

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

IN THE MATTER OF THE COMPANIES' CREDITORS
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE
OR ARRANGEMENT OF JAGUAR MINING INC.

**PRE-FILING REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS PROPOSED MONITOR**

December 21, 2013

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in its capacity as Proposed Monitor

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INTRODUCTION

1. FTI Consulting Canada Inc. ("**FTI**" or the "**Proposed Monitor**") has been informed that Jaguar Mining Inc. (the "**Applicant**") intends to make an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for:

- (a) an initial order (the "**Initial Order**") granting, *inter alia*, a stay of proceedings against the Applicant until and including January 22, 2014 and appointing FTI as the monitor of the Applicant (the "**Monitor**");
- (b) an order (the "**Claims Procedure Order**") establishing a process for the identification and determination of claims against the Applicant and its present and former directors and officers; and
- (c) an order (the "**Meeting Order**") authorizing the Applicant to file a plan of compromise and arrangement (the "**CCAA Plan**") and to convene a meeting of its affected creditors to consider and vote on the CCAA Plan.

2. The proceeding to be commenced by the Applicant under the CCAA will be referred to herein as the “**CCAA Proceeding**”.

PURPOSE

3. The purpose of this report is to provide the Court with the following:
- (a) FTI’s qualifications to act as Monitor (if appointed);
 - (b) an overview of the Applicant and its current situation;
 - (c) a summary of the activities that FTI has been involved in to date with respect to the business and affairs of the Applicant;
 - (d) FTI’s comments regarding the proposed extension of the stay of proceedings to the Applicant’s Subsidiaries with respect to the Applicant Related Liabilities (as defined herein);
 - (e) FTI’s comments regarding the proposed Administration Charge and Directors’ Charge;
 - (f) FTI’s comments regarding the proposed approval of the Financial Advisors engagement;
 - (g) FTI’s comments regarding the timing set out in the Claims Procedure Order and the Meeting Order;
 - (h) FTI’s comments regarding the role of the Solicitation/Election Agent (as defined in the proposed form of Initial Order) in connection with obtaining proxies and/or voting information and subscription election forms from Registered Holders

and/or Beneficial Noteholders (as such terms are defined in the proposed form of Meeting Order) who are entitled to vote on the CCAA Plan;

- (i) FTI's comments regarding the proposed consent requirement in favour of certain holders of the Notes with respect to the process for dealing with Disputed Claims and Disputed Director/Officer Claims (as such terms are defined in the proposed form of Claims Procedure Order);
- (j) FTI's comments regarding the proposed payment of certain pre-filing amounts;
- (k) FTI's comments regarding the Applicant's consolidated 10 week cash flow projections of its receipts and disbursements to February 28, 2014 (the "**Cash Flow Forecast**") and the reasonableness thereof, in accordance with section 23(1)(b) of the CCAA; and
- (l) FTI's conclusions and recommendations.

TERMS OF REFERENCE

4. In preparing this report, FTI has relied upon unaudited financial information, other information available to FTI, where appropriate the Applicant's books and records, and discussions with various parties, including the Applicant's senior management, counsel to the Applicants, counsel to the Ad Hoc Committee, counsel to the Special Committee, the Trustees (as defined in the proposed form of Claims Procedure Order) and the proposed Solicitation/Election Agent.

5. FTI has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information. Future oriented financial information reported or relied on in

preparing this report is based on management's assumptions regarding future events; actual results may vary from forecast and such variations may be material.

6. Unless otherwise stated, all monetary amounts contained herein are expressed in Canadian Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the affidavit of David M. Petroff, the Chief Executive Officer of the Applicant, filed in support of the CCAA Proceeding (the "**Petroff Affidavit**").

FTI'S QUALIFICATIONS TO ACT AS MONITOR

7. FTI was retained by the Applicant on December 13, 2013 to provide certain financial advisory and consulting services.

8. FTI is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, and is not subject to any of the restrictions on who may be appointed as monitor set out in section 11.7(2) of the CCAA.

9. FTI has provided its consent to act as Monitor in the CCAA Proceeding (a copy of which is attached hereto as Appendix "A").

OVERVIEW OF THE APPLICANT AND ITS CURRENT SITUATION

10. The Applicant is the parent company in the Jaguar Group that is engaged in the acquisition, exploration, development and operation of gold producing properties in Brazil. The Applicant also owns additional mineral resources at its approximate 210,000-hectare land base in Brazil. The parent company itself does not carry on active gold mining operations and is located in Toronto, Canada.

11. The Applicant is a public company with shares listed on the Toronto Stock Exchange (“TSX”) under the symbol “JAG”. As of the date of this filing, 86,396,356 common shares were issued and outstanding and trading on the TSX.

12. Certain events and occurrences over the last 20 months have led the Applicant and its business to its current situation:

- (a) Since 2012, there has been a turnover of the Applicant’s senior management and Board of Directors. A new chief executive officer was appointed in 2012, along with a new chief financial officer and chief operating officer in 2013;
- (b) In May 2012, the Applicant announced the implementation of a comprehensive restructuring and turnaround plan;
- (c) In May 2013, the Applicant engaged a financial advisor to consider strategic alternatives for the Jaguar Group;
- (d) In June 2013, the Applicant entered into discussions with the Ad Hoc Committee regarding a recapitalization and financing proposal;
- (e) In October 2013, an independent committee comprised of three members of the Board of Directors (the “**Special Committee**”) was established by the Board of Directors to consider strategic matters relating to the Applicant;
- (f) In November 2013, the Applicant issued press releases that its Board of Directors had approved a term sheet outlining the terms of a recapitalization plan, and that it had entered into a Support Agreement;

- (g) On December 2, 2013, the Applicant committed an event of default under the 4.5% Notes Indenture as a result of the non-payment of approximately \$3.7 million of interest. As a result of this event of default certain remedies became available, including possible acceleration of the principal amount and accrued and unpaid interest on the convertible notes issued pursuant to the 4.5% Notes Indenture. As at November 30, 2013, that principal and accrued interest under the 4.5% Notes Indenture totalled approximately \$169.3 million; and
- (h) On December 13, 2013, FTI was retained by the Applicant to provide certain financial advisory and consulting services.

13. In summary, FTI has been advised that the Applicant would have no means of repaying or refinancing the obligations under the convertible notes issued pursuant to the 4.5% Notes Indenture if they were accelerated or the obligations under the Renvest Facility and the 2016 Notes if they were accelerated as a result of the event of default under the 4.5% Notes Indenture, that the Applicant is facing a foreseeable liquidity crisis and that the Applicant's proposed resolution to these issues cannot be implemented in the current circumstances without a Court-supervised process.

ACTIVITIES OF THE PROPOSED MONITOR

14. Since being retained, FTI has been involved in numerous activities, including:
- (a) attending at the Applicant's premises;
 - (b) participating in numerous meetings and discussions with senior management of the Applicant and the Applicant's legal and financial advisors in connection with

the Applicant's business and financial affairs, generally, and in connection with the preparation of the Cash Flow Forecast;

- (c) participating in numerous meetings and discussions with the Applicant, counsel to the Applicant, the Solicitation/Election Agent, the Trustees and counsel to the Ad Hoc Committee in connection with the proposed forms of Initial Order, Claims Procedure Order and Meeting Order;
- (d) engaging legal counsel, who has also participated in certain of the above-noted meetings and discussions;
- (e) reviewing and considering various documentation in connection with the CCAA Proceeding; and
- (f) preparing this report.

15. Given FTI's recent engagement, FTI will not be commenting on the following in this report:

- (a) the prior strategic review completed by the Applicant over the last seven (7) months, with the assistance of its financial and legal advisors;
- (b) the Renvest Facility and the validity, enforceability and perfection of the security granted by the Applicant in favour of Global Resource Fund in connection therewith;
- (c) the litigation commenced on March 27, 2012 by, among others, the former chief executive officer of the Applicant, which is more particularly described in the Petroff Affidavit (the "**2012 Litigation**");

(d) the development of the CCAA Plan and Information Circular (as defined in the proposed form of Meeting Order) and the terms and conditions contained therein;

or

(e) the terms and conditions of the Support Agreement and the Backstop Agreement, which are incidental to the CCAA Plan.

16. If this Honourable Court approves the appointment of FTI as Monitor, FTI will report further on the status of the CCAA Proceeding and will provide its statutory report to the Court on the CCAA Plan pursuant to the terms of the CCAA at the appropriate time.

17. To avoid unnecessary duplication, this report will not discuss certain information contained in the Petroff Affidavit, including information in connection with the Jaguar Group, its liquidity and leverage concerns, efforts to improve the Applicant's operating results, strategic alternatives and the CCAA Plan. Accordingly, this report should be read in conjunction with the Petroff Affidavit.

STAY OF PROCEEDINGS

18. The CCAA Proceeding is in respect of the Applicant, which does not carry on active gold mining operations. The Subsidiaries are not applicants in the CCAA Proceeding. FTI is advised that the principal objective of the CCAA Proceeding is to effect a recapitalization and financing transaction on an expedited basis to provide a stronger financial foundation for the Applicant and the Subsidiaries going forward and additional liquidity to allow the Applicant and the Subsidiaries to work towards their operational and financial goals.

19. In addition to the stay of proceedings against the Applicant, the Applicant is also seeking an extension of the stay of proceedings to:

- (a) prevent the commencement or continuation of a Proceeding (as defined in the proposed form of Initial Order) against or in respect of any of the Subsidiaries with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of, or that relates to, any agreement involving the Applicant, or the obligations, liabilities and claims of, against or affecting the Applicant or the Applicant's business (collectively, the "**Applicant Related Liabilities**") and any Subsidiary Property (as defined in the proposed form of Initial Order) with respect to any Applicant Related Liabilities; and
- (b) stay and suspend any and all such proceedings that may be currently underway by any person pending further Order of this Honourable Court.

20. FTI understands that the Applicant may be a party to certain agreements with some or all of the Subsidiaries or be the beneficiary of a guarantee or other indemnity provided by the Subsidiaries to support obligations of the Applicant. In particular, FTI has been advised that the Subsidiaries have provided a guarantee under the Renvest Facility.

21. In addition, these agreements, guarantees and/or indemnities may contain cross default provisions, which could entitle the co-contracting parties to take enforcement steps against the Subsidiaries and the Subsidiary Property in certain circumstances. The proposed extension of the stay of proceedings to the Applicant Related Liabilities is intended to provide protection to the Applicant and the Subsidiaries in the event that a creditor or co-contracting party takes enforcement steps against the Subsidiaries due to, among other things, the granting of the Initial Order, the commencement of the CCAA Proceeding by the Applicant, or any other existing event of default such as the event of default under the 4.5% Notes Indenture (as more particularly described in the Petroff Affidavit).

22. The Applicant further advised FTI that the Subsidiaries are vital to the Applicant as the active gold mining operations of the Jaguar Group are carried out through the Subsidiaries and not the Applicant. Accordingly, the Applicant has advised FTI that the protections sought in the proposed form of Initial Order on behalf of the Subsidiaries and the Subsidiary Property are vital to the Applicant's ongoing viability.

23. Based on the foregoing, FTI supports the extension of the stay of proceedings to prevent the commencement or continuation of a Proceeding against or in respect of any of the Subsidiaries with respect to any Applicant Related Liabilities and any Subsidiary Property with respect to any Applicant Related Liabilities.

COURT-ORDERED CHARGES

24. The proposed form of Initial Order provides for an administration charge on the Property (as such term is defined in the proposed form of Initial Order), which shall not exceed an aggregate amount of \$5 million, and that is bifurcated into:

- (a) a first-ranking charge on the Applicant's Property in an amount not to exceed \$500,000 (the "**Primary Administration Charge**") to secure the fees and disbursements incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA Proceeding by domestic and foreign counsel to the Applicant, the Proposed Monitor, domestic and foreign counsel to the Proposed Monitor, independent counsel to the Special Committee, domestic and foreign counsel to the Ad Hoc Committee, and the Financial Advisors; and
- (b) a charge on the Applicant's Property in an amount not to exceed \$4,500,000 (the "**Subordinated Administration Charge**") to secure the fees and disbursements

incurred in connection with services rendered to the Applicant both before and after the commencement of the CCAA Proceeding by domestic and foreign counsel to the Applicant, the Proposed Monitor, domestic and foreign counsel to the Proposed Monitor, independent counsel to the Special Committee, domestic and foreign counsel to the Ad Hoc Committee, and the Financial Advisors, which will rank behind the Primary Administration Charge, the Directors' Charge (as defined herein) and the security granted by the Applicant to secure the obligations under the Renvest Facility prior to the commencement of the CCAA Proceeding (the "**Renvest Security**").

25. Notwithstanding the foregoing, the proposed form of Initial Order clarifies that each of the Financial Advisors shall only be entitled to the benefit of the Primary Administration Charge to the extent it relates to their respective monthly work fees as set out in the terms and conditions of their respective FA Engagement Letters.

26. The proposed form of Initial Order also provides for a charge on the Applicant's Property in an amount not to exceed \$150,000 (the "**Directors' Charge**") to protect the directors and officers against obligations and liabilities that they may incur as directors and officers of the Applicant after the commencement of the CCAA Proceeding, except to the extent that the obligation or liability is incurred as a result of the director's or officer's gross negligence or wilful misconduct. The benefit of the Directors' Charge will only be available to the extent that a liability is not covered by the D&O Insurance. The Directors' Charge will rank subsequent to the Primary Administration Charge, but in priority to the Renvest Security and the Subordinated Administration Charge.

27. The effect of the proposed Court-ordered charges in relation to each other is the following ranking:

- (a) First - the Primary Administration Charge (to the maximum amount of \$500,000);
- (b) Second – the Directors’ Charge (to the maximum amount of \$150,000);
- (c) Third – the Renvest Security; and
- (d) Fourth - the Subordinated Administration Charge (to the maximum amount of \$4,500,000).

28. FTI has worked with the Applicant to determine the proposed quantum of the Court-ordered charges. Accordingly, FTI believes that the above noted proposed Court-ordered charges and rankings are required and reasonable in the circumstances of the CCAA Proceeding in order to preserve going concern operations of the Applicant and, accordingly, supports the granting of and the proposed ranking of the charges.

29. FTI is further advised by the Applicant that after conducting Personal Property Security Registration System searches in Ontario current to December 16, 2013, the only party that was revealed as having a registration against the Applicant was Global Resource Fund, and Global Resource Fund will receive notice of the CCAA Proceeding.

APPROVAL OF THE FINANCIAL ADVISORS ENGAGEMENT

30. The Applicant is seeking the approval of the FA Engagement Letters. Copies of the Canaccord Engagement Letter and the Houlihan Engagement Letter are attached as confidential exhibits to the Petroff Affidavit.

31. The Applicant has advised FTI that the Financial Advisors have worked extensively with the Applicant in its pre-CCAA restructuring efforts and have extensive knowledge of the options that the Applicant has considered. Accordingly, the Applicant has advised FTI that the approval of the engagement of the Financial Advisors is appropriate in the circumstances.

TIMELINE SET OUT IN THE CLAIMS PROCEDURE ORDER AND MEETING ORDER

32. FTI views the timeline set out in the proposed forms of Claims Procedure Order and Meeting Order (the “**Proposed Timeline**”) as compressed and aggressive, especially in regards to (a) the amount of time given to creditors to file their Proofs of Claim; (b) the time of year, in particular as a result of the holiday season in late December, 2013; and (c) the amount of time between the Claims Bar Date (as defined in the proposed form of Claims Procedure Order) and the proposed Sanction Hearing (as defined in the proposed Meeting Order). However, on balance, FTI is supportive of the Proposed Timeline as a result of the following factors:

- (a) FTI is advised by the Applicant that, with the assistance of the Applicant’s legal and financial advisors, the Applicant has previously conducted a process to evaluate strategic restructuring alternatives (including refinancing and piecemeal sale alternatives), which process did not result in any restructuring or refinancing alternatives that the Applicant believed would be feasible;
- (b) FTI is advised that the Applicant is facing a liquidity crisis, is insolvent, is in default of the 4.5% Notes Indenture and is unable to pay them, would have no means of repaying or refinancing the Renvest Facility and the 2016 Notes if they were accelerated as a result of the event of default under the 4.5% Notes Indenture, and is expected to cease to have sufficient cash resources to continue

operations in the first quarter of 2014 without pursuing and implementing the CCAA Plan;

- (c) FTI is advised by the Applicant, the Trustees and the Solicitation/Election Agent that each of them will be able to fulfil their obligations pursuant to the proposed form of Claims Procedure Order and Meeting Order in accordance with the Proposed Timeline;
- (d) the Applicant is a holding company with little or no business operations, little or no trade debt, six (6) employees, and it is anticipated that the Applicant will substantially discharge its obligations (other than under the Notes) in the ordinary course of business during the CCAA Proceeding;
- (e) FTI is advised that the only unsecured creditors that are intended to be affected by the CCAA Plan are the holders of the Notes and any unsecured creditors or persons with contingent liability claims who are determined to have valid claims, all of which will be dealt with pursuant to and in accordance with the Claims Procedure Order. As more particularly described in the Petroff Affidavit, FTI notes that there may exist certain contingent liabilities relating to the 2012 Litigation;
- (f) FTI is advised by the Applicant that holders of Notes representing approximately 93% of the outstanding principal amounts of the Notes (the “**Consenting Noteholders**”) support the Proposed Timeline pursuant to the Support Agreements; and

- (g) FTI is advised by the Applicant that the Support Agreement contains a provision requiring the implementation of the CCAA Plan by February 28, 2014 and if such date is not met or not waived, the holders of Notes that are party thereto are permitted to terminate the Support Agreement.

33. Although FTI and its counsel have not had an opportunity to conduct a comprehensive review of the Support Agreement, FTI understands that the Support Agreement sets out an agreement among the Applicant, the Subsidiaries and the Consenting Noteholders regarding the principal aspects of a series of transactions which formed the basis of the CCAA Plan.

34. In addition, the Support Agreement, as amended, contains certain milestone dates that permit the holder of Notes that are party thereto to terminate the Support Agreement if such dates are not met or not waived. Such milestone dates include:

- (a) initiation of the CCAA Proceeding by December 23, 2013;
- (b) approval of the Initial Order by December 23, 2013;
- (c) meeting of creditors entitled to vote on the CCAA Plan by no later than January 28, 2014;
- (d) sanction of the CCAA Plan by the Court by January 30, 2014; and
- (e) implementation of the CCAA Plan by February 28, 2014.

The Support Agreement provides that certain milestone dates may be changed to such other dates as the Applicant and the Consenting Noteholders may agree in writing.

35. FTI further understands that the Applicant has been working closely with the Ad Hoc Committee for several months to establish the Proposed Timeline and the CCAA Plan and that they have previously extended such milestone dates, as required.

36. FTI will closely monitor the activities of the Applicant and the milestone dates, and will provide a report to this Honourable Court if issues arise in connection with the ability of the Applicant to meet the Proposed Timeline or the milestone dates set out in the Support Agreement.

ROLE OF THE SOLICITATION/ELECTION AGENT

37. Pursuant to the proposed form of Initial Order, the Applicant is authorized to retain the Solicitation/Election Agent to permit it to obtain proxies and/or voting information and subscription election forms from Registered Holders and/or Beneficial Noteholders in respect of the CCAA Plan and any amendments thereto.

38. Given (a) the compressed and aggressive timeline set out in the proposed form of Claims Procedure Order and Meeting Order, (b) the Solicitation/Election Agent's experience in working with the Participant Holders (as defined in the proposed form of Meeting Order), and (c) the consultative and oversight role of the Monitor set out in the proposed form of Meeting Order in connection with the noteholder solicitation process described therein, FTI is of the view that the Solicitation/Election Agent's role in the CCAA Proceeding is reasonable and appropriate.

39. As more particularly described above, FTI has had discussions with the Solicitation/Election Agent, who has advised that it anticipates being able to meet the Proposed Timeline in connection with obtaining proxies and/or voting information and subscription election forms from the Registered Holders and the Beneficial Noteholders. If appointed as Monitor, FTI will consult with and oversee the activities of the Solicitation/Election Agent as

provided for in the proposed form of Meeting Order in connection with the noteholder solicitation process and report to the Court and/or seek advice or direction in the event the Solicitation/Election Agent is unable to meet the Proposed Timeline.

PROPOSED CONSENT REQUIREMENT IN DISPUTED CLAIMS PROCESS

40. Pursuant to the proposed form of Claims Procedure Order, the Monitor and the Applicant shall not accept, admit, settle, resolve, value (for any purpose) or revise any Disputed Claim or Disputed Director/Officer Claim (as defined in the proposed form of Claims Procedure Order), or any part thereof, that exceeds \$250,000 without the consent of the Majority Consenting Noteholders.

41. As more particularly described in the proposed form of Claims Procedure Order, the Majority Consenting Noteholders are comprised of Consenting Noteholders who have executed the Support Agreement who together equal to at least a majority of the aggregate principal amount of all Notes held by all Consenting Noteholders. FTI understands that the Applicant is of the view that the requirement to obtain the consent of the Majority Consenting Noteholders prior to the settlement of any Disputed Claims and Disputed Director/Officer Claims is reasonable given that the CCAA Plan is intended to primarily compromise amounts owed to the holders of the Notes and, accordingly, any settlement of such Disputed Claims or Disputed Director/Officer Claims would have a direct economic impact on the Majority Consenting Noteholders.

42. FTI intends to be involved in the settlement of any such Disputed Claims or Disputed Director/Officer Claims. In addition, FTI notes that nothing in the proposed form of Claims Procedure Order fetters the ability of the Monitor to apply to this Honourable Court for

advice and direction in respect of any matter, including the resolution or settlement of any such Disputed Claims or Disputed Director/Officer Claims.

PAYMENT OF PRE-FILING AMOUNTS

43. The proposed form of Initial Order grants the Applicant the authority to pay certain specified expenses whether incurred prior to, or after, the commencement of the CCAA Proceeding, including the fees and disbursements of any Assistants (as defined in the proposed form of Initial Order) retained or employed by the Applicant in respect of the CCAA Proceeding or in respect of the Applicant's public listing requirements, at their standard rates and charges. FTI has been advised that the majority of these expenses relate to professional and legal services.

44. FTI is advised by the Applicant that certain pre-filing amounts that relate to professional services provided by certain accounting, legal and financial advisory service providers in various jurisdictions to both the Applicant and the Ad Hoc Committee should be paid as non-payment of these amounts may have a significant detrimental impact on the Jaguar Group. As more particularly described in the Petroff Affidavit, the Applicant is of the view that there is a significant risk that its service providers will not continue to provide services if their respective pre-filing amounts are not paid.

45. Based on the foregoing, FTI believes that granting the Applicant the authorization to pay certain pre-filing amounts in accordance with existing payment practices as specified in the proposed form of Initial Order is reasonable in the circumstances of the CCAA Proceeding.

APPLICANT'S CASH FLOW FORECAST

Cash Flow Projections

46. The Applicant, with the assistance of the Proposed Monitor, has prepared the Cash Flow Forecast. The Cash Flow Forecast is for a 10 week period as the expiration of the 10

week period corresponds with the Outside Date of February 28, 2014 in the Support Agreement for implementation of the CCAA Plan.

47. As more particularly described in the Petroff Affidavit, funds are transferred between the bank accounts of the Applicant and the bank accounts of the Subsidiaries in the ordinary course of business in accordance with the terms of certain intercompany loan arrangements. It is contemplated that the continued operation of these intercompany loan arrangements throughout the CCAA Proceeding is necessary to provide the Applicant with an important source of cash, which is reflected in the Cash Flow Forecast set out below.

48. The Cash Flow Forecast, together with the management’s report on the cash-flow statement as required by section 10(2)(b) of the CCAA, is attached hereto as Appendix “B”. The Cash Flow Forecast shows a negative cash flow of approximately \$3.9 million in the period from December 23, 2013 to February 28, 2014 and is summarized below:

	\$000 CAD
Cash Inflow	
Other	\$ 1,350
Total Cash Inflow	\$ 1,350
Cash Outflow	
Payroll & Benefits	\$ (325)
Board & Committee Fees	\$ (248)
Rent, Communications & Utilities	\$ (32)
Interest Fees	\$ (561)
Legal & Professional Fees	\$ (372)
Other	\$ (83)
Total Cash Outflow	\$ (1,621)
Restructuring Costs	
Legal & Professional Fees	\$ (3,592)
Total Restructuring Fees	\$ (3,592)
Net Cash Flow	\$ (3,863)
Opening Cash Balance	\$ 4,126
Net Cash Flow	\$ (3,863)
Ending Cash Balance	\$ 263

49. It is anticipated that the Applicant's projected liquidity requirements through to the proposed implementation of the CCAA Plan during the CCAA Proceeding will be met by existing cash available to the Applicant.

Proposed Monitor's Report on the Reasonableness of the Cash Flow Projections

50. Section 23(1)(b) of the CCAA states that the Proposed Monitor shall:

“review the company's cash-flow statement as to its reasonableness and file a report with the court on the Proposed Monitor's findings”

51. Pursuant to section 23(1)(b) of the CCAA and in accordance with the Canadian Association of Insolvency and Restructuring Professionals Standards of Practice 09-1 (“**CAIRP SOP 09-1**”), the Proposed Monitor hereby reports as follows:

- (a) The Cash Flow Forecast has been prepared by the management of the Applicant for the purpose described in Note 1, using Probable and Hypothetical Assumptions as set out in Notes 2-5;
- (b) The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the management and employees of the Applicant. Since Hypothetical Assumptions need not be supported, the Proposed Monitor's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor has also reviewed the support provided by management of the Applicant for the Probable Assumptions, and the preparation and presentation of the Cash-Flow Statement;

- (c) Based on its review, nothing has come to the attention of the Proposed Monitor that causes it to believe, that in all material respects:
- (i) the Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - (ii) as at the date of this report, the Probable Assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast, given the Hypothetical Assumptions; or
 - (iii) The Cash Flow Forecast does not reflect the Probable and Hypothetical Assumptions;
- (d) Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Proposed Monitor expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon by the Proposed Monitor in preparing this report; and
- (e) The Cash Flow Forecast has been prepared solely for the purpose described in Note 1 on the face of the Cash Flow Forecast and readers are cautioned that it may not be appropriate for other purposes.

CONCLUSIONS AND RECOMMENDATIONS

52. FTI is advised that the Applicant is facing a liquidity crisis, is insolvent, is in default of the 4.5% Notes Indenture and is unable to pay them, would have no means of repaying or refinancing the Renvest Facility and the 2016 Notes if they were accelerated as a result of the event of default under the 4.5% Notes Indenture, and is expected to cease to have sufficient cash resources to continue operations in the first quarter of 2014.

53. FTI is further advised that the Applicant has previously conducted a process to evaluate strategic restructuring alternatives, including refinancing and piecemeal sale alternatives, which process did not result in any restructuring or refinancing alternatives that the Applicant believed would be feasible.

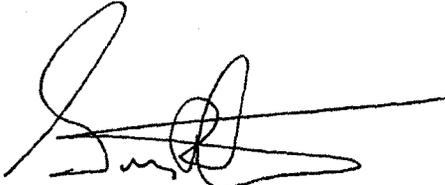
54. The CCAA Proceeding would provide the Applicant with the opportunity to continue as a going concern for the continued benefit of its various stakeholders.

55. Based on the foregoing, the Proposed Monitor respectfully recommends that this Honourable Court grant the following orders that are being sought by the Applicant:

- (a) the Initial Order;
- (b) the Claims Procedure Order; and
- (c) the Meeting Order.

Dated this 21st day of December, 2013.

FTI Consulting Canada Inc.
in its capacity as the Proposed Monitor of Jaguar Mining Inc.
and not in its personal or corporate capacity

A handwritten signature in black ink, appearing to be 'Greg Watson', with a long horizontal line extending to the right.

Greg Watson
Senior Managing Director

A handwritten signature in black ink, appearing to be 'Jodi B. Porepa', with a long horizontal line extending to the right.

Jodi B. Porepa
Managing Director

Appendix "A"

Court File No.

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

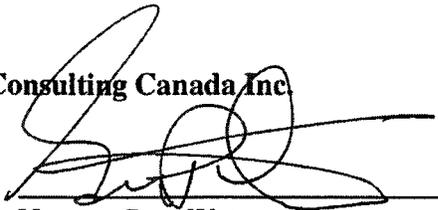
AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF JAGUAR MINING INC.

CONSENT

We, FTI Consulting Canada Inc., hereby consent to act as Monitor in respect of Jaguar Mining Inc. in its proceedings pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended.

Dated at Toronto, Ontario, Canada this ^{21st} day of December, 2013.

FTI Consulting Canada Inc.

Per: 

Name: Greg Watson

Title: Senior Managing Director

Appendix "B"

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
JAGUAR MINING INC.**

(the "Applicants")

**REPORT ON CASH FLOW STATEMENT
(paragraph 10.2(b) of the CCAA)**

The management of Jaguar Mining Inc. ("**Jaguar**" or the "**Company**") has developed the assumptions and prepared the attached statement of projected cash flow of Jaguar as of the 20th day of December 2013, consisting of a 10 week cash flow for the period December 23, 2013 to February 28, 2013 (the "December 23 Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the projections as described in Note 1 to the cash flow, and the probable assumptions are suitably supported and consistent with the plans of Jaguar and provide a reasonable basis for the December 23 Cash Flow. All such assumptions are disclosed in Notes 2 to 5.

Since the December 23 Cash Flow is based on future events, actual results will vary from the information presented and the variations may be material.

The December 23 Cash Flow has been prepared solely for the purpose outlined in Note 1, using the probably and hypothetical assumptions set out in Notes 2 to 5. Consequently readers are cautioned that the December 23 Cash Flow may not be suitable for other purposes.

Dated at Toronto this 20th day of December 2013.



Doug Willock
Chief Financial Officer
Jaguar Mining Inc.

Jaguar Mining Inc.
10 Week Cash Flow Forecast
CAD \$'000

Week Ending	Week 1 27-Dec	Week 2 3-Jan	Week 3 10-Jan	Week 4 17-Jan	Week 5 24-Jan	Week 6 31-Jan	Week 7 7-Feb	Week 8 14-Feb	Week 9 21-Feb	Week 10 28-Feb	Total 10 week Total
Cash Inflow											
Other	0	0	0	0	1,350	0	0	0	0	0	1,350
Total Cash Inflow	-	-	-	-	1,350	-	-	-	-	-	1,350
Cash Outflow											
Payroll & Benefits	-	(65)	-	(65)	-	(65)	-	(65)	-	(65)	(325)
Board & Committee Fees	-	(124)	-	(31)	-	(31)	-	(31)	-	(31)	(248)
Rent, Communications & Utilities	-	-	-	(7)	-	(9)	-	(7)	-	(9)	(32)
Interest Fees	-	(280)	-	-	-	-	(280)	-	-	-	(561)
Legal & Professional Fees	-	(60)	-	(96)	-	(60)	-	(96)	-	(60)	(372)
Other	-	(64)	-	(5)	-	(4)	(3)	(6)	-	(3)	(83)
Total Cash Outflow	-	(593)	-	(203)	-	(169)	(283)	(204)	-	(168)	(1,621)
Restructuring Costs											
Legal & Professional Fees	(662)	(413)	(302)	(302)	(302)	(303)	(402)	(302)	(302)	(303)	(3,592)
Total Restructuring Fees	(662)	(413)	(302)	(302)	(302)	(303)	(402)	(302)	(302)	(303)	(3,592)
Net Cash Flow	(662)	(1,006)	(302)	(505)	1,048	(471)	(685)	(506)	(302)	(471)	(3,863)
Opening Cash Balance	4,126	3,464	2,459	2,157	1,651	2,699	2,228	1,543	1,036	734	4,126
Net Cash Flow	(662)	(1,006)	(302)	(505)	1,048	(471)	(685)	(506)	(302)	(471)	(3,863)
Ending Cash Balance	3,464	2,459	2,157	1,651	2,699	2,228	1,543	1,036	734	263	263

Notes

- 1 The purpose of this Cash Flow Forecast is to determine the liquidity requirements for Jaguar Mining Inc. during the CCAA Proceedings.
- 2 Receipts have been forecast based on expected proceeds.
- 3 Disbursements are forecast based on historical analysis and estimates from service providers.
- 4 Estimated Restructuring costs are based on projected costs associated with legal and professional fees relating to the CCAA Proceedings.
- 5 This Cash Flow Forecast assumes that the Meeting Order and Claims Procedure Order are granted on the date of the Initial Order and that the Plan is approved on the expedited timeline proposed by the Claims Procedure Order and the Meeting Order.

THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED

Court File No:

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
JAGUAR MINING INC. (the "Applicant")

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

Proceeding commenced at Toronto

PRE-FILING REPORT OF THE PROPOSED MONITOR

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