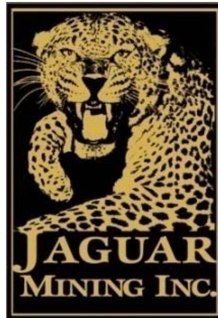

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

TABLE OF CONTENTS

OUR BUSINESS 2
Q3 2016 FINANCIAL & OPERATING HIGHLIGHTS 3
OUTLOOK 6
BACKGROUND 7
REVIEW OF OPERATING AND FINANCIAL RESULTS 7
CONSOLIDATED FINANCIAL RESULTS 14
REVIEW OF FINANCIAL CONDITION 20
CAPITAL STRUCTURE 23
OFF-BALANCE SHEET ITEMS 24
RELATED PARTY TRANSACTIONS 24
HEALTH, SAFETY, AND ENVIRONMENT 24
LITIGATION AND CONTINGENCIES 25
DEVELOPMENT AND EXPLORATION PROJECTS 25
SPECIAL COMMITTEE 27
QUALIFIED PERSON 28
OUTSTANDING SHARE DATA 28
NON-IFRS PERFORMANCE MEASURES 29
RISKS AND UNCERTAINTIES 31
CRITICAL ACCOUNTING ESTIMATES 31
CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION 32
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING 32
CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS 33

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2016

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 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 November 7, 2016.

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
YTD 2016	January 1, 2016 – September 30, 2016	**YTD 2015**	January 1, 2015 – September 30, 2015
Q1 2016	January 1, 2016 – March 31, 2016	**Q1 2015**	January 1, 2015 – March 31, 2015
Q2 2016	April 1, 2016 – June 30, 2016	**Q2 2015**	April 1, 2015 – June 30, 2015
Q3 2016	July 1, 2016 – September 30, 2016	**Q3 2015**	July 1, 2015 – September 30, 2015

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 ("Mineração Turmalina Ltda" or "MTL") and Caeté Gold Mine Complex ("Mineração Serras do Oeste Ltda" or "MSOL") which combined produce more than 90,000 ounces of gold annually. The MSOL legal entity also owns the Paciência Gold Mine Complex, 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 25,000 hectares, proximal 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, more than 131,000 hectares of mineral concessions in the State of Maranhão, where the Company's Gurupi Project is located, and approximately 35,000 hectares in the State of Ceará, where the Company's Pedra Branca Project is located, provide significant future upside potential. On October 4, 2016, the Company announced that it has 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. The Company may consider the acquisition, exploration, development, and operation of other gold properties.

Q3 2016 FINANCIAL & OPERATING HIGHLIGHTS

($ thousands, except where indicated)	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
Financial Data				
Revenue	**$ 33,618**	$ 28,126	**$ 90,278**	$ 79,692
Operating costs	**16,191**	17,892	**51,657**	54,833
Depreciation	**9,509**	3,254	**25,599**	12,891
Gross margin	**7,918**	6,980	**13,022**	11,968
Gross margin (excluding depreciation)[1]	**17,427**	10,234	**38,621**	24,859
Loss on change in fair value of notes payable	**31,672**	-	**77,616**	(3)
Net (loss) income	**(31,648)**	4,445	**(73,515)**	(12,884)
Per share ("EPS")	**(0.22)**	0.04	**(0.60)**	(0.12)
EBITDA[1]	**(17,802)**	12,020	**(41,710)**	10,374
Adjusted EBITDA[1,2]	**14,394**	6,415	**30,298**	13,757
Adjusted EBITDA per share[1]	**0.10**	0.06	**0.25**	0.12
Cash operating costs (per ounce sold)[1]	**645**	711	**713**	800
All-in sustaining costs (per ounce sold)[1]	**1,011**	970	**1,091**	1,100
Average realized gold price (per ounce)[1]	**1,328**	1,118	**1,251**	1,162
Cash generated from operating activities	**9,353**	3,670	**29,314**	17,485
Free cash flow[1]	**2,972**	(543)	**9,055**	(1,531)
Sustaining capital expenditures[1]	**6,370**	4,213	**19,246**	11,638
Non-sustaining capital expenditures[1]	**1,152**	139	**2,781**	1,291
Total capital expenditures	**7,522**	4,352	**22,027**	12,929

[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, Adjusted EBITDA per share, and gross margin (excluding depreciation) 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.

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
Operating Data				
Gold produced (ounces)	**25,782**	25,235	**71,202**	67,253
Gold sold (ounces)	**25,317**	25,160	**72,167**	68,572
Primary development (metres)	**1,353**	1,152	**4,371**	2,810
Secondary development (metres)	**1,182**	718	**3,545**	1,490
Definition, infill, and exploration drilling (metres)	**6,749**	9,096	**28,126**	29,480

Financial Highlights

Revenue, Net Income (Loss), and External Factors

- Gold ounces sold for the three and nine months ended September 30, 2016 were 25,317 and 72,167 ounces, respectively, compared with 25,160 and 68,572 ounces sold for the comparative 2015 periods.
- Revenue for Q3 2016 increased 20% to $33.6 million, compared with $28.1 million in Q3 2015, due to a 19% year-over-year increase in the average realized gold price to $1,328 in Q3 2016 compared with $1,118 in Q3 2015, and a 1% increase in ounces sold.
- Net loss for the nine months ended September 30, 2016 was impacted negatively due to the change in the fair value of the convertible debentures ($77.6 million) based on the significant increase in the share price from December 31, 2015 to September 30, 2016, which was partially offset by a decrease in the labour litigation provision amounting to $7.4 million primarily due to a change in the estimate in the first quarter of 2016. Adjusted EBITDA (excluding non-cash items) for Q3 2016 was $14.4 million compared to $6.4 million for Q3 2015, while adjusted EBITDA for the first nine months of 2016 was $30.3 million compared to $13.8 million for the first nine months of 2015.
- In Q3 2016, holders of a total of $7.6 million convertible debentures elected to convert their debentures into common shares of the Company. On October 5, 2016, the Company issued a notice of redemption to holders of the outstanding debentures. As set out in the notice of redemption, the outstanding debentures would be redeemed as of November 8, 2016 (the "Redemption Date") upon payment of 120% of the principal amount and all accrued and unpaid interest to but excluding the Redemption Date. Subsequent to September 30, 2016, the remaining outstanding $13.9 million of the principal amount of the debentures were converted into 121,926,583 common shares. The Company has significantly strengthened its balance sheet with the elimination of its senior secured debt and savings of $0.6 million per quarter in interest payments.
- The average exchange rate during Q3 2016 was R$3.25 per US dollar compared to R$3.54 per US dollar in Q3 2015. The closing exchange rate as at September 30, 2016 was R$3.25 per US dollar compared to R$3.90 per US dollar as at December 31, 2015.

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

- Cash operating costs decreased 9% to $645 per ounce of gold sold in Q3 2016, compared to $711 per ounce during Q3 2015, and have decreased 11% to $713 per ounce on a year-to-date basis.
- AISC increased 4% to $1,011 per ounce of gold sold in Q3 2016, compared to $970 per ounce sold during Q3 2015, largely as a result of a 51% increase in sustaining capital expenditures.
- In Q3 2016, sustaining capital expenditures totaled $6.4 million and focused on increasing primary development and exploration drilling across all three mines compared to $4.2 million in Q3 2015.
- Operating cash flow (excluding cash tax refunds) was $9.4 million for Q3 2016, compared to $3.7 million in Q3 2015. For YTD 2016, operating cash flow (excluding cash tax refunds) was $28.3 million compared to $10.1 million for YTD 2015.
- Free cash flow was $3.0 million for Q3 2016 based on operating cash flow (excluding cash tax refunds) less total capital expenditures, compared to negative $0.5 million in Q3 2015.

Cash Position, Working Capital, TSX Listing, and Secured Loan Facility

- As at September 30, 2016, the Company had a cash position of $17.3 million, an increase of $2.0 million over cash of $15.3 million as at December 31, 2015.
- Working capital was $2.7 million as at September 30, 2016 compared to $2.0 million as at December 31, 2015, including increased capital spending including YTD increases of 56% in primary development and 138% in secondary development.
- On August 3, 2016, the Company's common shares and senior secured convertible debentures commenced trading on the Toronto Stock Exchange ("TSX") and were delisted from the TSX Venture Exchange; an important step in the evolution of the Company by providing more visibility and a broader base of retail and institutional shareholders.
- On November 7, 2016, the Company entered into an Agreement (the "Agreement") with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for a secured loan facility (the "Facility") totaling $10 million to fund accelerated growth exploration initiatives.

Operational Highlights

Strong Gold Production, Recovery, and Primary and Secondary Development

- Consolidated gold production increased 2% to 25,782 ounces in Q3 2016 compared to 25,235 ounces in Q3 2015 and is on track to achieve or exceed 2016 full year guidance of 90,000 to 95,000 ounces of gold production.
- Gold recovery increased to 91.3% in Q3 2016 compared to 89.9% in Q3 2015 due to continuous improvement projects initiated at both plants.
- Turmalina produced 16,304 ounces of gold in Q3 2016, up 17%, with average grade of 4.36 g/t, down 9% compared to Q3 2015. In the first nine months of 2016, Turmalina has produced 47,158 ounces, an increase of 30% over the first nine months of 2015.
- The Company completed 1,353 metres of primary development during Q3 2016, an increase of 17% over 1,152 metres in Q3 2015, and has completed a total of 4,371 metres in the first nine months of 2016, an increase of 56% compared to 2,808 metres in the first nine months of 2015.
- The Company also completed 1,182 metres of secondary development during Q3 2016 (Q3 2015 – 718 metres), for a total of 3,545 metres in the first nine months of 2016, an increase of 138% over 1,491 metres in the first nine months of 2015, to increase the number of available underground working areas across all mines.

Improving Consolidated Grades

- Consolidated average head grade of 3.83 g/t in Q3 2016 was comparable to 3.90 g/t in Q3 2015, and has improved 9% to 3.86 g/t in the first nine months of 2016 compared to 3.53 g/t in the comparative 2015 period.
- Total processing was 231,000 tonnes in Q3 2016 (Q3 2015 – 223,000 tonnes) at an average head grade of 3.83 g/t (Q3 2015 – 3.90 g/t).
    - In Q3 2016, Turmalina processed 128,000 tonnes (Q3 2015 – 101,000 tonnes) at an average head grade of 4.36 g/t (Q3 2015 – 4.77 g/t).
    - Caeté processed 103,000 tonnes in Q3 2016 (Q3 2015 – 122,000 tonnes) at an average head grade of 3.17 g/t (Q3 2015 – 3.17 g/t).
- Total processing for YTD 2016 was 644,000 tonnes, a 2% decrease from 659,000 tonnes processed for YTD 2015.

Positive Drill Results at Turmalina and Pilar; Major Growth Exploration Initiative; Gurupi Earn-in Agreement

- On July 13, 2016, the Company announced multiple high-grade drill intercepts generated from 46 infill drill holes (7,310 metres from a total of a 7,842 metre program) designed to test the current indicated and inferred resource envelope of Orebody A at Turmalina.
    - Significant drill intercepts include 21.66 g/t Au over 8.48 metres (estimated true width (“ETW”) – 7.1 metres), 18.26 g/t Au over 8.39 metres (ETW – 5.9 metres), and 12.87 g/t Au over 20.70 metres (ETW – 17.5 metres), including 29.48 g/t Au over 6.64 metres (ETW – 5.6 metres) and 22.24 g/t Au over 2.94 metres (ETW – 2.5 metres).
- On September 26, 2016, the Company announced positive drill results generated from 40 underground diamond drill holes from a 5,369 metre drill program designed to test the current resource envelope and to test the down-plunge extensions of the Pilar ore bodies.
    - Significant drill intercepts include 17.40 g/t Au over 6.80 metres (estimated true width (“ETW”) – 6.46 metres), 7.73 g/t Au over 16.35 metres (ETW – 15.52 metres), 24.19 g/t Au over 5.65 metres (ETW – 4.46 metres), 23.95 g/t Au over 4.00 metres (ETW – 3.35 metres), and 9.05 g/t Au over 7.90 metres (ETW – 6.24 metres).
- The Company completed 6,749 metres of definition, infill, and exploration drilling during Q3 2016 (Q3 2015 – 11,416 metres) focused on key targets at Turmalina and Caeté, for a total of 28,127 metres of drilling in the first nine months of 2016, a decrease of 5% over 29,478 metres in the first nine months of 2015.
- On October 27, 2016, Jaguar announced the commencement of a major growth capital investment program primarily focused on increasing identified mineral resources at its core assets and the discovery of new resources near existing infrastructure at its operating mines. The expanded growth exploration program, starting in Q4 2016, includes approximately 31,000 metres of diamond drilling, including approximately 15,000 metres drilling down-plunge continuities of ore bodies A and C at Turmalina and BFII and BF at Pilar, and approximately 8.500 metres of surface diamond drilling to test the high priority Pacheca and Cubas targets in the vicinity of Pilar and other advanced targets.
- On October 4, 2016, the Company announced that it has 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.

OUTLOOK

Looking ahead, the Company continues to be focused on safely delivering positive and sustainable operational performance, profitability, and cost optimization. The Company has established the following strategic initiatives that are expected to create significant shareholder value:

- **Safe and Sustainable Physical Results:** Safely delivering on the near-term mine plans to drive positive physical results and ensure a sustainable production performance.

- **Cost Reduction and Optimization:** Developing a value-driven culture that will identify and eliminate waste, lower costs, and improve productivities with the end goal of creating and delivering results. Cost control measures will be reviewed and implemented across the operations to centralize and streamline various functions company-wide.

- **Generating Positive Cash Flow:** Operations are focused on generating cash flow, after sustaining capital, with mine plans focused on achieving the right amount of tonnes, at the right grade and with exploration programs that ensure sustainability. Management is focused on expanding operational excellence programs and developing a value-driven culture to increase operating cash flow.

- **Strategic Investment:** Investment in exploration and development will be prioritized to targets that increase the mineral reserve base around the operating assets and build confidence in our mine plans in the near to medium term. Expanding brownfield exploration programs to grow organically and take advantage of the underutilized processing capacity currently installed.

- **Divesting of Non-Core Assets:** Reviewing opportunities to divest non-core assets and land positions across all sites to minimize carrying costs of these assets.

2016 Guidance

The following is the Company's production and cost guidance for 2016, with the consolidated results for the nine months ended September 30, 2016:

	Turmalina Complex		Caeté Complex		Consolidated		
	Low	High	Low	High	Low	High	YTD Actual
Gold production (ounces)	62,000	65,000	28,000	30,000	90,000	95,000	71,201
Cash operating costs (per ounce sold)[1]	600	650	925	975	700	750	713
All-in sustaining costs (per ounce sold)[1]	850	900	1,150	1,200	950	1,000	1,091
Recovery	90%	90%	90%	90%	90%	90%	91%
Development							
Primary (metres)	3,000	3,300	1,700	1,900	4,700	5,200	4,371
Secondary (metres)	3,200	3,400	2,500	2,700	5,700	6,100	3,545
Definition, infill, and exploration drilling (metres)	18,000	20,000	10,000	12,000	28,000	32,000	28,126

[1] Cash operating costs and all-in sustaining costs are non-gaap financial performance measures with no standard definition under IFRS. Refer to the Non-IFRS Financial Performance Measures section of the MD&A. 2016 cost guidance has been prepared on the basis of a foreign exchange rate of 3.8 Brazilian Reias vs. the US dollar and a gold price of US$1,150 per ounce.

Jaguar believes that it will achieve its 2016 annual production guidance based on the consolidated year-to-date production of 71,201 ounces and forecasts for Q4 2016. The Company also expects to achieve the low end of its guidance for consolidated cash operating costs of $700 to $750 per ounce sold, with cash operating costs of $713 per ounce sold for the first nine months of 2016. For the nine months ended September 30, 2016, consolidated AISC of $1,091 per ounce sold is higher than the Company's annual guidance of $950 to $1,000 per ounce sold due to sustaining capital expenditures of $19.2 million for the first nine months of 2016. The Company expects consolidated AISC to decrease in the fourth quarter of 2016.

BACKGROUND

Jaguar is a junior gold producer focused on the operation and development of gold assets in Brazil. The Company has two operating units being the Turmalina and Caeté Gold Mine Complexes. The Paciência Gold Mine Complex, comprised of one processing facility and mine, is on care and maintenance. Additionally, on October 4, 2016, the Company 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 development project. The Company holds mineral rights over approximately 191,000 hectares.

On December 16, 2015, Mr. Rodney Lamond was appointed as Chief Executive Officer. Prior to becoming the CEO of Jaguar, Mr. Lamond was a board director of Jaguar. Mr. Lamond is a Professional Mining Engineer who brings more than 27 years of mining experience and has held senior management positions overseeing or stationed at operations in Peru, Chile, Honduras, Mexico, USA, Canada, and Australia. From 2013 to 2015, Mr. Lamond was the President and Chief Executive Officer of Crocodile Gold Corp. before the July 2015 business combination of Crocodile Gold Corp. and Newmarket Gold Inc.

On June 24, 2016, Mr. Hashim Ahmed was appointed as Chief Financial Officer after serving as Interim Chief Financial Officer of Jaguar since February 2016. Mr. Ahmed joined the Company in August 2014 and has previously served as Jaguar's Vice President of Finance.

On October 11, 2016, the Company announced the appointment of Mr. Bob Gill as Vice President, Operations. Mr. Gill has over 30 years of expertise in the design and operation of international and domestic, open pit and underground, base metal and gold mines. Prior to joining the Company, he held the position of Principal Engineer and Study Manager with AMEC Americas Limited Mining Division, where he managed prefeasibility studies and PEA's, including being the project manager on the Galore Creek prefeasibility study.

Management believes there is excellent potential to decrease the operating cost profile of Jaguar in a reasonable timeframe; however, success is dependent on the prudent deployment of capital spending to advance drilling and development ahead of operations. Management's belief is supported by confidence in the geological endowment of the Company's existing land positions surrounding its current mining operations.

The Company is focused on optimizing existing mining operations through increasing confidence in the geological models to deliver positive and sustainable operational and financial performance. Over time and through exploration, the Company will focus on prudently increasing production and taking advantage of the underutilized processing capacity currently installed.

REVIEW OF OPERATING AND FINANCIAL RESULTS

Turmalina Gold Mine Complex

Turmalina Quarterly Production

($ thousands, except where indicated)	**Q3 2016**	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Tonnes of ore processed ('000)	**128,000**	124,000	128,000	100,000	101,000	94,000	111,000	117,000
Average head grade (g/t)[1]	**4.36**	4.10	4.29	4.79	4.77	3.91	3.59	3.60
Average recovery rate (%)	**92%**	91%	90%	91%	91%	90%	90%	90%
Gold (ozs)								
Produced	**16,304**	15,083	15,772	14,449	13,994	10,420	11,796	12,067
Sold	**15,945**	15,035	16,635	15,527	13,485	9,610	13,196	11,243
Cash operating cost (per oz sold)[2]	**$ 528**	$ 586	$ 590	$ 483	$ 587	$ 717	$ 756	$ 655
Cash operating cost (R$ per tonne)[2]	**$ 214**	$ 249	$ 299	$ 288	$ 277	$ 225	$ 258	$ 160

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

[2] Cash operating costs is 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 third quarter of 2016, Turmalina produced 16,304 ounces of gold compared to 13,994 ounces in the corresponding 2015 period, an increase of 17% or 2,310 ounces. The increase in ounces produced was a result of a 27% increase in the tonnes processed from 101,000 in Q3 2015 to 128,000 in Q3 2016, offset by a 9% decrease in the average head grade from 4.77 g/t in Q3 2015 to 4.36 g/t in Q3 2016.

The cash operating costs per ounce sold for the third quarter of 2016 decreased by 10%, or $59 per ounce, as compared to the same period in 2015, due to the impact of a 27% increase in tonnes of ore processed, an increase in recovery, and certain cost control measures in operations, which were partially offset by the strengthening of the Brazilian Real and an increase in the cost of materials due to inflation. The cash operating costs per ounce sold for Q3 2016 decreased by 10%, or $58 per ounce, as compared to Q2 2016, due to the impact of a 6% increase in average head grade, a 3% increase in tonnes processed, and an increase in recovery.

After a diagnostic review during Q1 2016, the Company entered into a commercial agreement in April 2016 with the Aquila Group to launch a mine-wide Operational Excellence Program at Turmalina. The program is working to identify and eliminate waste, lower costs, and improve productivities with the end goal of creating and delivering results in order to establish sustainable growth.

Turmalina Capital Expenditures

($ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Sustaining capital[1]				
Primary development	**$ 1,992**	$ 2,542	**$ 7,349**	$ 6,234
Brownfield exploration	**114**	261	**506**	683
Mine-site sustaining	**1,101**	962	**2,640**	2,287
Total sustaining capital[1]	**3,207**	3,765	**10,495**	9,204
Total non-sustaining capital[1]	**763**	-	**1,786**	-
Total capital expenditures	**$ 3,970**	$ 3,765	**$ 12,281**	$ 9,204

[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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Primary development	**605**	1,061	**2,502**	2,604
Secondary development	**623**	625	**2,154**	1,397
Total development	**1,228**	1,686	**4,656**	4,001
Definition drilling	**318**	2,193	**2,418**	7,603
Infill drilling	**1,225**	1,930	**8,262**	4,289
Exploration drilling	**1,250**	4,253	**2,056**	6,952
Total definition, infill, and exploration drilling	**2,793**	8,376	**12,736**	18,844

Primary development at the Turmalina mine totaled 605 and 2,502 metres for the three and nine months ended September 30, 2016, respectively, compared to 1,061 and 2,604 metres in the comparative 2015 periods. In July 2016, the Company demobilized the development contractor at Turmalina, thereby bringing 100% of the development activities in-house. On a per metre basis, the cost of primary development for the first nine months of 2016 remained consistent with the first nine months of 2015.

Mining

The mining method utilized at the Turmalina underground mine is sublevel open stoping with backfill. Our priority is to reduce costs by focusing on ore grade control, minimizing dilution and minimizing the extraction of non-profitable or marginal material. A focus on grade control, along with a number of mining and process initiatives, is intended to lower cash operating costs per ounce and improve the overall operating performance. Cost reduction initiatives include decreasing the length of development needed from the primary ramp to access ore, postponing the mining of low grade narrow ore bodies that may require additional development, and extraction of high-grade ore by the selective removal of pillars. There is also a push to improve stope blasting techniques to reduce dilution.

A specialized development contractor arrived on site in August 2015 to accelerate the mining of both the new Orebody C ramp to surface and to extend the Orebody A ramp to open up additional resources. In the fourth quarter of 2015, the development contractor completed the Orebody C ramp to surface. This reduced ore haulage and congestion in the top section of the ramp. At the end of Q2 2016, the Company ended the contractor's work after advancing the Orebody A ramp to reach Level AN10SN1, which is the bottom stoping level for 2017.

The previous mining design of stopes separated by rib pillars (developed prior to 2015) resulted in significant quantities of ore being left behind and not mined. With footwall drifts and primary and secondary stopes being installed in 2015 below Level 8, there is now a need for cemented backfill in the primary stopes. Successful trials on surface indicated the ability to backfill primary stopes with good quality cemented rockfill (CRF) exists. There were some concerns regarding fill rates with CRF underground, but a trial carried out in Level 9 of the mine showed that rapid fill rates could be achieved and the filling of other primary stopes and mining of secondary stopes with CRF on both sidewalls has confirmed that good quality CRF can be installed quickly and efficiently. A system for producing filter cake from detoxified tailings and then re-mixing to paste is in place, but to ensure consistent quality paste, a batching process with a controlled shear mixer is expected to be commissioned by the end of Q4 2016. Because of the desire to avoid hauling development waste to surface, it is planned that CRF will be used to fill the bulk of the primary stopes with paste only installed in the upper stoping sub-level to allow for the 100% extraction of stopes immediately below the sill pillars.

On July 13, 2016, the Company announced multiple high-grade drill intercepts generated from 46 infill drill holes (7,310 metres from a total of a 7,842 metre program) designed to test the current indicated and inferred resource envelope of Orebody A at Turmalina. The drill intercepts completed confirm the continuation of high-grade gold mineralization down-plunge of Orebody A, 170 metres below the current production workings, while also increasing confidence in the geological model of Orebody A through increased drill density. Significant drill intercepts include 21.66 g/t Au over 8.48 metres (estimated true width ("ETW") – 7.1 metres), 18.26 g/t Au over 8.39 metres (ETW – 5.9 metres), and 12.87 g/t Au over 20.70 metres (ETW – 17.5 metres), including 29.48 g/t Au over 6.64 metres (ETW – 5.6 metres) and 22.24 g/t Au over 2.94 metres (ETW – 2.5 metres).

Processing

Ore produced at the Turmalina mine is transported to the adjacent Carbon-In-Leach ("CIL") processing plant. The Turmalina plant consists of three ball mills, having total capacity of 3,000 tonnes per day, of which two have been operating since January 2016 (Mills #1 and #2) at 1,500 – 1,600 tonnes per day. During Q3 2016, the plant processed 128,000 tonnes at an average grade of 4.36 g/t compared to 101,000 tonnes at 4.77 g/t in Q3 2015. Overall, the processing plant maintained a recovery rate of 91.8% during Q3 2016, which is a significant improvement over the 90.6% recovery rate for Q3 2015. Work is ongoing to refurbish Mill #3, which will provide uninterrupted ore processing during shutdowns of Mill #2, but more importantly will provide additional capacity.

Caeté Gold Mine Complex

Caeté Quarterly Production

($ thousands, except where indicated)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Tonnes of ore processed (t)	**103,000**	93,000	68,000	116,000	122,000	116,000	115,000	141,000
Average head grade (g/t)[1]	**3.17**	3.30	2.83	2.59	3.17	3.00	3.16	2.57
Average recovery rate (%)	**91%**	91%	90%	90%	89%	90%	89%	88%
Gold (ozs)								
Produced	**9,479**	9,139	5,425	8,720	11,241	10,262	9,540	10,389
Sold	**9,372**	8,935	6,246	8,889	11,674	9,574	11,032	10,157
Cash operating cost (per oz sold)[2]	**$ 842**	$ 1,049	$ 1,146	$ 888	$ 854	$ 1,036	$ 918	$ 938
Cash operating cost (R$ per tonne)[2]	**$ 249**	$ 354	$ 411	$ 262	$ 304	$ 250	$ 253	$ 172

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

[2] Cash operating costs is 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 Gold Mining Complex has two underground mines (Pilar and Roça Grande). Pilar primarily uses sub-level open stoping with backfill, while Roça Grande ("RG") exclusively uses the mechanized horizontal cut and fill mining method. The Pilar mine provides 1,000 tonnes per day, or two-thirds of the Caeté complex ore, while the RG mine provides 500 tonnes per day from the underground RG-1 deposit.

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 the Roça Grande mine, a total distance of approximately 50 kilometres by road from the Pilar mine. This haulage expense is a significant cost and during Q3 2016, management continued to investigate and complete feasibility work for an XRF Ore Sorting system for waste removal to reduce haulage costs for the Pilar mine.

During Q3 2016, the Caeté plant achieved gold recovery of 90.6% utilizing gravity, flotation, and CIL treatment of flotation concentrate. Optimization of the plant offers opportunities for both increased gold extraction and reduced unit processing costs. Various options are being explored and evaluated to better use the currently underutilized processing facility.

Pilar Quarterly Production

($ thousands, except where indicated)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Tonnes of ore processed (t)	**78,000**	72,000	56,000	77,000	78,000	75,000	79,000	94,000
Average head grade (g/t)[1]	**3.51**	3.62	2.89	2.83	3.70	3.30	3.24	2.72
Average recovery rate (%)	**91%**	91%	90%	90%	89%	90%	89%	88%
Gold (ozs)								
Produced	**7,923**	7,804	4,552	6,278	8,340	7,314	7,310	7,283
Sold	**7,821**	7,622	5,369	6,389	8,641	6,835	8,433	7,213
Cash operating cost (per oz sold)[2]	**$ 762**	$ 958	$ 1,096	$ 822	$ 735	$ 940	$ 829	$ 877
Cash operating cost (R$ per tonne)[2]	**$ 248**	$ 356	$ 410	$ 262	$ 303	$ 250	$ 254	$ 171

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

[2] Cash operating costs is 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 third quarter of 2016, Pilar produced 7,923 ounces of gold compared to 8,340 ounces in Q3 2015, a decrease of 5% due to the 5% decrease in average head grade. Production increased 2% from Q2 2016 to Q3 2016 as a net result of an 8% increase in tonnes processed, an increase in recovery, and a 3% decline in average head grade.

The cash operating costs per ounce sold for the third quarter of 2016 increased by 4%, or $27 per ounce, as compared to Q3 2015 due to the increased costs associated with the restart of secondary development during 2016, and decreased by 20%, or $196 per ounce, as compared to Q2 2016 due to the impact of a decrease in the costs from the allocation of a greater amount of the mine-site fixed overheads to capital expenditures due to a 24% increase in primary development from Q2 2016 to Q3 2016.

Pilar Capital Expenditures

($ thousands, except where indicated)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Sustaining capital[1]				
Primary development	**$ 2,720**	$ 148	**$ 5,878**	$ 550
Brownfield exploration	**159**	75	**565**	923
Mine-site sustaining	**173**	111	**1,169**	355
Total sustaining capital[1]	**3,052**	334	**7,612**	1,828
Total non-sustaining capital[1]	**92**	-	**156**	685
Total capital expenditures	**$ 3,144**	$ 334	**$ 7,768**	$ 2,513

[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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Primary development	**741**	91	**1,654**	150
Secondary development	**284**	93	**575**	93
Total development	**1,025**	184	**2,229**	243
Definition drilling	**298**	-	**802**	460
Infill drilling	**2,351**	528	**5,310**	1,920
Exploration drilling	**162**	-	**2,436**	5,661
Total definition, infill, and exploration drilling	**2,811**	528	**8,548**	8,041

Primary development at Pilar was suspended during Q4 2014 and was restarted in Q1 2016 due to the success of the exploration drilling program initiated in 2015. Primary development totaled 741 and 1,654 metres in the three and nine months ended September 30, 2016 compared to 91 and 150 metres in the comparative 2015 periods.

Mining

Historically, significantly higher tonnage, including lower grade material, was fed to the plant from Pilar which had a diluting effect on the grade and profitability. During 2015, grade improvement at Pilar was achieved through the discontinuation of mining ore below the marginal cut-off grade and by modifying the shape of the sub-level open stopes to minimize the inclusion of waste at the edge of the plunging ore-shoots. Previous initiatives to reduce dilution from overbreak had proven successful and there were some gains from the update of the geological model.

Exploration drilling results for Pilar from 2015 enabled the Company to announce a 310% increase in total Mineral Reserves to 172,000 ounces at Pilar, with a 63% increase in grade to 4.39 g/t Au, in its 2015 year-end mineral resources and mineral reserve estimate announced March 4, 2016. 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.

Mine production was 78,000 mined tonnes at an average grade of 3.51 g/t compared to 78,000 tones at 3.70 g/t in Q3 2015. During the quarter, mine development advanced a total of 1,026 metres (averaging 342 metres per month) compared to a total of 184 metres in Q3 2015. Definition, infill, and exploration drilling totaled 2,811 metres in Q3 2016 compared to 528 metres in Q3 2015.

During most of 2016, stoping ore grade will be dominated by ore from the B Ore Body above Level 7. The focus in 2016 is in getting the ramp down to Level 10 by year-end, while providing access on the levels to the high-grade BFII Ore Body that starts to dominate the ore production below Level 7.

Processing

During Q3 2016, the Caeté plant processed 78,000 tonnes from Pilar at an average grade of 3.51 g/t compared to 78,000 tonnes at 3.70 g/t in Q3 2015. Recovery for the quarter was 90.6%, which was higher than the Q3 2015 recovery of 89.5%.

Roça Grande Quarterly Production

($ thousands, except where indicated)	**Q3 2016**	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Tonnes of ore processed (t)	**25,000**	21,000	12,000	39,000	44,000	41,000	36,000	47,000
Average head grade (g/t)[1]	**2.12**	2.18	2.53	2.11	2.26	2.46	2.20	2.27
Average recovery rate (%)	**91%**	91%	90%	90%	89%	90%	89%	88%
Gold (ozs)								
Produced	**1,556**	1,335	873	2,442	2,901	2,948	2,230	3,106
Sold	**1,551**	1,313	877	2,500	3,033	2,739	2,599	2,944
Cash operating cost (per oz sold)[2]	**$ 1,249**	$ 1,578	$ 1,454	$ 1,058	$ 1,195	$ 1,274	$ 1,207	$ 1,091
Cash operating cost (R$ per tonne)[2]	**$ 252**	$ 346	$ 415	$ 261	$ 306	$ 248	$ 250	$ 174

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

[2] Cash operating costs is 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 third quarter of 2016, RG produced 1,556 ounces of gold compared to 2,901 ounces in the corresponding 2015 period, a decrease of 46% or 1,345 ounces. Operational delays have occurred in 2016 due to the shortage of developed stopes as the primary focus has been on infill drilling and development in an effort to extend mine life.

The cash operating costs per ounce sold for the third quarter of 2016 increased 5% compared to Q3 2015 due to the increased costs associated with the restart of secondary development during 2016, and decreased 21% compared to Q2 2016 due to lower maintenance expenditures.

Roça Grande Capital Expenditures

($ thousands, except where indicated)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Sustaining capital[1]				
Primary development	**$ 33**	$ -	**$ 717**	$ 176
Brownfield exploration	**78**	81	**318**	387
Mine-site sustaining	**-**	33	**104**	43
Total sustaining capital[1]	**111**	114	**1,139**	606
Total non-sustaining capital[1]	**17**	-	**47**	217
Total capital expenditures	**$ 128**	$ 114	**$ 1,186**	$ 823

[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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Primary development	**7**	-	**215**	56
Secondary development	**275**	-	**816**	-
Total development	**282**	-	**1,031**	56
Definition drilling	**-**	-	**-**	-
Infill drilling	**894**	-	**5,390**	-
Exploration drilling	**251**	192	**1,452**	2,595
Total definition, infill, and exploration drilling	**1,145**	192	**6,842**	2,595

Primary development at RG was suspended during Q4 2014 and the decision to keep RG operating through 2016 meant the restart of development in Q1 2016 in order to provide access to the orebody, with a focus on proving up the higher grade/thickness targets. Primary development for Q3 2016 was 7 metres for a total of 215 metres at RG for the nine months ended September 30, 2016 versus 0 and 56 metres for the comparative 2015 periods, respectively.

Mining

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.

Underground, the RG operations team continues to evaluate more effective methods to mine the 1.0 to 2.0 metre wide veins without excessive dilution, using a frontal-attack mechanized cut-and-fill mining method. A targeted exploration program has helped identify sufficient resources to continue mining to the end of 2016 and ore development has been advanced in Q2 2016 to access potential resources to continue mining into the second half of 2017. Ore in Q1 2016 was generated primarily from ore development, but for Q2 and Q3 2016 stoping returns were the dominant ore source. Continued exploration drilling is now focused on proving up the potential resources being accessed by development and generating resources for 2017 and beyond. The exceptional exploration potential along strike and in the down-dip extension of related multiple orebodies that have only open pits at present, justifies treating the Roça Grande operation as an "incremental ore" producer until the other orebodies can be brought into production.

In Q3 2016, mine production was 25,000 mined tonnes at an average grade of 2.11 g/t compared to 44,000 tonnes at 2.25 g/t in Q3 2015. The decrease in production was due to a continued focus on proving up higher grade development targets as development was restarted in Q1 2016. Mine development advanced at an average monthly rate of 94 metres during Q3

2016 (no development in Q3 2015), while definition, infill, and exploration drilling totaled 1,145 metres for Q3 2016 compared to 192 metres in Q3 2015.

Processing

During Q3 2016, the Caeté plant processed 25,000 tonnes from RG at an average grade of 2.12 g/t compared to 44,000 tonnes at 2.26 g/t in Q3 2015. Recovery for the quarter was 90.6%, which was higher than the Q3 2015 recovery of 89.5%.

CONSOLIDATED FINANCIAL RESULTS

Selected Quarterly Financial Information[1]

($ thousands, except where indicated)	**Q3 2016**	Q2 2016	Q1 2016	Q4 2015	**Q3 2015**	Q2 2015	Q1 2015	Q4 2014
Revenue	**$ 33,618**	$ 29,996	$ 26,664	$ 26,820	**$ 28,126**	$ 22,820	$ 28,747	$ 25,766
Cost of sales (excluding depreciation)[2]	**(16,191)**	(17,887)	(17,579)	(15,397)	**(17,892)**	(16,808)	(20,133)	(23,508)
Gross margin (excluding depreciation)[2]	**17,427**	12,109	9,085	11,423	**10,234**	6,012	8,614	2,258
Net (loss) income	**(31,648)**	(26,866)	(15,001)	1,670	**4,445**	(4,383)	(12,946)	(90,530)
Cash flows from operating activities	**9,353**	10,435	9,526	6,786	**3,670**	1,652	12,151	(1,156)
Total assets	**189,779**	189,554	184,996	183,409	**174,500**	179,496	181,131	195,264
Total liabilities	**131,618**	139,665	108,349	90,624	**83,949**	94,077	91,648	93,676
Average realized gold price (per ounce)[2]	**$ 1,328**	$ 1,251	$ 1,165	$ 1,098	**$ 1,118**	$ 1,190	$ 1,187	$ 1,204
Cash operating cost (per oz sold)[2]	**$ 645**	$ 758	$ 742	$ 630	**$ 731**	$ 850	$ 831	$ 789

[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 during the quarter continued to positively impact the Company's revenue and gross margin in Q3 2016. However, the impact of the higher gold prices was largely offset by the strengthening of the Brazilian Real as compared to the US dollar. The net loss for Q3 2016 primarily reflects the impact of the revaluation of the convertible debentures at each conversion date and as at September 30, 2016, as well as an increase in the labour litigation provision during the quarter.

Current assets increased $6.2 million as at September 30, 2016 compared to December 31, 2015, primarily as a result of an increase in recoverable taxes. Current liabilities increased from year-end primarily due to an increase in accounts payable and accrued liabilities at quarter-end and as a result of the strengthening Brazilian Real. The increase in non-current liabilities represents the net impact of the decrease in the labour litigation provision ($7.4 million), the increase in the reclamation provision, and the revaluation of the convertible debentures during the nine months ended September 30, 2016, which resulted in a loss due to the significant increase in the share price from December 31, 2015 to September 30, 2016.

Revenue

($ thousands, except where indicated)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	2015	Change	**2016**	2015	Change
Revenue	**$ 33,618**	$ 28,126	20%	**$ 90,278**	$ 79,692	13%
Ounces sold	**25,317**	25,160	1%	**72,167**	68,572	5%
Average realized gold price[1]	**$ 1,328**	$ 1,118	19%	**$ 1,251**	$ 1,162	8%

[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 third quarter of 2016 increased 20%, compared to the same period in 2015, primarily as a result of a 19% improvement in the average realized gold price. Revenue for the nine months ended September 30, 2016 increased 13% over the comparative 2015 period, due to a 5% increase in ounces sold and an 8% improvement in the average realized gold price.

The market price of gold is the primary driver of our profitability and our ability to generate free cash flow. During the three months ended September 30, 2016, the market price of gold (London PM Fix) traded in a range of $1,308 to $1,366, averaged $1,335 per ounce, and closed at $1,323 per ounce on September 30, 2016. The average market price during the third quarter of 2016 increased 19% as compared to the average market price of $1,124 per ounce for the third quarter of 2015.

Production

A total of 231,000 tonnes were processed in Q3 2016 (Q3 2015 – 223,000 tonnes) at an average head grade of 3.83 g/t (Q3 2015 – 3.90 g/t), a 2% decrease in average head grade compared to the same period in 2015. Total tonnes processed for the first nine months of 2016 decreased 2%, compared to the same period in 2015, primarily due to an increased focus on mining higher grade, particularly in Q1 2016.

Consolidated Production Costs

($ thousands, except where indicated)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Direct mining and processing cost	**$ 15,062**	$ 17,209	(12%)	**$ 47,643**	$ 52,584	(9%)
Mining	**9,362**	11,109	(16%)	**29,385**	33,170	(11%)
Processing	**5,700**	6,100	(7%)	**18,258**	19,414	(6%)
Royalties, production taxes and others	**1,129**	683	65%	**4,014**	2,249	78%
Royalty expense and CFEM taxes	**967**	747	29%	**2,965**	2,340	27%
NRV adjustment and others	**162**	(64)	(353%)	**1,049**	(91)	(1253%)
Total operating expenses	**$ 16,191**	$ 17,892	(10%)	**$ 51,657**	$ 54,833	(6%)
Depreciation	**9,509**	3,254	192%	**25,599**	12,891	99%
Total cost of sales	**$ 25,700**	$ 21,146	22%	**$ 77,256**	$ 67,724	14%

Total operating expenses decreased 6% from $54.8 million in the first nine months of 2015 to $51.7 million in the nine months ended September 30, 2016. The decrease was due to the impact of the devaluation of the Brazilian Real and the decrease in tonnes processed, offset by an increase in the cost of materials in local currency due to inflation and higher electricity tariffs. The increase in the depreciation expense is a result of the impairment reversal recorded as at December 31, 2015 for Caeté in relation to the increase in Pilar’s mineral reserves.

Operating Expenses

($ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Changes to legal and recoverable tax provisions	**$ 321**	$ 965	(67%)	**$ (8,223)**	$ 9,811	(184%)
General and administration expenses	**2,541**	3,120	(19%)	**6,966**	8,468	(18%)
Exploration and evaluation costs	**33**	18	83%	**50**	96	(48%)
Care & maintenance costs (Paciência mine)	**298**	238	25%	**764**	813	(6%)
Stock-based compensation	**124**	84	48%	**348**	448	(22%)
Amortization	**-**	18	(100%)	**42**	499	(92%)
Other operating expenses	**462**	418	11%	**1,549**	1,773	(13%)
Total operating expenses	**$ 3,779**	$ 4,861	(22%)	**$ 1,496**	$ 21,908	(93%)

Care & Maintenance Costs – Paciência Gold Complex

The Paciência mining complex remained on care and maintenance during the third quarter of 2016. No gold has been produced since the third 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 the Paciência mine during the first nine months of 2016. 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 September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Director's fees	**$ 86**	$ 62	39%	**$ 334**	$ 527	(37%)
Audit related and insurance	**91**	210	(57%)	**415**	592	(30%)
Corporate office (Toronto)	**887**	1,212	(27%)	**2,198**	2,942	(25%)
Belo Horizonte office	**1,477**	1,636	(10%)	**4,019**	4,407	(9%)
Total G&A expenses	**$ 2,541**	$ 3,120	(19%)	**$ 6,966**	$ 8,468	(18%)

For the three and nine months ended September 30, 2016, the total G&A expenses were 19% and 18% lower, respectively, as compared to the same periods in 2015. Costs associated with the Belo Horizonte office were 10% and 9% lower in the three and nine months ended June 30, 2016, respectively, due to the net impact of the reallocation of certain activities from the mine sites to the Belo Horizonte corporate office in Q4 2015, general cost cutting measures, and the devaluation of the Brazilian Real. Costs for the corporate office in Toronto were lower in the first nine months of 2016 compared to the first nine months of 2015 due to general cost cutting measures adopted by management. 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 September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Changes to legal provisions	**$ 737**	$ 1,390	(47%)	**$ (7,140)**	$ 9,590	(174%)
Changes to recoverable taxes provision	**(416)**	(425)	(2%)	**(1,083)**	221	(590%)
Changes to legal and recoverable taxes provisions	**$ 321**	$ 965	(67%)	**$ (8,223)**	$ 9,811	(184%)

Legal Provisions

As at September 30, 2016, there were 476 employee-initiated active lawsuits (December 31, 2015 – 502) against the Company, largely related to disputed wages. Based on management's assessment of the likelihood of loss related to 401 lawsuits (December 31, 2015 – 411), the Company has recorded approximately $10.7 million as labour legal contingencies as at September 30, 2016 ($6.1 million is classified as a current liability as at September 30, 2016).

During Q1 2016, management in conjunction with external counsel revised its estimate in regards to the labour litigation contingencies 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. This change in estimates resulted in a decrease of $7.4 million from the provision of $17.8 million recorded as at December 31, 2015 ($5.3 million was classified as a current liability as at December 31, 2015). The strengthening of the Brazilian Real has resulted in a $2.7 million increase in the provision from December 31, 2015 to September 30, 2016.

During Q3 2016, 22 new lawsuits were initiated. The Company paid approximately $262,000 in appeal deposits, $284,000 in settlements instalments, $398,000 with respect to final decisions, and $218,000 for other costs such as social security, income tax, legal fees, and expert fees. The total amount spent in Q3 2016 was $1,162,000 in comparison to $584,000 in Q3 2015.

Recoverable Taxes Provision

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 includes assessment of the tax credits for offset against taxes otherwise payable and restitution in cash.

A valuation provision for recoverable taxes is prepared on a quarterly basis. The calculation takes into account various factors including the limited methods to recover such taxes, the length of time they can take to recover, and the estimated operating tenure of the Company. Any provision reduces the net carrying value of recoverable taxes to their estimated present value based on the manner and timing of expected recovery.

In 2014, the Company initiated procedures in respect of recovery of its Brazilian 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 $1.0 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. The court order determined that the tax authority will have to review the Company's claim by the end of November 2016.

The movement in the provision for recoverable taxes during the nine months ended September 30, 2016 considers the cash refund received and the possibility of additional refunds and offsets of certain income taxes payable. In Q2 2016, the Company engaged a consultant to properly request approval for the tax credits with respect to the years 2012 to 2015, for both MTL and MSOL, which is expected to be completed by the end of 2016.

ICMS is a type of value added tax which can either be sold to other companies (usually at a discount rate) 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, in the state of Minas Gerais, Brazil. In October 2016, the Company received approval from the state to be able to sell R$4.3 million of its gross ICMS deferred tax credits related to MSOL to third parties.

As at September 30, 2016, gross recoverable taxes (which are primarily denominated in Brazilian Reais) and also include Canadian HST recoverable of $1.4 million, amounted to $28.9 million (December 31, 2015 – $23.3 million). Also as at September 30, 2016, the provision for recoverable taxes was approximately $5.8 million (December 31, 2015 – $6.3 million). Consequently, the book value of recoverable taxes as at September 30, 2016 was $23.2 million (December 31, 2015 – $17.0 million).

Impairment and Impairment Reversal

The Turmalina, Paciência, and Caeté complexes 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, such as the Gurupi Project.

For the three and nine months ended September 30, 2016, there were no indicators of impairment or reversal of past impairment charges.

Non-Operating Expenses

($ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Foreign exchange loss (gain)	**$ 161**	$ (6,654)	(102%)	**$ 2,750**	$ (6,870)	(140%)
Financial instruments loss (gain)	**31,405**	-	100%	**76,029**	(38)	(200176%)
Finance costs	**2,138**	(492)	(535%)	**4,469**	1,691	164%
Other non-operating (recoveries) expenses	**(116)**	25	(564%)	**98**	(16)	(713%)
Non-operating expenses (recoveries)	**$ 33,588**	$ (7,121)	(572%)	**$ 83,346**	$ (5,233)	(1693%)

During the three and nine months ended September 30, 2016, finance costs represent interest on debt and accretion expense.

Accounting for Convertible Senior Secured Debentures

On October 27, 2015, the Company closed financing of the Convertible Senior Secured Debentures (the "Debentures") at a price of $1,000 per Debenture, for aggregate proceeds of $21.5 million. The Debentures will mature on December 27, 2018 and bear an interest rate of 12% per annum, payable in cash on a quarterly basis. The Debentures are convertible at the holder's option into common shares of the Company, at a ratio of approximately 8,781 common shares per $1,000 of the principal amount. The Debentures can be redeemed after 12 months (October 28, 2016 or the "Call Date"), and prior to the maturity date, in cash in whole or in part. The redemption price is 120% of the principal amount of the Debentures outstanding within one year after the Call Date, and 110% thereafter, plus, in each case, any accrued and unpaid interest thereon. The Debentures include a general security agreement over all of the Company's and its subsidiaries' present and future assets, delivery of the shares of the Company's subsidiaries, and loan guarantees by the Company's subsidiaries. Within 30 days following the occurrence of a Change in Control, the Company shall be obligated to offer to purchase all of the Debentures then outstanding. The offer price shall be 120% of the principal amount plus accrued interest to-date if the payment date occurs prior to October 27, 2016, or 110% thereafter.

The Company has chosen to designate the Debentures to be measured at fair value through profit or loss. Upon initial recognition, the Company recorded the Debentures at their fair value of $21.5 million which was the consideration received for the instrument at the inception date. The transaction costs of $2.1 million, which include $0.8 million of cash finder's fee, $0.2 million of finder's warrants, and $1.1 million of legal costs, were immediately charged as an expense upon closing. Subsequent to the initial measurement, at each reporting period the financial liability is measured at fair value in its entirety.

In Q1 2016, the Company revised its methodology to the finite difference method in order to calculate a more representative valuation of the financial liability due to significant changes in inputs during the period. The use of the finite difference method would not have any impact on the valuation of the financial liability as at December 31, 2015.

During the three and nine months ended September 30, 2016, $7.6 million of the principal amount of the Debentures were converted. Upon conversion, 66,868,632 common shares were issued and $39.8 million, representing the fair value of the financial liability associated with the converted Debentures at the conversion date, was transferred to common shares.

The following inputs were used to value the remaining financial liability as at September 30, 2016:

	September 30, 2016
Remaining contractual life (in years)	2.07
Share price at period end (C$/share)	0.69
Credit spread (%)	36.2%
Volatility	60%
Risk free discount rate (%)	0.51%

The increase in the fair value of the financial liability in the amount of $31.7 million and $77.6 million for the three and nine months ended September 30, 2016, respectively, was recorded as an expense through profit or loss (three and nine months ended September 30, 2015 – $nil).

On October 5, 2016, the Company issued a notice of redemption to holders of the outstanding Debentures. As set out in the notice of redemption, the outstanding Debentures would be redeemed as of November 8, 2016 (the "Redemption Date") upon payment of 120% of the principal amount and all accrued and unpaid interest to but excluding the Redemption Date. Subsequent to September 30, 2016, the remaining outstanding $13.9 million of the principal amount of the Debentures were converted into 121,926,583 common shares.

Taxes

Brazilian Taxes

Brazilian tax regulation involves three jurisdictions and tax collection levels: the Federal, State, and Municipal levels. 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

A federal 1% royalty, Compensação Financeira pela Exploração de Recursos Minerais ("CFEM"), is levied on gold sales. The rate is calculated on the gross gold sale proceeds less refining charges and insurance, as well as any applicable sales taxes.

Income and Deferred Taxes Expenses

($ thousands)	Three months ended September 30,			Nine months ended September 30,		
	2016	2015	Change	**2016**	2015	Change
Current income tax expense	**$ 2,165**	$ 252	759%	**$ 4,235**	$ 937	352%
Deferred income tax expense (recovery)	**34**	4,543	(99%)	**(2,540)**	7,240	(135%)
Income tax expense	**$ 2,199**	$ 4,795	(54%)	**$ 1,695**	$ 8,177	(79%)

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.

REVIEW OF FINANCIAL CONDITION

Outstanding Debt

Total debt outstanding as at September 30, 2016 was $77.8 million (of which $64.1 million was the fair value of the Debentures), compared to $41.2 million as at December 31, 2015 (of which $26.3 million was the fair value of the Debentures). As at the date of this MD&A, all of the remaining outstanding Debentures as at September 30, 2016 were converted into common shares of the Company.

On November 7, 2016, the Company entered into an Agreement (the "Agreement") with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for a secured loan facility (the "Facility") totaling $10.0 million to fund accelerated growth exploration initiatives. The Facility is for a term of 30 months with interest rate of 6.5% per annum, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for the structuring and syndication of the Facility, the Company has made a cash payment to Sprott Lending for structuring and legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares of Jaguar to Sprott Lending and to Natural Resouce Income Investing Limited Partnership. The Toronto Stock Exchange has provided conditional approval of the relevant terms of this transaction.

Liquidity and Cash Flow

The Company had working capital of $2.7 million as at September 30, 2016 ($2.0 million as at December 31, 2015). As at September 30, 2016, the Company had cash and cash equivalents of $17.3 million compared to $15.3 million as at December 31, 2015.

	September 30, 2016	December 31, 2015
Cash and cash equivalents	**$ 17,280**	$ 15,319
Non-cash working capital		
Other current assets:		
Inventory	**13,046**	12,038
Recoverable taxes	**9,448**	3,161
Others	**901**	3,950
Current liabilities:		
Accounts payable and accrued liabilities	**(17,644)**	(12,991)
Notes payable	**(11,868)**	(13,582)
Other provisions and liabilities	**(6,129)**	(5,338)
Other current liabilities	**(2,384)**	(578)
Working capital	**$ 2,650**	$ 1,979

The Company will continue to review and implement cost control measures across the operations and corporate offices to improve operating cash flow and enhance the Company's working capital position.

The use of funds during the three and nine months ended September 30, 2016 is outlined below:

($ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Cash generated from operating activities	**$ 9,353**	$ 3,670	**$ 29,314**	$ 17,485
Investing activities				
Capital expenditures on equipment and brownfield exploration	**$ (7,522)**	$ (4,352)	**$ (22,027)**	$ (12,929)
Net proceeds from asset sales	**2**	78	**23**	119
Cash used in investing activities	**$ (7,520)**	$ (4,274)	**$ (22,004)**	$ (12,810)
Financing activities				
Net change in debt	**$ (950)**	$ (1,051)	**$ (2,300)**	$ (7,451)
Interest paid	**(946)**	(432)	**(2,738)**	(1,705)
Deferred share units redeemed	**-**	-	**(41)**	-
Other	**-**	(10)	**-**	(22)
Cash used in financing activities	**$ (1,896)**	$ (1,493)	**$ (5,079)**	$ (9,178)
Effect of exchange rate	**(192)**	210	**(270)**	231
Increase (decrease) in cash and equivalents	**$ (255)**	$ (1,887)	**$ 1,961**	$ (4,272)

The $5.7 million increase in operating cash flows for Q3 2016 compared to the same period in 2015 is primarily due to the decrease in cash operating costs from $711 per ounce sold in Q3 2015 to $645 in Q3 2016 and the 1% increase in the ounces sold. The $4.1 million improvements in financing outflows for the nine months ended September 30, 2016 relates to the repayments of the Renvest credit facility in the first nine months of 2015. Overall, capital expenditures increased significantly in three and nine months ended September 30, 2016 compared to 2015 due to the Company's focus on carrying out its development and capital investment programs at Turmalina and Caeté in the first nine months of 2016. In Q3 2016, the Company completed 2,535 metres of total development compared to 1,870 metres in Q3 2015, while the

capital investment program included advancing a newly designed paste-fill plant at Turmalina and the rebuild of Turmalina Mill #3.

A brief summary of capital spending is outlined below:

($ thousands)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Sustaining capital[1]				
Primary development	**$ 4,745**	$ 2,690	**$ 13,944**	$ 6,960
Brownfield exploration	**351**	417	**1,389**	2,003
Mine-site sustaining				
Engineering	**551**	63	**1,685**	72
Equipment	**723**	1,043	**2,228**	2,603
Total sustaining capital	**6,370**	4,213	**19,246**	11,638
Non-sustaining capital (including capital projects)[1]				
Gurupi	**280**	129	**649**	371
Turmalina	**763**	-	**1,786**	-
Caete	**109**	-	**203**	902
Others	**-**	10	**143**	18
Total non-sustaining capital[1]	**1,152**	139	**2,781**	1,291
Total capital expenditures	**$ 7,522**	$ 4,352	**$ 22,027**	$ 12,929

[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.

Contractual Obligations and Commitments

The Company's contractual obligations as at September 30, 2016 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]	$ 11,076	$ -	$ -	$ -	**$ 11,076**
Capital leasing obligations	321	642	-	-	**963**
Vale note	500	1,000	500	-	**2,000**
Convertible debentures[2]	-	13,885	-	-	**13,885**
Interest	200	54	-	-	**254**
Total financial liabilities	$ 12,097	$ 15,581	$ 500	$ -	**$ 28,178**
Other Commitments					
Operating lease agreements	$ 63	$ -	$ -	$ -	**$ 63**
Suppliers' agreements[3,4]	954	-	-	-	**954**
Other provisions and liabilities	6,129	6,618	-	-	**12,747**
Reclamation provisions[5]	2,379	5,867	5,922	10,574	**24,742**
Total other commitments	$ 9,525	$ 12,485	$ 5,922	$ 10,574	**$ 38,506**
Total	**$ 21,622**	**$ 28,066**	**$ 6,422**	**$ 10,574**	**$ 66,684**

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

[2] Amounts payable as at September 30, 2016, which were converted subsequent to period end.

[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 September 30, 2016 is outlined below:

All amounts in $ thousands, except number of common shares		As at September 30, 2016
Bank indebtedness	$	11,076
Convertible debentures (fair value)		64,140
Capital leasing obligations		963
Vale note		1,607
Total debt	**$**	**77,786**
Less: cash and cash equivalents		(17,280)
Total net debt[1]	**$**	**60,506**
Number of common shares outstanding		178.0 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.

As at the date of this MD&A, all of the remaining outstanding Debentures as at September 30, 2016 were converted into common shares of the Company.

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 – being the amount agreed to by the parties and included in general and administration expenses in the statements of operations and comprehensive loss – and amount to $12,000 and $91,000 for the three and nine months ended September 30, 2016, respectively (three and nine months ended September 30, 2015 – $10,000 and $49,000, respectively).

On November 7, 2016, the Company entered into an agreement (the "Agreement") with Sprott Private Resource Lending (Collector) LP ("Sprott Lending"), that 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 19% of the common shares of the Company as at the date of this MD&A. The Agreement is a secured loan facility (the "Facility") totaling $10.0 million to fund accelerated growth exploration initiatives. The Facility is for a term of 30 months with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for the structuring and syndication of the Facility, the Company has made a cash payment to Sprott Lending for structuring and legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares of Jaguar to Sprott Lending and to Natural Resource Income Investing Limited Partnership, which is also indirectly wholly-owned by Sprott Inc. The Toronto Stock Exchange has provided conditional approval of the relevant terms of this transaction.

HEALTH, SAFETY, AND ENVIRONMENT

Health and Safety

Jaguar places high priority on the safety and welfare of its employees. We recognize that our employees are our most valuable asset. We have a code of conduct that is strictly enforced. While our accidents rate has reduced over the past few years, we strive for improving it further in future. We have an integrated management system in place that promotes open communication at all levels. Over the past few years, the health and safety team has expanded in order to meet compliance and regulatory requirements, and also to improve our operating standards. Our training program for new employees is extensive and includes the participation of experienced professionals that act as mentors, providing hands-on guidance and conducting periodical reviews.

During the third quarter of 2016, the Lost Time Incidents (“LTIs”) increased to two as compared to zero incidents during the same period in 2015. For each incident, management identifies the likely causes and develops remediation plans to prevent future recurrences. The overall LTI frequency rate is calculated as the number of lost-time injuries per million hours worked. All accidents are analyzed and the underlying causes are identified to implement corrective actions. Proposed actions include the reinforcement of safe behavior with the Loss Prevention Program, thus aiming to strengthen the safety culture at Jaguar.

Environment

Jaguar is environmentally focused and continuously strives to improve our practices. In our commitment to the resources, land, and stakeholders, we work closely with surrounding communities, governments, and other partners to continuously improve the Company’s sustainable development programs. Jaguar's programs ensure its operations and development efforts protect the environment and surrounding natural resources.

Jaguar's operations are subject to environmental regulation in Brazil. The Company has not been in full compliance with all environmental laws and regulations or held, or been in full compliance with, all required environmental and health and safety permits at all times. The Company is currently subject to a number of reclamation and remediation liabilities and may have civil or criminal fines or penalties imposed for alleged violations of applicable laws or regulations in Brazil. The Company has implemented and prioritized control structures and monitoring programs to address environmental non-compliance, and a full reclamation plan for its mining/project sites is being prepared and specific actions are being developed.

During the fourth quarter of 2015, Jaguar updated the reclamation plans for all of the Company's assets in the Iron Quadrangle that were on care and maintenance. The reclamation plans were developed by Jaguar's environmental team along with Agroflor Engenharia e Meio Ambiente ("Agroflor"), a Brazilian company with expertise in environmental studies and identification of liabilities. In Q1 2016, Agroflor completed reclamation plan reports on the Caeté Complex that include Camará, Catita, Serra Paraiso, Rio de Peixe, Ouro Fino, and Sabará. Agroflor has also completed field vists for CPA (Santa Isabel and Palmital) and MTL (Faina) and the reports for these assets will be concluded in Q4 2016. The reports indicate the need for further study of additional geotechnical and topographical information, which will be carried out by Jaguar.

In December 2015, the State Regional Environmental Regulation Agency ("SUPRAM") started the evaluation of the renewal request for the Operating Licence ("LO") for MTL, that was filed in 2012. The operating licence for MTL continues to be valid even after the initial expiration date (June 19, 2012), as the Company has applied for renewal within the legal time frame.

LITIGATION AND CONTINGENCIES

Labour Practices

Brazilian labour law is a complex system of statutes and regulations, which in general has a favourable approach to employees of the Company. As such, corporate labour compliance is a key success factor in Brazilian-based operations to minimize the impact of labour claims. The Company has historically not been in full compliance of labour regulations nor did it have the proper procedures in place to support labour claims defences, which led to the bulk of the litigation contingencies recorded.

In March 2013, management retained external counsel to review the Company's labour practices in Brazil to determine areas of improvement. As a result, management received a report which identified 48 labour law violations in the Company's legacy human resource practices capable of generating financial liability. Management has been tracking these 48 violations and has since implemented changes in procedures to eliminate those issues going forward and made significant progress during the last three years in addressing the deficiencies. The Company's human resource and legal departments have been continually reviewing the Company's practices and establishing action plans to improve labour practices and both departments continue to monitor the implementation of actions to remediate the legacy deficiencies.

DEVELOPMENT AND EXPLORATION PROJECTS

Gurupi - Development Project

The Gurupi Project, wholly owned by the Company, is located in the State of Maranhão, Brazil, and comprises a total area of 140,332 hectares made of 33 mineral claims. Jaguar received its the Preliminary License ("LP") for the Gurupi project in June 2011. After the LP was granted, Jaguar completed part of the detailed engineering required to obtain the Installation License ("LI"). In January 2012, Jaguar received the LI, which authorizes the construction of Gurupi's processing plant. On November 20, 2013, Jaguar became aware that the Public Prosecutor in Brazil filed a lawsuit against MCT aiming at suspending the environmental licenses based on a number of unsupported allegations. In the preliminary decision, the judge decided to: (i) suspend the environmental licenses granted to MCT, (ii) prohibit any construction at the gold beneficiation plant, and (iii) stop any kind of negotiation with settlers without the participation of the National Institute for Colonization and Agrarian Reform ("INCRA").

During the fourth quarter of 2015, Jaguar Mining was formally notified about this injunction. The appeal of the injunction was filed in Q1 2016 as required by the law. The main point of the injunction is that MCT wants to develop a mine on land that was designated as an agricultural settlement project by INCRA. However, the mineral rights for the region are from the 1980´s and 1990´s, while INCRA established an “Agricultural Settlement” in 2005. Mineral Production under the National Department for Mineral Production (“DNPM”) has the same level of importance as agricultural development under Brazilian law.

The main part of Jaguar´s defense against the injunction is that there is very little to no agricultural work occurring in the areas of Chega Tudo and Cipoeiro and only large scale “garimpeiro” (illegal artisanal miners) mining is being carried out. In FY 2015, DNPM officially published information regarding eight mineral rights belonging to Jaguar. This publication will require Jaguar to complete mineral exploration and deliver a final exploration report to the DNPM within three years. Failure to identify and report mineralization during this period may likely result in a loss of these mineral rights.

Jaguar has continued the detailed planning for the resumption of limited mineral exploration in order to retain its mineral rights and has also continued its interactions and engagement with stakeholders at Gurupi, including senior national government officials and ministries. Discussions have been positive and officials appear supportive of advancing economic activity, including mining, in Maranhão. Meetings with INCRA in Maranhão are ongoing and are critical to resolve the land issues surrounding the project area.

In Q3 2016, Jaguar has supplied the municipality of Centro Novo do Maranhão with the preparation of the Municipal Development Plan that should be used to guide the growth and the proper exploration of the potential economic and social opportunities of the municipality. During the quarter, socio-economic research was started in Cipoeiro to support the reassessment of a resettlement plan and proposed solutions regarding land issues with INCRA surrounding the area affected by the project. Jaguar has retained a specialized Brazilian company to develop the research and prepare a final report to be delivered for INCRA.

Avanco – Gurupi Earn-In Agreement

On October 4, 2016, the Company announced that it has entered into an earn-in agreement (the "Agreement") with Avanco Resources Limited ("Avanco"), pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project.

Upon the satisfactory completion of certain closing conditions, the Agreement provides Avanco with the right to earn 20% of Jaguar's interest in the Project by paying to Jaguar an aggregate cash fee of $1.7 million plus an additional fee of $500,000 in cash or shares of Avanco, and by expending a minimum of $300,000 on permitting and access in respect of the Project. Avanco will earn an additional 31% interest in Gurupi upon the publication of a JORC compliant reserve estimate in excess of 500,000 ounces, and will earn a further 29% interest in Gurupi upon demonstration of adequate funding coupled with the start of construction of a process plant with capacity in excess of 50,000 ounces per year. In the event that Avanco cannot demonstrate adequate funding for the Project, Jaguar will have a one-time right to buy-back a 31% interest in Gurupi and control of the Project by paying to Avanco the reasonable costs and expenses incurred in the preparation of the JORC compliant reserve estimate and technical studies. Avanco will have the option to acquire the remaining 20% interest in the Project at any time by paying a fee equal to the greater of $6.25 million or the sum of $12.50 per ounce of gold as per the JORC compliant reserve estimate.

Pursuant to the Agreement, Jaguar will retain a Net Smelter Return ("NSR") royalty ("Royalty") upon the commissioning of production at the Project. The Royalty will be 1% NSR on the first 500,000 ounces of gold or gold ounce equivalents produced; 2% NSR on production from 500,001 to 1,500,000 ounces of gold or gold ounce equivalents; and 1% NSR on production exceeding 1,500,000 ounces of gold or gold ounce equivalents.

Greenfield Exploration

Jaguar currently holds approximately 191,000 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 are 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, totaling 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 Net Smelter Royalty of one percent (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 three hundred percent (300%) of the Company’s exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

Turmalina – Zona Basal Project

During 2013, the Company completed the final exploration report on the southeastern portion of the Zona Basal target, located 3 kilometres west of the Turmalina plant facility and filed it with the DNPM. The Company has subsequently applied for the mining permit.

SPECIAL COMMITTEE

On February 27, 2015, the Company announced that its board of directors (the “Board”) had formed a special committee (“Special Committee”) with a mandate to explore alternatives for the enhancement of shareholder value and to oversee the financing process. The review considered various alternatives for the Company, including: merger opportunities, the potential sale of some of the Company’s assets, potential partnership or joint venture agreements, and other transactions to maximize value for the Company’s shareholders and to provide appropriate liquidity.

Subsequent to the completion of the convertible debenture financing in October 2015, the Special Committee reduced its activity level and, after reviewing and approving the earn-in agreement with Avanco on the Gurupi Project, is presently in a standby mode in the event that it is needed to oversee and evaluate a potential transaction. No material expenses have been incurred by the Special Committee since the completion of the convertible debenture financing.

There can be no assurance that it will become necessary for the Special Committee to become more active in the future or that this process will result in any transaction. The current members of the Special Committee are Messrs. Reeser and Miraglia. Mr. Reeser is the Chairman of the Special Committee.

QUALIFIED PERSON

The technical contents of this MD&A have been reviewed and verified by Marcos Dias Alvim, BSc Geo., MAusIMM (CP), Project Development Manager, who is an employee of Jaguar Mining Inc., and is a "qualified person" as such term is defined in National Instrument 43-101 ("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 November 7, 2016
Issued and outstanding common shares	302,581,253
Stock options	7,696,567
Deferred share units	4,390,222
Finder's warrants	4,607,833
Total	**319,275,875**

Effective August 3, 2016, the common shares and convertible senior secured debentures of Jaguar commenced trading on the Toronto Stock Exchange ("TSX") under the symbols "JAG" and "JAG.DB.U", respectively. Concurrent with the TSX listing, the common shares of the Company were delisted from the TSX Venture Exchange ("TSX-V").

On October 5, 2016, the Company issued a notice of redemption to holders of the outstanding Debentures. As set out in the notice of redemption, the outstanding Debentures would be redeemed as of November 8, 2016 (the "Redemption Date") upon payment of 120% of the principal amount and all accrued and unpaid interest to but excluding the Redemption Date. Subsequent to September 30, 2016, the remaining outstanding $13.9 million of the principal amount of the Debentures were converted into 121,926,583 common shares.

Subsequent to September 30, 2016, 2,000,000 warrants were exercised resulting in total gross proceeds to the Company of C$300,000.

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, free cash flow, earnings before tax, depreciation and amortization ("EBITDA"), 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 as follows:

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

($ thousands, except where indicated)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Operating expenses (per note 13 of the consolidated FS)	**$ 16,191**	$ 17,892	**$ 51,657**	$ 54,833
Cost adjustment[1]	**129**	-	**(185)**	-
Adjusted operating expenses	**16,320**	17,892	**51,472**	54,833
General & administration expenses	**2,541**	3,120	**6,966**	8,468
Corporate stock-based compensation	**124**	84	**349**	448
Sustaining capital expenditures	**6,370**	4,213	**19,246**	11,638
All-in sustaining cash costs	**25,355**	25,309	**78,033**	75,387
Reclamation - accretion (operating sites)	**240**	(896)	**670**	53
All-in sustaining costs	**$ 25,595**	$ 24,413	**$ 78,703**	$ 75,440
Non-sustaining capital expenditures	**1,152**	139	**2,781**	1,291
Exploration and evaluation costs (greenfield)	**33**	18	**50**	96
Reclamation - accretion (non-operating sites)	**217**	7	**677**	193
Care and maintenance (non-operating sites)	**298**	238	**763**	813
All-in costs	**$ 27,295**	$ 24,816	**$ 82,974**	$ 77,833
Ounces of gold sold	**25,317**	25,160	**72,167**	68,572
Cash operating costs per ounce sold	**$ 645**	$ 711	**$ 713**	$ 800
All-in sustaining costs per ounce sold	**$ 1,011**	$ 970	**$ 1,091**	$ 1,100
All-in costs per ounce sold	**$ 1,078**	$ 986	**$ 1,150**	$ 1,135
Average realized gold price	**$ 1,328**	$ 1,118	**$ 1,251**	$ 1,162
Cash operating margin per ounce sold	**$ 683**	$ 407	**$ 538**	$ 362
All-in sustaining margin per ounce sold	**$ 317**	$ 148	**$ 160**	$ 62

[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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Turmalina Complex				
Operating costs	**$ 8,426**	$ 7,917	**$ 27,049**	$ 24,817
Sustaining capital expenditures	**3,207**	3,765	**10,495**	9,204
All-in sustaining costs[1]	**$ 11,633**	$ 11,682	**$ 37,544**	$ 34,021
Ounces of gold sold	**15,945**	13,485	**47,615**	36,291
Cash operating costs per ounce sold[1]	**$ 528**	$ 587	**$ 568**	$ 684
All-in sustaining cost per ounce sold[1,2]	**$ 730**	$ 866	**$ 788**	$ 937
Caeté Complex				
Operating costs	**$ 7,894**	$ 9,975	**$ 24,424**	$ 30,016
Sustaining capital expenditures	**3,163**	448	**8,751**	2,434
All-in sustaining costs[1]	**$ 11,057**	$ 10,423	**$ 33,175**	$ 32,450
Ounces of gold sold	**9,372**	11,674	**24,553**	32,280
Cash operating costs per ounce sold[1]	**$ 842**	$ 854	**$ 995**	$ 930
All-in sustaining cost per ounce sold[1,2]	**$ 1,180**	$ 893	**$ 1,351**	$ 1,005
Pilar Mine				
Operating costs	**$ 5,957**	$ 6,351	**$ 19,140**	$ 19,767
Sustaining capital expenditures	**3,052**	334	**7,612**	1,828
All-in sustaining costs[1]	**$ 9,009**	$ 6,685	**$ 26,752**	$ 21,595
Ounces of gold sold	**7,821**	8,641	**20,812**	23,909
Cash operating costs per ounce sold[1]	**$ 762**	$ 735	**$ 920**	$ 827
All-in sustaining cost per ounce sold[1,2]	**$ 1,152**	$ 774	**$ 1,285**	$ 903
RG Mine				
Operating costs	**$ 1,937**	$ 3,624	**$ 5,284**	$ 10,249
Sustaining capital expenditures	**111**	114	**1,139**	606
All-in sustaining costs[1]	**$ 2,048**	$ 3,738	**$ 6,423**	$ 10,855
Ounces of gold sold	**1,551**	3,033	**3,741**	8,371
Cash operating costs per ounce sold[1]	**$ 1,249**	$ 1,195	**$ 1,412**	$ 1,224
All-in sustaining cost per ounce sold[1,2]	**$ 1,320**	$ 1,232	**$ 1,717**	$ 1,297

[1] Results of 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 September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Cash generated from operating activities	**$ 9,353**	$ 3,670	**$ 29,314**	$ 17,485
Sustaining capital expenditures	**(6,370)**	(4,213)	**(19,246)**	(11,638)
Cash tax refunds	**(11)**	-	**(1,013)**	(7,378)
Free cash flow	**$ 2,972**	$ (543)	**$ 9,055**	$ (1,531)

Reconciliation of Net (Loss) Income to EBITDA and Adjusted EBITDA

($ thousands, except where indicated)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Net (loss) income	**$ (31,648)**	$ 4,445	**$ (73,515)**	$ (12,884)
Income tax expense	**2,199**	4,795	**1,695**	8,177
Finance costs	**2,138**	(492)	**4,469**	1,691
Depreciation and amortization	**9,509**	3,272	**25,641**	13,390
EBITDA	**$ (17,802)**	$ 12,020	**$ (41,710)**	$ 10,374
Changes to legal provisions and recoverable VAT	**321**	965	**(8,223)**	9,811
Foreign exchange loss (gain)	**161**	(6,654)	**2,750**	(6,870)
Stock-based compensation	**124**	84	**349**	448
Net realizable value adjustment	**185**	-	**1,104**	32
Financial instruments loss (gain)	**31,405**	-	**76,029**	(38)
Adjusted EBITDA	**$ 14,394**	$ 6,415	**$ 30,299**	$ 13,757

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, 2015 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the condensed interim 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, and 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 condensed interim consolidated financial statements.

The critical accounting estimates, judgments, and assumptions applied in the preparation of the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 are consistent with those applied and disclosed in the audited annual consolidated financial statements for the year ended December 31, 2015. For details of these estimates, judgments, and assumptions, please refer to the Company's audited annual consolidated financial statements for the year ended December 31, 2015, which are available on the Company's website and on SEDAR.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

The accounting policies applied in the condensed interim consolidated financial statements as at September 30, 2016 are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2015. The following are recent pronouncements approved by the IASB that are pending adoption. These new standards have not been applied in preparing the consolidated financial statements, however, they may impact future periods:

- IFRS 2 Share-based Payment ("IFRS 2") – In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, 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 impact of the amendments to IFRS 2 on the Company's consolidated financial statements has not yet been determined.
- IFRS 9 Financial Instruments ("IFRS 9") – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, 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 impact of IFRS 9 on the Company's financial instruments has not yet been determined.
- 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 impact of IFRS 15 on the Company's consolidated financial statements has not yet been determined.
- 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.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting (as such term is defined under National Instrument 52-109 as issued by the Canadian Securities Administrator). Internal control over financial reporting is designed 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 during the three and nine months ended September 30, 2016 that, in management's view, would have materially affected, or that are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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, 2015 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.