**$ 993**	$ 1,007
All-in sustaining cost per ounce sold[1,2]	**$ 1,252**	$ 1,329	**$ 1,286**	$ 1,345
Pilar Mine				
Operating costs	**$ 6,582**	$ 6,903	**$ 31,619**	$ 26,043
Sustaining capital expenditures	**2,856**	2,527	**9,753**	10,139
All-in sustaining costs[1]	**$ 9,438**	$ 9,430	**$ 41,372**	$ 36,182
Ounces of gold sold	**7,880**	7,326	**33,747**	28,138
Cash operating costs per ounce sold[1]	**$ 835**	$ 942	**$ 937**	$ 926
All-in sustaining cost per ounce sold[1,2]	**$ 1,198**	$ 1,287	**$ 1,226**	$ 1,286
RG Mine				
Operating costs	**$ 1,101**	$ 2,557	**$ 6,297**	$ 7,840
Sustaining capital expenditures	**357**	89	**1,420**	1,224
All-in sustaining costs[1]	**$ 1,458**	$ 2,646	**$ 7,717**	$ 9,064
Ounces of gold sold	**819**	1,759	**4,427**	5,500
Cash operating costs per ounce sold[1]	**$ 1,344**	$ 1,454	**$ 1,422**	$ 1,425
All-in sustaining cost per ounce sold[1,2]	**$ 1,780**	$ 1,504	**$ 1,743**	$ 1,648

[1] Results of individual mines may not add up to the consolidated numbers due to rounding.

individual mines may not add up to the consolidated numbers due to rounding.

[2] The AISC calculation by mine site does not include allocation of Corporate (Toronto and Belo Office G&A).

Reconciliation of Free Cash Flow

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Cash generated from operating activities	**$ 5,387**	$ 8,467	**$ 14,968**	$ 37,781
Sustaining capital expenditures	**(4,885)**	(6,172)	**(20,039)**	(25,418)
Free cash flow	**$ 502**	$ 2,295	**$ (5,071)**	$ 12,363
Ounces of gold sold	**20,841**	25,110	**83,750**	97,277
Free cash flow per ounce sold	**$ 24**	$ 91	**$ (61)**	$ 127

Reconciliation of Net Loss to EBITDA and Adjusted EBITDA

($ thousands, except where indicated)	Three months ended December 31,		Twelve months ended December 31,	
	2017	2016	**2017**	2016
Net (loss) income	**$ 16,034**	$ (9,280)	**$ (2,830)**	$ (82,795)
Income tax expense (recovery)	**8**	498	**1,297**	2,193
Finance costs	**1,541**	840	**5,593**	5,310
Depreciation and amortization	**5,344**	10,979	**22,811**	36,621
EBITDA	**$ 22,927**	$ 3,037	**$ 26,871**	$ (38,671)
Impairment charges	**(20,008)**	1,095	**(14,830)**	1,095
Loss on disposal of subsidiary	**4,902**	-	**4,902**	-
Changes to legal provisions and recoverable VAT	**840**	587	**3,653**	(7,635)
Foreign exchange loss (gain)	**(1,103)**	68	**(478)**	2,816
Stock-based compensation	**140**	189	**991**	538
Inventory write-down	**-**	1,080	**929**	2,184
Financial instruments loss	**-**	292	**(327)**	76,321
Adjusted EBITDA	**$ 7,698**	$ 6,348	**$ 21,711**	$ 36,648

[1] This is a non-GAAP financial performance measures with no standard definition under IFRS.

RISKS AND UNCERTAINTIES

The business of the Company involves significant risk due to the nature of mining, exploration, and development activities. Certain risk factors are related to the mining industry in general while others are specific to Jaguar. The Company's exposure to risks and other uncertainties are particularly described in the Company's Annual Information Form for the year ended December 31, 2016, filed on SEDAR under the profile of Jaguar Mining Inc. Such risk factors could materially affect the future operating results of the Company and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

Further exploration on, and development of, the Company's properties, will require additional capital. In addition, a positive production decision on any of the Company's development projects would require significant capital for project engineering and construction. Accordingly, the continuing development of the Company's properties will depend upon the Company's ability to either generate sufficient funds internally or to obtain financing through the joint venturing of projects, debt financing, equity financing or other means.

The financial covenants related to the Sprott Facility require the Company to maintain a minimum of $5 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending waived the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017, through June 29, 2017.

The Company's principal operations and mineral properties are located in Brazil. There are additional business and financial risks inherent in doing business in Brazil as compared to the United States or Canada. Since 1996, Transparency International has published the "Corruption Perceptions Index" ("CPI") annually ranking countries by their perceived levels of corruption, as determined by expert assessments and opinion surveys. The CPI ranks countries on a scale from 100 (very clean) to 0 (high corrupt). In 2016 and out of 176 countries in the World, Canada was ranked 9th with CPI score of 82, the United States was ranked 18th with a CPI score of 74, and Brazil was ranked 79th with a CPI score of 40. For North and South America, the average score on the 2016 Corruption Perceptions Index was 44 out of 100. Anything below 50 indicates governments are failing to tackle corruption and it represents a challenge in those countries requiring extra attention by those who conduct business there.

Corruption does not only occur with the misuse of public, government or regulatory powers, it also can occur in businesses' supplies, inputs and procurement functions (such as illicit rebates, kickbacks and dubious vendor relationships) as well as the inventory and product sales functions (such as inventory shrinkage or skimming). Employees as well as external parties (such as suppliers, distributors and contractors) have opportunities to commit procurement fraud and other wrongs against the Company. While corruption, bribery and fraud risks can never be fully eliminated, the Company reviews and implements controls to reduce the likelihood of these irregularities occurring.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the annual consolidated financial statements in conformity with IFRS requires Management to make estimates, judgments, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain estimates, such as those related to the assessment of recoverability of the carrying amount of property, plant, equipment and mineral exploration projects, valuation of recoverable taxes, deferred tax assets and liabilities, reclamation provisions, derivatives, liabilities associated with certain long-term incentive plans, measurement of inventory, provisions for legal actions and contingencies, and disclosure of contingent assets and liabilities depend on subjective or complex judgments about matters that may be uncertain. Changes in these estimates could materially impact the Company's annual consolidated financial statements.

The critical accounting estimates, judgments, and assumptions applied in the preparation of the Company's annual consolidated financial statements for 12 months ended December 31, 2017, are consistent with those applied and disclosed in the audited annual consolidated financial statements for the year ended December 31, 2016, except for a change in the unit of production depreciation.

Unit of Production Depreciation

As of January 1, 2017, the Company changed the accounting estimates used to depreciate the Turmalina's mining properties and mineral exploration projects on a unit-of-production basis from using the expected amount of recoverable reserves to the use of the expected amount of recoverable mineral resources. The change in accounting estimate was made to ensure depreciation reflects management's best estimate of the useful life of Turmalina and has been accounted for on a prospective basis. Due to the annual updating of recoverable mineral resources, it is impracticable to estimate the impact of the change in future periods.

Fair value measurement of Net Smelter Royalties

In Q4 2017, the Company executed an Accelerated Earn-In Agreement through which it holds entitlement to a net smelter royalty from Avanco over the Gurupi Project. In determining the fair value of a net smelter royalty agreement, the Company estimates the amount and timing for future cash flows based on a set of key assumptions surrounding the underlying mining project and subsequently discounts such cash flows to net present value. Management's critical estimates include but are not limited to: (i) an average gold price throughout the life of mine, and (ii) a discount rate.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies applied in these annual audited consolidated financial statements are consistent with those used in the Company's audited annual consolidated financial statements for the year ended December 31, 2016, except for the following:

- IAS 12 Income Taxes ("IAS 12"), amended by the International Accounting Standards Board ("IASB") that was effective and adopted as of January 1, 2017 – In January 2016, the IASB issued amendments to IAS 12. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no impact on the Company's annual consolidated financial statements upon adoption of this standard.

The following are recent pronouncements approved by the IASB that are pending adoption:

- IFRS 2 Share-based Payment ("IFRS 2") – In June 2016, the IASB issued amendments to IFRS 2, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has completed its assessment of the impact of the new standard on its future financial statements. The assessment included a review of its share-based payments and anticipated form of settlement. The Company concluded that the adoption of the new standard will not give rise to any material changes to the Company's consolidated financial statements.
- IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company has completed its assessment of the impact of IFRS 9 on its future financial statements. The assessment included a review of its financial assets, financial liabilities, and financial instruments requiring hedge accounting. The Company concluded that the adoption of the new standard will not give rise to any material changes to the Company's consolidated financial statements.
- IFRS 15 Revenue from Contracts with Customers ("IFRS 15") – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company has completed its assessment of the impact of the new standard on its future financial statements. The process has included a review of all material contracts as well as the nature and type of the Company's revenue streams. This assessment also included identifying the contract with the customer, the separate performance obligations contained therein, and the basis for determining and allocating transaction price to such performance obligations. The adoption of the new standard will not give rise to any material changes to the Company's consolidated financial statements.
- IFRS 16 Leases ("IFRS 16") – In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The impact of IFRS 16 on the Company's consolidated financial statements has not yet been determined.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22") – In December 2016 the IASB issued IFRIC 22. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company completed its assessment of IFRIC 22 and its impacts on its future financial statements. The assessment

included a review of the nature of its advance transactions. The Company concluded that the adoption of the new standard will not give rise to any material changes to the Company's consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23") – On June 2017, the IASB issued IFRIC 23. The interpretation seeks to bring clarity to the accounting for income tax that have yet to be accepted by tax authorities and provides requirements, in addition to the requirements in IAS 12 Income Taxes, by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The impact of IFRIC 23 on the Company's consolidated financial statements has not yet been determined.

These new standards have not been applied in preparing the consolidated financial statements, however, they may impact future periods.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), as appropriate to permit timely decisions regarding public disclosure.

The Company's Management, including the CEO and CFO, has as at December 31, 2017, designed Disclosure Controls and Procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made known to them by others, particularly during the period in which the interim filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The Company's Management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by Management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2017, that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's Management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. This forward-looking information includes, but is not limited to, statements concerning the Company's future objectives, Measured and Indicated Mineral Resources, Proven and Probable Mineral Reserves, their average grade, the commencement period of production, cash operating costs per ounce and completion dates of feasibility studies, gold production and sales targets, capital expenditure costs, future profitability and growth in mineral reserves. Forward-looking information can be identified by the use of words such as "are expected," "is forecast," "is targeted," "approximately," "plans," "anticipates," "projects," "anticipates," "continue," "estimate," "believe" or variations of such words and phrases or statements that certain actions, events or results "may," "could," "would," "might," or "will" be taken, occur or be achieved. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results or performance to be materially different from any future results or performance expressed or implied by the forward-looking information. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating gold prices and monetary exchange rates, the possibility of project delays and cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, uncertainties related to production rates, timing of production and the cash and total costs of production, changes in applicable laws including laws related to mining development, environmental protection, and the protection of the health and safety of mine workers, the availability of labour and equipment, the possibility of civil insurrection, labour strikes and work stoppages and changes in general economic conditions. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those contained in forward-looking information, there may be other factors that could cause actions, events or results to differ from those anticipated, estimated or intended.

This forward-looking information represents the Company's views as of the date of this MD&A. The Company anticipates that subsequent events and developments may cause the Company's views to change. The Company does not undertake to update any forward-looking information, either written or oral, that may be made from time to time by, or on behalf of the Company, subsequent to the date of this discussion, other than as required by law. For a discussion of important factors affecting the Company, including fluctuations in the price of gold and exchange rates, uncertainty in the calculation of mineral resources, competition, uncertainty concerning geological conditions and governmental regulations and assumptions underlying the Company's forward-looking information, see "CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS" and "RISK FACTORS" in the Company's Annual Information Form for the year ended December 31, 2017 that can be accessed under the profile of Jaguar Mining Inc. on SEDAR at www.sedar.com. Further information about the Company is available on its corporate website at www.jaguarmining.com.