

Court File No. CV-13-10383-00CL

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.

**NINTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS MONITOR**

November 26, 2014

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INTRODUCTION

1. On December 23, 2013 (the “**Filing Date**”), Jaguar Mining Inc. (“**Jaguar**”, the “**Applicant**” or the “**Company**”) filed for and obtained protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”). Pursuant to the Order of this Honourable Court dated December 23, 2013 (the “**Initial Order**”), FTI Consulting Canada Inc. was appointed as the Monitor of Jaguar (the “**Monitor**”) in the CCAA proceedings (the “**CCAA Proceedings**”). The Initial Order provided, *inter alia*, for a stay of proceedings through to and including January 22, 2014 or such other date as this Honourable Court may order (the “**Stay Period**”) for both Jaguar and its Subsidiaries.

2. On the Filing Date, the Court also issued an Order authorizing the Company to establish a process for the identification and determination of claims against the Company and its present and former directors and officers (the “**Claims Procedure Order**”), and an Order authorizing the Company to file a plan of compromise and arrangement and to convene a

meeting of its Affected Unsecured Creditors to consider and vote on such plan (the “**Meeting Order**”).

3. On January 14, 2014, the Court issued an Order approving an extension of the Stay Period to and including February 28, 2014, and amending the Initial Order to adopt the E-Service Protocol established by the Commercial List.

4. On February 6, 2014, the Court issued an Order (the “**Sanction Order**”) approving and sanctioning the amended and restated plan of compromise and arrangement dated February 5, 2014, as may be further amended, restated, modified or supplemented from time to time (the “**Amended and Restated Plan**”).

5. On February 27, 2014, the Court issued an Order approving an extension of the Stay Period to and including March 10, 2014.

6. On March 10, 2014, the Court issued an Order approving an extension of the Stay Period to and including March 24, 2014.

7. On March 24, 2014, the Court issued an Order approving an extension of the Stay Period to and including April 7, 2014.

8. On April 7, 2014, the Court issued an Order approving an extension of the Stay Period to and including April 17, 2014.

9. On April 17, 2014, the Court issued an Order approving an extension of the Stay Period to and including April 25, 2014.

10. Pursuant to the Sanction Order, the Stay Period expired upon implementation of the Amended and Restated Plan on April 22, 2014.

11. The following appendices have been attached to this Ninth Report of the Monitor (the “**Monitor’s Ninth Report**”):

- (a) Appendix “A” – the Affidavit of Greg Watson sworn November 26, 2014 (the “**Watson Affidavit**”);
- (b) Appendix “B” – the Affidavit of Michael De Lellis sworn November 25, 2014 (the “**De Lellis Affidavit**”);
- (c) Appendix “C” – the Third Report of the Monitor dated February 3, 2014 (the “**Monitor’s Third Report**”, without appendices);
- (d) Appendix “D” – the Fourth Report of the Monitor dated February 27, 2014 (the “**Monitor’s Forth Report**”, without appendices);
- (e) Appendix “E” – the Fifth Report of the Monitor dated March 8, 2014 (the “**Monitor’s Fifth Report**”, without appendices);
- (f) Appendix “F” – the Sixth Report of the Monitor dated March 23, 2014 (the “**Monitor’s Sixth Report**”, without appendices);
- (g) Appendix “G” – the Seventh Report of the Monitor dated April 4, 2014 (the “**Monitor’s Seventh Report**”, without appendices);
- (h) Appendix “H” – the Eighth Report of the Monitor dated April 16, 2014 (the “**Monitor’s Eighth Report**”, without appendices); and
- (i) Appendix “I” – News Release of Jaguar dated April 23, 2014.

PURPOSE

12. The purpose of the Monitor's Ninth Report is to provide this Honourable Court with information relating to the following:

- (a) the status of the CCAA Proceedings and an update on matters arising since the Monitor's Eighth Report;
- (b) the completion of the claims process;
- (c) the complexities associated with the CCAA Proceedings and the Monitor's efforts to facilitate the implementation of the Amended and Restated Plan;
- (d) the Monitor's activities, as well as a summary of the professional fees and disbursements incurred by the Monitor and its legal counsel;
- (e) the termination of the CCAA Proceedings and the discharge and release of the Monitor;
- (f) the Monitor's request for an Order (the "**Termination and Discharge Order**"), *inter alia*:
 - (i) approving certain reports of the Monitor and the activities described therein;
 - (ii) approving the fees and disbursements of the Monitor and its legal counsel;
and
 - (iii) terminating the CCAA Proceedings and discharging and releasing the Monitor;

in the form included in the Notice of Motion filed by the Monitor's legal counsel and returnable on December 2, 2014 (the "**Termination and Discharge Notice of Motion**"); and

- (g) the Monitor's conclusions and recommendations.

TERMS OF REFERENCE

13. In preparing this report, the Monitor has relied upon unaudited financial information, other information available to the Monitor, where appropriate the Applicant's books and records, certain financial information prepared by Jaguar and discussions with counsel to the Applicant and counsel to the Ad Hoc Committee.

14. The Monitor 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.

15. Capitalized terms not otherwise defined herein have the meanings defined in the Monitor's Eighth Report or the Amended and Restated Plan, as applicable. Unless specified otherwise, all references to currency are to United States dollars.

BACKGROUND

16. To avoid unnecessary duplication, please refer to the Initial Order, the Meeting Order, the Claims Procedure Order and the Sanction Order together with other motion materials and orders granted by this Honourable Court, the pre-filing report of the proposed Monitor dated December 21, 2013, the Monitor's prior reports filed in the CCAA Proceedings and other

documentation filed in the CCAA Proceedings which are posted on the Monitor's website at <http://cfcanada.fticonsulting.com/jaguar/>.

STATUS OF THE CCAA PROCEEDINGS

17. After the Sanction Order was granted by this Honourable Court on February 6, 2014, Jaguar and the Ad Hoc Committee worked towards an Implementation Date of February 26, 2014 with respect to the Amended and Restated Plan. As more particularly described below and in prior reports of the Monitor, the satisfaction or waiver of certain conditions precedent to the implementation of the Amended and Restated Plan caused the Applicant to seek several extensions to the Stay Period in order to complete the implementation of the Amended and Restated Plan.

18. Following the date of the Monitor's Eighth Report, being April 16, 2014, the outstanding matters in Jaguar's CCAA Proceedings were the satisfaction or waiver of the remaining outstanding conditions precedent to the implementation of the Amended and Restated Plan, being the Global Resource Fund Condition and the Management Employment Conditions (each as defined and more particularly described below and in the Monitor's Eighth Report).

Global Resource Fund Condition

19. As more particularly described in prior reports of the Monitor, the Support Agreement provided that the Credit Agreement with Global Resource Fund, the Credit Documents (as defined in the Credit Agreement) and the Brazilian Credit Agreements (as defined in the Support Agreement) were to be amended on or prior to three Business Days before the Implementation Date, on terms acceptable to the Majority Backstop Parties (the "**Global Resource Fund Condition**"). The Global Resource Fund Condition was a condition precedent

to implementation of the Amended and Restated Plan and was ultimately satisfied, following extensive efforts from numerous stakeholders.

Management Employment Conditions

20. Implementation of the Amended and Restated Plan was also contingent on senior officer and employee employment agreements being modified to reflect the revised capital structure of the Applicant following implementation of the Amended and Restated Plan and the terms of any Management Incentive Plan being acceptable to the Majority Backstop Parties (collectively, the “**Management Employment Conditions**”). Settling on a senior management team that was satisfactory to all applicable stakeholders, including the Applicant, the Ad Hoc Committee and Global Resource Fund, required substantial effort and resources from the Monitor and all involved parties. As described in prior reports of the Monitor, discussions relating to the satisfaction of the Management Employment Conditions were ongoing throughout the course of the CCAA Proceedings, until implementation of the Amended and Restated Plan, among all of the applicable stakeholders.

21. Ultimately, a decision was made to replace Jaguar’s previous senior management (the “**Previous Management**”). As described in the Monitor’s Eighth Report, the Applicant, the Ad Hoc Committee and Previous Management agreed to a resolution relating to the Management Employment Conditions that involved Previous Management providing transition services to the Applicant for a specified period of time following the implementation of the Amended and Restated Plan in order to facilitate a transition of their duties to a new senior management team. Accordingly, the focus of the negotiations with Previous Management shifted towards settling on consensual transition agreements.

22. The Monitor was informed that a new senior management team was ultimately selected, employment agreements with the new senior management team were finalized and transition agreements with Previous Management were finalized, resulting in a waiver of the Management Employment Conditions by the Applicant, the Majority Consenting Noteholders and the Majority Backstop Parties.

Successful Implementation

23. On April 22, 2014, Jaguar, with the assistance and involvement of the Monitor, completed the implementation of the Amended and Restated Plan. As a result of the successful restructuring (the “**Restructuring**”), Jaguar was able to substantially reduce its debt and associated interest costs while improving available liquidity. The Restructuring resulted in, *inter alia*:

- (a) an exchange of the entire outstanding principal amount of the Notes, being approximately \$268.5 million and certain other unsecured claims, for equity;
- (b) a reduction of Jaguar’s debt from approximately \$323 million as at September 30, 2013 to approximately \$44 million;
- (c) a reduction of projected annual cash interest payments by approximately \$13.1 million; and
- (d) \$50 million of new equity being raised by way of a backstopped share offering, the net proceeds of which have been made available for use in the operations of Jaguar and its Subsidiaries.

24. The impact of the Restructuring is described in further detail in Jaguar's News Release, dated April 23, 2014, attached hereto as Appendix "I".

25. On April 22, 2014, the Monitor filed a certificate with this Honourable Court which confirmed that it had received written notice from the Applicant and Goodmans LLP (on behalf of the Majority Consenting Noteholders and the Majority Backstop Parties) that the conditions precedent to implementation of the Amended and Restated Plan, as set out in Section 12.3 therein, had been satisfied or waived in accordance with the Amended and Restated Plan and that the Implementation Date had occurred.

26. Accordingly, on April 22, 2014, the Amended and Restated Plan (including, without limitation, the transactions, arrangements, reorganizations, assignments, cancellations, compromises, settlements, extinguishments, discharges, injunctions and releases set out therein) became binding and effective in accordance with the provisions therein pursuant to the Sanction Order.

27. On April 28, 2014, the Monitor filed a certificate with this Honourable Court which confirmed that it had received written notice from each of the beneficiaries of the Administration Charge that payments for all outstanding invoiced obligations, liabilities, fees and disbursements owed and any and all other amounts secured by the Administration Charge had been made.

STATUS OF THE CLAIMS PROCESS

28. On the Filing Date, the Court issued the Claims Procedure Order authorizing the Company to establish a process (the "**Claims Process**") for the identification and determination of claims against the Company and its Directors and Officers. Among other things, the Claims

Procedure Order established 5:00 p.m. on January 22, 2014 as the Claims Bar Date or seven calendar days after termination, repudiation or resiliation of an applicable agreement or other event giving rise to a Restructuring Period Claim as the Restructuring Period Claims Bar Date (as defined in the Claims Procedure Order). As described in greater detail in the Monitor's Third Report, the Applicant, with the assistance of the Monitor, reviewed all proofs of claim received on or before the Claims Bar Date and was engaged in discussions with holders of outstanding claims throughout the CCAA Proceedings. Set out below is a summary of the status of the claims submitted pursuant to the Claims Process:

- (a) *Affected Unsecured Creditors:* Fourteen claims were submitted by Affected Unsecured Creditors against the Applicants. Two such claims, totalling approximately \$6,200, were ultimately allowed pursuant to the Claims Procedure Order. The remaining twelve claims were either disallowed pursuant to the Claims Procedure Order or withdrawn by the applicable Affected Unsecured Creditors;
- (b) *Directors and Officers:* The Monitor did not receive any claims against the Directors and/or Officers of the Applicant;
- (c) *Noteholders:* As described in greater detail in the Monitor's Third Report, in response to a notice sent by the Applicant to each of the Trustees, the Monitor received confirmation on January 15, 2014 from each of the Trustees regarding the accrued amounts (including principal and interest) owing directly by the Applicant under each of the Indentures up to the applicable record date under the Amended and Restated Plan;

- (d) *Canada Revenue Agency ("CRA")*: As described in greater detail in the Monitor's Third Report, the definition of "Excluded Claims" under the Amended and Restated Plan includes, *inter alia*, the claim of the CRA in the amount of approximately \$6,000 with respect to certain GST/HST amounts that the CRA asserted were unpaid and held in trust by the Applicant. The Applicant advised the Monitor that it has paid this amount to the CRA.

COMPLEXITIES ASSOCIATED WITH THE CCAA PROCEEDINGS

Stay Extensions

29. Six stay extensions were granted during the course of the CCAA Proceedings to allow for, among other things, the Applicant and the relevant stakeholders to work towards the satisfaction or waiver of the conditions precedent to the Amended and Restated Plan and to complete the implementation of the Amended and Restated Plan. The length of the stay extensions were often short, five of them being for a term of only ten to fourteen days. The stay extensions, and the efforts associated with obtaining such stay extensions, were necessary due to the complex and evolving nature of these CCAA Proceedings. The complex and evolving nature of the CCAA Proceedings involved the satisfaction or waiver of the conditions precedent to implementation of the Amended and Restated Plan, the timelines under each of the Backstop Agreement, the Support Agreement and the Amended and Restated Plan, and the 2012 Litigation (as defined below).

Conditions Precedent

30. As more particularly described above and in prior reports of the Monitor, implementation of the Amended and Restated Plan was subject to several conditions precedent.

Satisfaction of these conditions precedent involved extensive efforts on behalf of the Monitor and key stakeholders in the CCAA Proceedings, including negotiations between the numerous involved parties that were spread across multiple jurisdictions in various time zones which, in part, necessitated the stay extensions described above.

The Outside Date

31. The Backstop Agreement contained a condition precedent that the Share Offering needed to be completed on or before the Outside Date. Similarly, the Support Agreement contained a condition precedent that the Amended and Restated Plan needed to be implemented by no later than the Outside Date. Satisfaction of these conditions precedent was a condition precedent to the Amended and Restated Plan.

32. In January 2014, the Outside Date in each of the Backstop Agreement, Support Agreement and the Amended and Restated Plan was established as February 28, 2014. This Outside Date was extended a number of times to allow for additional time to satisfy the outstanding conditions precedent described above, in each case to coincide with the date of expiry of the then current Stay Period. In each such instance, the Monitor was informed that no Consenting Noteholder or Backstop Party objected to the applicable extensions to the Outside Dates. Ultimately, the Amended and Restated Plan was implemented prior to the expiry of the Stay Period, being April 25, 2014.

2012 Litigation

33. The Applicant and its legal counsel, with assistance from the Monitor and its legal counsel, were required to devote significant efforts towards achieving a resolution with respect to the treatment of the claims of Daniel R. Titcomb, Robert J. Lloyd, James M. Roller, William E.

Dow, Jeffrey Kirchoff and Brazilian Resources Inc. (collectively, the “**Plaintiffs in the 2012 Litigation**”) in connection with an action commenced by the Plaintiffs in the 2012 Litigation in New Hampshire under Court File No. 1:13-cv-00428-JL (the “**2012 Litigation**”). The 2012 Litigation added complexity to the CCAA Proceedings, often requiring the Monitor and other involved parties to respond to unforeseeable and urgent issues, including a request from counsel to the Plaintiffs in the 2012 Litigation to adjourn the Meeting and the receipt of a copy of a draft unfiled notice of motion setting out certain requested relief (including that the stay of proceedings be lifted in favour of the Plaintiffs in the 2012 Litigation).

34. A resolution was ultimately achieved. The Monitor and its counsel assisted in achieving this result by participating in numerous discussions with the Plaintiffs in the 2012 Litigation, the Applicant and the Ad Hoc Committee.

MONITOR’S ACTIVITIES

35. Since its appointment, the Monitor has been involved with numerous aspects of the CCAA Proceedings with a view to fulfilling its statutory and court-ordered duties and obligations, as well as assisting the Applicant and its stakeholders in addressing restructuring issues. Some of the more significant matters that the Monitor has been involved in, and assisted with, since January 25, 2014 include, but are not limited to, the following:

- (a) posting various materials relating to the CCAA Proceedings on its website <http://cfcanada.fiiconsulting.com/jaguar> and continuing to update the website by posting, among other things, the Monitor’s reports, motion materials, and Orders granted in the CCAA Proceedings;

- (b) maintaining a toll free hotline (416-649-8044 / 1-855-754-5840) and a dedicated email inbox (jaguarmining@fticonsulting.com) to allow creditors and other interested parties to contact the Monitor to obtain additional information concerning the CCAA Proceedings and responding in a timely manner to calls and emails received by the Monitor;
- (c) participating in numerous meetings and discussions with the Previous Management and the Applicant's legal and financial advisors in connection with the Applicant's business and financial affairs, generally, in connection with the preparation of the Applicant's cash flow forecasts;
- (d) participating in numerous meetings and discussions with the Applicant, the Applicant's legal and financial advisors, the Solicitation/Election Agent, the Trustees and counsel to the Ad Hoc Committee in connection with matters related to the Amended and Restated Plan, the Claims Procedure Order and the Meeting Order;
- (e) assisting the Applicant with the review of the Applicant's receipts and disbursements, the preparation of cash flow forecasts and the reporting thereon;
- (f) delivering, publishing and making otherwise available various notices of the Meeting and the Meeting materials;
- (g) assisting the Applicant in preparing for the Meeting;
- (h) preparing for and conducting the Meeting;

- (i) assisting the Applicant with the review and resolution of various claims asserted in and outside of the claims process set out in the Claims Procedure Order;
- (j) responding to enquiries from creditors regarding the Amended and Restated Plan and the claims process set out in the Claims Procedure Order;
- (k) participating in meetings with the Applicant and its counsel, counsel to the Ad Hoc Committee and counsel to the Plaintiffs in the 2012 Litigation in connection with settlement negotiations;
- (l) assisting the Applicant with developing the form of multiple stay extension Orders and the Sanction Order;
- (m) preparing for and attending the Sanction Hearing and the stay extension hearings;
- (n) reviewing materials relating to the Credit Agreement and engaging and corresponding with counsel in Brazil with respect to the review of the validity and enforceability of the Subsidiary Share Security (as defined in the Third Report of the Monitor dated February 3, 2014);
- (o) engaging with, and assisting the Applicant in negotiations with, counsel to Global Resource Fund;
- (p) reviewing materials relating to the amendments to the Credit Agreement with Global Resource Fund;
- (q) engaging in independent discussions with key stakeholders, including the Applicant, counsel to the Ad Hoc Committee, counsel to the special committee established by the board of directors in October 2013, counsel to Global Resource

Fund and counsel to the Previous Management regarding, *inter alia*, outstanding conditions precedent to implementation of the Amended and Restated Plan;

- (r) attending meetings of the Board of Directors of Jaguar;
- (s) sending representatives to the Applicant's office in Belo Horizonte, Brazil, at the request of both the Ad Hoc Committee and Global Resource Fund, for further discussions and to review certain information;
- (t) attending numerous closing conference calls with counsel to the Applicant and counsel to the Ad Hoc Committee leading up to implementation of the Amended and Restated Plan;
- (u) preparing contingency Monitor's reports to reflect potential outcomes and events in the CCAA Proceedings, as was necessary due to the evolving nature of negotiations regarding, *inter alia*, satisfaction of the Global Resource Fund Condition, satisfaction of the Management Employment Conditions and extensions to the Outside Date; and
- (v) preparing and delivering the Monitor's Third Report, the Monitor's Fourth Report, the Monitor's Fifth Report, the Monitor's Sixth Report, the Monitor's Seventh Report, the Monitor's Eighth Report and the Monitor's Ninth Report.

PROFESSIONAL FEES

36. The Monitor and its counsel have maintained detailed records of their professional costs and time during the course of the CCAA Proceedings, as detailed in the Watson Affidavit and the De Lellis Affidavit (collectively, the "Fee Affidavits"). The Monitor

has reviewed the fees of its counsel and believes they are reasonable. Copies of the Fee Affidavits are attached to this Monitor's Ninth Report as Appendix "A" and "B", respectively.

37. The additional professional fees and disbursements of the Monitor and its legal counsel that will be required for the completion of all outstanding matters relating to the termination of the CCAA Proceedings and discharge of the Monitor, including preparation for and attendance before this Honourable Court in respect of the Termination and Discharge Notice of Motion, are expected to be up to \$35,000 and \$20,000, respectively. Both the Monitor and its legal counsel are holding funds pursuant to retainers received by the Applicant. The balance of the retainers held by the Monitor and its legal counsel should be sufficient to complete the outstanding matters relating to the termination of the CCAA Proceedings and the discharge of the Monitor. If this Honourable Court grants the Termination and Discharge Order in the form included in the Termination and Discharge Notice of Motion, to the extent that either the Monitor or its legal counsel are in possession of funds in their respective retainers, such funds will be released and returned to the Applicant as soon as reasonably practicable.

TERMINATION OF THE CCAA PROCEEDINGS AND DISCHARGE AND RELEASE OF THE MONITOR

38. Subject to the payment of the outstanding remaining fees of the Monitor and its legal counsel, all matters pertaining to the implementation of the Amended and Restated Plan or otherwise contemplated by the Sanction Order have been attended to by the Monitor and the Monitor is not aware of any outstanding matters relating to the CCAA Proceedings. The Monitor has duly and properly discharged and performed its duties, responsibilities and obligations as Monitor in the CCAA Proceedings in compliance and in accordance with the

CCAA, the terms of the Amended and Restated Plan and all Orders of this Honourable Court made in the CCAA Proceedings.

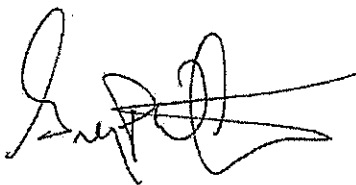
CONCLUSIONS AND RECOMMENDATIONS

39. For the reasons described above, the Monitor respectfully requests the Termination and Discharge Order that provides for, *inter alia*, the termination of the CCAA Proceedings and the discharge and release of the Monitor.

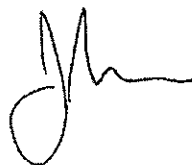
40. The Monitor also respectfully requests that the Court approve the Monitor's Third Report, the Monitor's Fourth Report, the Monitor's Fifth Report, the Monitor's Sixth Report, the Monitor's Seventh Report, the Monitor's Eighth Report and the Monitor's Ninth Report, and the activities described in each of them, as well as the fees and disbursements of the Monitor and its counsel (as particularized in the Fee Affidavits).

Dated this 26th day of November, 2014.

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

A handwritten signature in black ink, appearing to read 'Greg Watson', with a stylized flourish at the end.

Greg Watson
Senior Managing Director

A handwritten signature in black ink, appearing to read 'Jodi B. Porepa', with a stylized flourish at the end.

Jodi B. Porepa
Managing Director