



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2017 AND 2016**

(UNAUDITED)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

		September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 19,243	\$ 26,304
Restricted cash	Note 3	3,224	2,420
Inventory	Note 4	11,623	12,615
Recoverable taxes	Note 5	9,945	9,509
Other accounts receivable		989	690
Prepaid expenses and advances		1,072	1,017
Subtotal current assets, net of assets held for sale		46,096	52,555
Assets held for sale	Note 6	17,476	-
Total current assets		63,572	52,555
Non-current assets			
Property, plant and equipment	Note 7	99,537	99,702
Mineral exploration projects	Note 8	5,119	26,414
Recoverable taxes	Note 5	7,304	12,612
Restricted cash	Note 3	2,274	1,505
Total assets		\$ 177,806	\$ 192,788
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Note 9	\$ 19,242	\$ 19,879
Notes payable	Note 10	13,033	15,173
Current tax liability		-	51
Reclamation provisions	Note 11	1,034	1,251
Advance on disposition of mineral exploration assets	Note 6	2,000	-
Other provisions and liabilities	Note 12	4,812	4,869
Subtotal current liabilities, net of liabilities associated with assets held for sale		40,121	41,223
Liabilities associated with assets held for sale	Note 6	280	-
Total current liabilities		40,401	41,223
Non-current liabilities			
Notes payable	Note 10	6,964	7,417
Other taxes payable		12	1,893
Reclamation provision	Note 11	20,240	19,456
Other provisions and liabilities	Note 12	7,974	8,465
Total liabilities		\$ 75,591	\$ 78,454
SHAREHOLDERS' EQUITY			
Common shares	Note 13	\$ 545,693	\$ 539,802
Warrants	Note 13	94	94
Stock options	Note 13	815	464
Deferred share units	Note 13	985	485
Contributed surplus		20,332	20,332
Deficit		(465,704)	(446,843)
Total shareholders' equity		\$ 102,215	\$ 114,334
Total liabilities and shareholders' equity		\$ 177,806	\$ 192,788

On behalf of the Board:

(signed) "Richard Falconer"

(signed) "Rodney Lamond"

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2017 and 2016

(Unaudited and expressed in thousands of US dollars, except per share amounts and number of shares)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 26,062	\$ 33,618	\$ 78,606	\$ 90,278
Operating costs <i>Note 15</i>	16,116	16,191	53,614	51,657
Depreciation	5,898	9,509	17,271	25,599
Gross profit	4,048	7,918	7,721	13,022
Exploration and evaluation costs	107	33	686	50
Care and maintenance costs (Paciência mine)	310	298	995	763
Stock-based compensation <i>Note 13(c)(d)</i>	148	124	850	349
General and administrative expenses	2,522	2,541	7,736	6,966
Amortization	51	-	197	42
Change in legal and VAT provisions <i>Note 16</i>	617	321	2,813	(8,223)
Impairment charges <i>Note 17</i>	5,178	-	5,178	-
Other operating expenses	1,165	462	2,412	1,549
Operating (loss) income	(6,050)	4,139	(13,146)	11,526
Foreign exchange loss <i>Note 18</i>	638	161	628	2,750
Financial instruments (gain) loss <i>Note 19</i>	20	31,405	(327)	76,029
Finance costs <i>Note 20</i>	1,034	2,138	4,053	4,469
Other non-operating (recoveries) expenses <i>Note 21</i>	(252)	(116)	72	98
Loss before income taxes	(7,490)	(29,449)	(17,572)	(71,820)
Current income tax expense	174	2,165	1,289	4,235
Deferred income tax expense (recovery)	-	34	-	(2,540)
Total income tax expense (recovery)	174	2,199	1,289	1,695
Net loss	\$ (7,664)	\$ (31,648)	\$ (18,861)	\$ (73,515)
Other comprehensive income				
Reclassification adjustment for realized gain included in net loss	-	-	-	-
Total comprehensive loss	\$ (7,664)	\$ (31,648)	\$ (18,861)	\$ (73,515)
Earnings per share				
Loss per share				
Basic and diluted <i>Note 14</i>	\$ (0.02)	\$ (0.22)	\$ (0.06)	\$ (0.60)
Weighted average shares outstanding				
Basic and diluted	325,115,403	144,284,011	314,178,755	122,266,014

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2017 and 2016

(Unaudited and expressed in thousands of US dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Net loss for the period	\$ (7,664)	\$ (31,648)	\$ (18,861)	\$ (73,515)
Adjusted for non-cash items				
Depreciation and amortization	5,949	9,509	17,467	25,641
Write-down of inventory	-	185	929	1,104
Accretion of interest expense	Note 20 339	504	985	979
Interest expense	Note 20 696	1,633	3,069	3,490
Impairment charges	Note 6 5,178		5,178	-
Foreign exchange gain	Note 18 857	(1,457)	1,096	(2,331)
Current income tax expense	174	-	1,289	-
Deferred income tax expense (recovery)	-	34	-	(2,540)
Unrealized gain on derivatives	Note 25 -	-	-	-
Loss on fair value change in notes payable	-	31,672	-	77,616
Change in legal provisions	Note 16 580	737	1,282	(7,140)
Other operating activities	Note 22 (33)	106	2,568	(15)
Changes in working capital	Note 23 1,433	(1,922)	(5,419)	6,025
Net cash provided by operating activities	7,509	9,353	9,583	29,314
INVESTING ACTIVITIES				
Mineral exploration projects	(175)	(731)	(193)	(1,333)
Purchase of property, plant and equipment	(5,185)	(6,791)	(18,681)	(20,694)
Proceeds from disposition of property, plant and equipment	-	2	306	23
Advances from disposition of Mineral exploration projects	Note 6 2,000	-	2,200	-
Net cash used in investing activities	(3,360)	(7,520)	(16,368)	(22,004)
FINANCING ACTIVITIES				
Shares issued upon private placement, net of transaction costs	-	-	5,775	-
Repayment of debt	(5,006)	(11,201)	(12,481)	(16,972)
Increase in debt, net of transaction costs	-	10,251	8,391	14,672
Interest paid	(378)	(946)	(1,481)	(2,738)
Deferred share units redeemed	-	-	(0)	(41)
Net cash provided by (used in) financing activities	(5,384)	(1,896)	204	(5,079)
Effect of exchange rate changes on cash and cash equivalents	(228)	(192)	(480)	(270)
Net increase (decrease) in cash and cash equivalents	(1,463)	(255)	(7,061)	1,961
Cash and cash equivalents at the beginning of the period	20,706	17,535	26,304	15,319
Cash and cash equivalents at the end of the period	\$ 19,243	\$ 17,280	\$ 19,243	\$ 17,280

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2017 and 2016

(Unaudited and expressed in thousands of US dollars)

	Common Shares		Warrants		Stock Options		Deferred Share Units		Contributed Surplus	Deficit	Hedging Reserve ¹	Total Equity
	Shares	Amount	Units	Amount	Options	Amount	Units	Amount				
Balance as at January 1, 2016	111,136,038	\$ 434,469	6,607,833	\$ 202	9,279,735	\$ 802	4,500,566	\$ 1,380	\$ 18,768	\$ (364,048)	\$ 1,212	\$ 92,785
Conversion of convertible debentures	66,868,632	39,796	-	-	-	-	-	-	-	-	-	39,796
Stock options	-	-	-	-	354,726	165	-	-	-	-	-	165
Options forfeited	-	-	-	-	(1,937,894)	(610)	-	-	610	-	-	-
Deferred share units	-	-	-	-	-	-	1,503,292	183	-	-	-	183
Deferred share units forfeited	-	-	-	-	-	-	(1,431,818)	(950)	950	-	-	-
Deferred share units redeemed	-	-	-	-	-	-	(181,818)	(41)	-	-	-	(41)
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
Net loss	-	-	-	-	-	-	-	-	-	(73,515)	-	(73,515)
Balance as at September 30, 2016	178,004,670	\$ 474,265	6,607,833	\$ 202	7,696,567	\$ 357	4,390,222	\$ 572	\$ 20,328	\$ (437,563)	\$ -	\$ 58,161
Balance as at January 1, 2017 ²	307,115,675	\$ 539,802	3,073,411	\$ 94	8,311,841	\$ 464	1,583,805	\$ 485	\$ 20,332	\$ (446,843)	\$ -	\$ 114,334
Shares issued from private placement	17,624,728	5,775	-	-	-	-	-	-	-	-	-	5,775
Shares issued to Sprott Lending	375,000	116	-	-	-	-	-	-	-	-	-	116
Stock options granted	-	-	-	-	1,133,740	351	-	-	-	-	-	351
Deferred share units granted	-	-	-	-	-	-	1,177,160	500	-	-	-	500
Net loss	-	-	-	-	-	-	-	-	-	(18,861)	-	(18,861)
Balance as at September 30, 2017	325,115,403	\$ 545,693	3,073,411	\$ 94	9,445,581	\$ 815	2,760,965	\$ 985	\$ 20,332	\$ (465,704)	\$ -	\$ 102,215

¹ Hedging reserve Note 13(e)

² Changes in equity balances from September 30, 2016 to January 1, 2017 include the conversion of senior secured convertible debentures, conversion of warrants, shares issued to Sprott Lending, redemption of deferred share units, and net loss incurred in the three months ended December 31, 2016.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2017 and 2016

(Unaudited Tabular dollar amounts expressed in thousands of US dollars, except per share amounts and number of shares)

1. Nature of business and basis of preparation

Jaguar Mining Inc. (the “Company” or “Jaguar”) is a corporation continued under the *Business Corporations Act* (Ontario) engaged in the acquisition, exploration, development, and operation of gold producing properties in Brazil. The address of the Company’s registered and principal executive office is 100 King Street West, Suite 5600, Toronto, Ontario, Canada, M5X 1C9.

In February 2017, the Company completed a merger between two of its subsidiaries, Mineração Serras do Oeste Ltda. (“MSOL”) and Mineração Turmalina Ltda. (“MTL”), with MSOL being the surviving legal entity. In September 2017, the Company and Avanco Resources Limited (“Avanco”) entered into an Accelerated Earn-In Agreement, pursuant to which Avanco may acquire a 100% ownership of MCT Mineração Ltda. (“MCT”) and the Gurupi mineral exploration asset held therein. In October 2017, the Company completed the sale of its Gurupi Project (“Gurupi”) to Avanco Resources Limited (“Avanco”) by transferring the quotas (i.e. equity shares) in MCT Mineração Ltda. that are currently held directly or indirectly by the Company, to Avanco, pursuant to the Accelerated Earn-In Agreement (Note 6). These condensed interim consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2017 include the accounts of the Company and its wholly-owned subsidiary MSOL and present MCT as an asset held for sale. All significant intercompany accounts and transactions have been eliminated on consolidation.

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all annual disclosures as required by International Financial Reporting Standards (“IFRS”), and should be read in connection with the Company’s December 31, 2016 audited annual consolidated financial statements.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 7, 2017.

2. Significant accounting policies and estimates

a) Accounting policies

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

- IAS 12 Income Taxes (“IAS 12”), amended by the IASB that was effective and adopted as of January 1, 2017:

In January 2016, the IASB issued amendments to IAS 12. The amendments clarify that the existence of a deductible temporary difference is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset and also clarify the methodology to determine the future taxable profits used for assessing the utilization of deductible temporary differences. There was no material impact on the Company’s condensed interim consolidated financial statements upon adoption of this standard.

- Assets Held for Sale:

Non-current assets, or disposals of groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Assets held for sale are presented separately in the current section of the balance sheet. Immediately before the initial classification of the assets or disposal groups as held for sale, the carrying amounts of the assets (or

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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all the assets and liabilities in the disposal groups) are measured in accordance with their applicable accounting policy. Non-current assets held for sale (and disposal groups) are subsequently measured at the lower of their carrying amount and fair value less cost to sell. Non-current assets held for sale (and disposal groups) are no longer depreciated.

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

- IFRS 2 Share-based Payment (“IFRS 2”) – In June 2016, the IASB issued amendments to IFRS 2 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 Company is performing an evaluation of the impacts of the amendments to IFRS 2 on the Company’s consolidated financial statements but does not expect such to be material.
- 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 Company is performing an evaluation of the impacts of IFRS 9 on the Company’s consolidated financial statements but does not expect such to be material.
- IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company is performing an evaluation of the impacts of IFRS 15 on the Company’s consolidated financial statements but does not expect such to be material.
- IFRS 16 Leases (“IFRS 16”) – In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The impact of IFRS 16 on the Company’s consolidated financial statements has not yet been determined.
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) – In December 2016, the IASB issued IFRIC 22. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Interpretation is applicable for annual periods beginning on or after January 1, 2018. The Company is performing an evaluation of the impacts of IFRIC 22 on the Company’s consolidated financial statements but does not expect such to be material.
- IFRIC 23 Uncertainty over Income Tax Treatments (“IFRIC 23”) On June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation seeks to bring clarity to the accounting for income tax that have yet to be accepted by tax authorities and provides requirements, in addition to the requirements in IAS 12 Income Taxes, by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The impact of IFRIC 23 on the Company’s consolidated financial statements has not yet been determined.

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

b) Accounting estimates

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

- Unit of production depreciation – As of January 1, 2017, the Company changed the accounting estimates used to depreciate the Turmalina's mining properties and mineral exploration projects on a unit-of-production basis from using the expected amount of recoverable reserves to the use of the expected amount of recoverable mineral resources. The change in accounting estimate was made to ensure depreciation reflects management's best estimate of the useful life of the Turmalina mine and has been accounted for on a prospective basis. Due to the annual updating of recoverable mineral resources, it is impracticable to estimate the impact of the change in future periods.
- Fair value measurement of Net Smelter Royalties – In Q3 2017, the Company executed an Accelerated Earn-In Agreement through on closing of the transaction it will obtain a net smelter royalty from Avanco over the Gurupi Project. In determining the fair value of a net smelter royalty agreement, the Company estimates the amount and timing for future cash flows based on a set of key assumptions surrounding the underlying mining project and subsequently discounts such cash flows to net present value. Management's critical estimates include but are not limited to: (i) an average gold price throughout the life of mine, and (ii) a discount rate.

3. Restricted cash

Restricted cash relates to escrow judicial deposits related to the Company's labour and civil litigation (Note 12). The balance related to the December 31, 2016 escrow judicial deposits has been re-classified from other assets for comparative purposes.

4. Inventory

Inventory is comprised of the following:

	September 30, 2017	December 31, 2016
Raw material	\$ 2,387	\$ 2,304
Mine operating supplies	4,565	4,799
Ore in stockpiles	161	641
Gold in process	2,216	2,514
Unrefined gold doré	2,294	2,357
Total inventory	\$ 11,623	\$ 12,615

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Depreciation included in cost of sales	\$ 5,898	\$ 9,509	\$ 17,271	\$ 25,599

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Inventory write-down	\$ -	\$ 185	\$ 929	\$ 1,104

5. Recoverable taxes

	December 31, 2016	Additions/ reversals	Transfer to assets held for sale	Applied to taxes payable	Foreign exchange	September 30, 2017
Value added taxes and other ¹	\$ 12,616	\$ 3,809	\$ (1,179)	\$ (7,572)	\$ 457	\$ 8,131
Provision for VAT and other ²	(3,133)	842	-	-	(57)	(2,348)
Net VAT and other taxes	\$ 9,483	\$ 4,651	\$ (1,179)	\$ (7,572)	\$ 400	\$ 5,783
ICMS ³	\$ 14,709	\$ 428	\$ -	\$ (83)	\$ 371	\$ 15,425
Reserve for ICMS ³	(2,071)	(1,835)	-	-	(53)	(3,959)
Net ICMS	\$ 12,638	\$ (1,407)	\$ -	\$ (83)	\$ 318	\$ 11,466
Total recoverable taxes	\$ 22,121	\$ 3,244	\$ (1,179)	\$ (7,655)	\$ 718	\$ 17,249
Less: current portion	9,509					9,945
Non-current portion	\$ 12,612					\$ 7,304

- 1) The Company is required to pay certain taxes in Brazil that are based on purchases of consumables and property, plant and equipment. These taxes are recoverable from the Brazilian tax authorities through various methods, including as a cash refund or as a credit against current taxes payable.

The Company continues to pursue approval of Federal VAT input tax credits with respect to the years 2008 through 2011 for its MSOL operating subsidiary. MSOL is the operating subsidiary for the Caeté complex comprising the Pilar and Roça Grande mines. The Company received a cash refund in the amount of R\$3.5 million (approximately \$1.0 million) in March 2016, related to MSOL. 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, amounting to R\$36.0 million (approximately \$11.0 million). The court order determined that the tax authority will have to review the Company's claim. By the end of November 2016, the Tax Authority reviewed the Company's claim, partially recognizing its tax credits. Although the tax credits were partially recognized, the Company will continue to challenge the Tax Authority's review, by appealing its results.

In September 2017, the Company transferred \$1.2 million in tax credits to assets held for sale. These tax credits were generated through exploration activities at the Gurupi Project and belong to the Company's subsidiary MCT Mineração Ltda. The Company completed its sale of this subsidiary to Avanco in October 2017 (Note 6).

- 2) The Company recorded a provision against its recoverable taxes to reduce the net carrying amount of value added taxes and other taxes to their estimated recoverable value. As at December 31, 2016, the provision was recorded based on historical losses on tax credits and their estimated present value based on the timing of expected recovery, discounted at a rate of 9.38% (Brazilian Central Bank's estimated Selic rate). In February 2017, the Company completed a merger between two of its subsidiaries, Mineração Serras do Oeste Ltda. ("MSOL") and Mineração Turmalina Ltda. ("MTL"). As a result, the provision was recorded only based on historical losses on tax credits.
- 3) ICMS – *Imposto sobre circulação de mercadorias e prestação de serviços* is a type of value added tax which can either be sold to other companies (usually at a discount rate of 15-35%) or be used to purchase specified

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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 April 2017, the Company received approval from the state to be able to sell R\$14.6 million (approximately \$4.6 million) of its gross ICMS deferred tax credits related to MTL to third parties. During the nine months ended September, 30 2017, the Company sold a total of R\$9.2 million gross ICMS deferred tax credits.

6. Assets and liabilities held for sale

	Gurupi
Assets held for sale	
Balance as at January 1, 2017	\$ -
Transfer from mineral exploration	21,588
Transfer from recoverable taxes	1,179
Transfer from property, plant and equipment	62
Transfer from others	25
Advance on disposition of mineral assets	(200)
Impairment charge	(5,178)
Balance as at September 30, 2017	\$ 17,476
Liabilities associated with assets held for sale	
Balance as at January 1, 2017	\$ -
Transfer from other liabilities	(280)
Balance as at September 30, 2017	\$ (280)
Assets held for sale, net as at September 30, 2017	\$ 17,196

Effective September 17, 2017, the Company entered into an accelerated earn-in agreement (“the Accelerated Earn-In Agreement”) to sell to Avanco Resources Limited (“Avanco”) its Gurupi mineral exploration properties and the Brazilian subsidiary in which they were held.

In October 2017, the Company completed the sale of its Gurupi Project (“Gurupi”) to Avanco Resources Limited (“Avanco”) by transferring the quotas (i.e. equity shares) in MCT Mineração Ltda. that are currently held directly or indirectly by the Company, to Avanco, pursuant to the Accelerated Earn-In Agreement.

Under the terms of the Accelerated Earn-In Agreement, and following the satisfactory completion of certain closing conditions, Avanco earned 100% of Jaguar’s equity interest in Gurupi by committing (i) to pay to Jaguar \$9 million in aggregate cash payments and (ii) to pay Jaguar a net smelter royalty valued at 1% on the first 0.5 million gold ounces sold, 2% on gold ounces sold in excess of 0.5 million oz and up to 1.5 million oz, and 1% NSR on gold ounces sold in excess of 1.5 million oz. Avanco also holds a first right of refusal to acquire the Paciência Processing Plant should the Company seek to divest such an asset at a future moment in time.

To date, Jaguar has received an initial aggregate cash payment of \$4 million, in two installments of \$2 million each in September and October 2017. The Company expects to collect the additional \$5 million from Avanco in a series of 10 instalments of \$500,000 per month during fiscal years 2018 and 2019 and net smelter royalties throughout the life of mine of the Gurupi Project.

Within 24 months as from October 2017 (the date in which Avanco received ownership), Avanco will arrange to have published an Australian Joint Ore Reserve Committee (JORC) code compliant technical report completed regarding the Project with mineral reserves in excess of 500,000 ounces of gold. Any delay in this milestone will result in a project delay fee payable to Jaguar of \$250,000 per six months of delayed period. Within 60 months of the initial \$4 million payment, Avanco will aim to commission the Gurupi mine and plant. Any delay in this

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commissioning milestone will result in a separate project delay fee payable to Jaguar of \$250,000 per six months of delayed period.

At September 30, 2017, the Gurupi mineral exploration asset and its associated liabilities were classified as held for sale as it was highly probable that the carrying value would be received through a sales transaction rather than through continued use. Immediately upon such reclassification, the assets were evaluated for impairment.

The impairment test was carried out comparing the fair value (net present value of future cash flows) to the book value. In determining net present value, the Company estimated value and timing of future cash flows from the Gurupi operation for both the \$9 million initial payments receivable from Avanco, and the net smelter royalty receivable over the life of mine. The future cash flows were discounted using a rate of 9.51%.

The life of mine model is based on the following estimates:

- 2020 commercial production start
- \$1,350 average gold price

As a result, the Company determined the Gurupi mineral exploration asset's fair value less cost of disposal was lower than its carrying amount and recorded impairment charge of \$5.2 million for the three and nine month periods ended September 30, 2017.

The \$2 million initial payment received from Avanco in September 2017 was classified as an Advance on disposition of mineral exploration projects in the balance sheet as at September 30, 2017 (\$nil as at December 31, 2017).

	September 30, 2017	December 31, 2016
Gurupi	\$ 2,000	\$ -
Total advance on disposition of mineral exploration projects	2,000	-

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7. Property, plant and equipment (“PP&E”)

	Plant	Vehicles	Equipment ¹	Leasehold ²	CIP ³	Mining properties	Total
Cost							
Balance as at January 1, 2017	\$ 13,569	\$ 10,839	\$ 234,635	\$ 2,380	\$ 5,244	\$ 391,450	\$ 658,117
Additions	-	97	1,665	-	2,323	13,275	17,360
Disposals	-	(212)	(1,640)	-	-	-	(1,852)
Reclassify within PP&E	9	75	2,173	-	(2,257)	-	-
Transfer to assets held for sale	-	(170)	(199)	-	(6)	-	(375)
Balance as at September 30, 2017	\$ 13,578	\$ 10,629	\$ 236,634	\$ 2,380	\$ 5,303	\$ 404,725	\$ 673,250
Balance as at January 1, 2016	\$ 13,495	\$ 11,562	\$ 232,263	\$ 2,380	\$ 2,784	\$ 368,713	\$ 631,197
Additions	28	288	3,064	-	6,245	22,737	32,362
Disposals	-	(1,015)	(4,130)	-	(297)	-	(5,442)
Reclassify within PP&E	46	4	3,438	-	(3,488)	-	-
Balance as at December 31, 2016	\$ 13,569	\$ 10,839	\$ 234,635	\$ 2,380	\$ 5,244	\$ 391,450	\$ 658,117
Accumulated amortization and impairment							
Balance as at January 1, 2017	\$ 11,573	\$ 8,513	\$ 199,416	\$ 2,233	\$ 800	\$ 335,880	\$ 558,415
Amortization for the period	520	107	5,421	27	-	10,615	16,690
Disposals	-	(101)	(979)	-	-	-	(1,080)
Transfer to assets held for sale	-	(170)	(143)	-	-	-	(313)
Balance as at September 30, 2017	\$ 12,093	\$ 8,350	\$ 203,715	\$ 2,260	\$ 800	\$ 346,495	\$ 573,712
Balance as at January 1, 2016	\$ 10,882	\$ 9,031	\$ 194,255	\$ 1,833	\$ 802	\$ 306,577	\$ 523,380
Amortization for the year	691	339	7,937	407	-	28,208	37,582
Impairment loss	-	-	-	-	-	1,095	1,095
Disposals	-	(857)	(2,776)	(7)	(2)	-	(3,642)
Balance as at December 31, 2016	\$ 11,573	\$ 8,513	\$ 199,416	\$ 2,233	\$ 800	\$ 335,880	\$ 558,415
Carrying amounts							
As at September 30, 2017	\$ 1,485	\$ 2,279	\$ 32,919	\$ 120	\$ 4,503	\$ 58,230	\$ 99,538
As at December 31, 2016	\$ 1,996	\$ 2,326	\$ 35,219	\$ 147	\$ 4,444	\$ 55,570	\$ 99,702

¹ As at September 30, 2017, the Company had equipment under capital leases at a cost and net book value of \$3.2 million and \$2.9 million, respectively (December 31, 2016 - \$2.5 million and \$2.5 million, respectively).

² Refers to leasehold improvements in corporate office in Brazil.

³ Refers to construction in progress.

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

For the three and nine months ended September 30, 2017, there were no indicators of impairment or reversal of past impairment charges on property, plant and equipment.

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8. Mineral exploration projects

	Gurupi	Turmalina	Caeté	Pedra Branca	Total
Balance as at January 1, 2017	\$ 21,213	\$ 719	\$ 4,077	\$ 405	\$ 26,414
Additions	293	-	-	-	293
Transfer to assets held for sale	(21,588)	-	-	-	(21,588)
Reclass between projects	82	-	(82)	-	-
Balance as at September 30, 2017	\$ -	\$ 719	\$ 3,995	\$ 405	\$ 5,119
Balance as at January 1, 2016	\$ 20,310	\$ -	\$ 4,077	\$ 405	\$ 24,792
Additions	903	719	-	-	1,622
Balance as at December 31, 2016	\$ 21,213	\$ 719	\$ 4,077	\$ 405	\$ 26,414

On September 17, 2017, the Company entered into an Accelerated Earn-In Agreement (“the Accelerated Earn-In Agreement”) with Avanco, pursuant to which Avanco may earn up to a 100% interest in the Gurupi Project as described in Note 6.

9. Accounts payable and accrued liabilities

	September 30, 2017	December 31, 2016
Accounts payable (suppliers)	\$ 11,209	\$ 13,314
Accrued payroll	7,595	6,211
Interest payable	312	154
Other	126	200
Total accounts payable and accrued liabilities	\$ 19,242	\$ 19,879

10. Notes payable

	September 30, 2017	December 31, 2016
Notes payable - current portion		
Bank indebtedness ^(a)	\$ 6,001	\$ 10,326
Capital leasing obligations ^(b)	1,221	734
Vale note ^(c)	471	458
Sprott Facility ^(d)	5,340	3,655
	13,033	15,173
Notes payable - non-current portion		
Capital leasing obligations ^(b)	1,169	1,314
Vale note ^(c)	798	943
Sprott Facility ^(d)	4,997	5,160
	6,964	7,417
Total notes payable	\$ 19,997	\$ 22,590
	September 30, 2017	December 31, 2016
Fair value of notes payable	\$ 19,997	\$ 22,590

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a) Bank indebtedness

As at September 30, 2017, bank indebtedness includes \$6.0 million of unsecured promissory notes with maturities through March 2018, bearing interest rates ranging from 4.5% to 9.6%. At December 31, 2016, bank indebtedness amounted to \$10.3 million, holding maturities from January 2017 to March 2017 and bearing interest rates from 4.5% to 8.9%.

b) Capital leasing obligations

The Company has financed the acquisition of certain equipment through the assumption of capital lease obligations. These obligations are secured by promissory notes. The capital lease obligations bear interest at 6.0% and 22.9% per annum, with maturity dates between July 2019 and February 2020.

The following table outlines the total minimum loan payments due for capital leasing obligations over their remaining terms as at September 30, 2017 and December 31, 2016:

	September 30, 2017	December 31, 2016
2017	\$ 540	\$ 848
2018	1,145	787
2019	956	630
2020	50	-
Total minimum loan payments	2,691	2,265
Less: Future finance charges	(295)	(217)
Present value of minimum loan payments	\$ 2,396	\$ 2,048
Less: current portion	1,221	734
Non-current portion	\$ 1,175	\$ 1,314

c) Vale note

The Vale note originated in 2008 supporting the purchase of mineral rights regarding the Caeté Project for \$13.3 million ("Vale Purchase Agreement"). Payment under the Vale Purchase Agreement was subject to satisfaction of certain conditions including perfection of the transfer of the mineral rights before the *Departamento Nacional de Produção Mineral* ("DNPM"). During 2010, the Company paid \$3.2 million. In November 2014, the agreement was amended whereby the Company agreed to waive certain mineral rights expected to be transferred under the purchase agreement as they had not been duly conveyed. Accordingly, the outstanding indebtedness amount was reduced from \$9.0 million to \$3.0 million, payable in twelve installments of \$250,000, maturing December and July of every year, until fully paid in 2020. The first installment was paid in December 2014. The balance outstanding as at September 30, 2017 was \$1.5 million (\$1.8 million as at December 31, 2016).

The note payable is recognized at its amortized cost of \$1.5 million and the discount of \$267,000, is being accreted using the effective interest method.

d) Sprott Facility

On November 7, 2016, the Company entered into an agreement with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for a secured loan facility (the "Sprott Facility") totaling \$10.0 million ("Tranche 1") to fund accelerated growth exploration initiatives. Tranche 1 of the Sprott Facility is payable over a term of 30 months, in equal monthly repayments of principal, plus interest, with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR or 1.25% per annum. In consideration for the structuring and syndication of Tranche 1, the

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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.

The Company incurred transaction costs, totaling \$584,000, to obtain Tranche 1 of the Sprott Facility, which includes legal fees, transaction fees, listing fees, and common share issuance (valued at \$366,000). All transaction costs, other than the common shares, were measured and recorded at the amount paid as it represents fair value.

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

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

The Sprott Facility is a financial liability, under IAS 32, and was initially measured at fair value and subsequently measured at amortized cost using the effective interest method. During the three and nine months ended September 30, 2017, \$120,000 and \$323,000, respectively, was recorded as finance costs in the condensed interim consolidated statements of operations and comprehensive loss related to the accretion of the transaction costs (three and nine months ended September 30, 2016 - \$nil). During the three and nine months ended September 30, 2017 and in accordance with the terms of the Sprott Facility, the Company made principal repayments of \$1.4 million and \$3.6 million, respectively (\$nil and \$nil, respectively, during the three and nine months ended September 30, 2016), and interest payments of \$244,000 and \$614,000, respectively (\$nil and \$nil, respectively, during the three and nine months ended September 30, 2016).

The Sprott Facility is provided by security agreements comprising the Company's and MSOL's present and future assets, the shares of MSOL, and a loan guarantee by MSOL. The Sprott Facility requires among other things that the Company adhere to specific financial covenants, such as maintaining a minimum of \$5.0 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending waived the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017 through June 29, 2017, and the Company was in compliance with the Sprott Facility covenants as at period end. As at September 30, 2017, the Company had repaid \$4.2 million of principal from the Sprott Facility and \$10.8 million was outstanding.

11. Reclamation provisions

	December 31, 2016	Additions (reversals)	Accretion	Payments	Foreign exchange	September 30, 2017
Reclamation provision	\$ 20,707	\$ (654)	\$ 867	\$ (253)	\$ 607	\$ 21,274
Less: current portion		1,251				1,034
Non-current portion	\$ 19,456					\$ 20,240

The reclamation provisions relate to the cost to reclaim land that has been disturbed as a result of mining activity. The estimated future cash flows have been discounted using a rate of 6.50% and the inflation rate used to

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determine future expected cost ranges from 3.3% to 3.5% per annum (December 31, 2016 – 7.25% discount rate and inflation rate ranging from 4.0% to 6.6% per annum).

The Company expects to spend approximately \$24.0 million (amount not discounted or adjusted for inflation) which will be incurred between 2017 and 2029 to reclaim the areas explored (December 31, 2016 – \$23.6 million).

12. Other provisions and liabilities

Various legal, environmental, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. For its matters outstanding, Management, in conjunction with its internal and external legal counsels, assesses the estimated value at risk and the Company's probability of loss. A provision is recorded for cases in which the Company has determined the probability of loss as more likely than not and the amount can be reasonably estimated. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

As at September 30, 2017, the Company has recognized a provision of \$12.8 million (December 31, 2016 - \$13.3 million) representing management's best estimate of expenditures required to settle present obligations, as noted in the table below. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates.

	December 31, 2016	Additions (reversals)	Payments	Foreign exchange	September 30, 2017
Labour litigation	\$ 11,181	\$ 1,482	\$ (2,146)	\$ 298	\$ 10,815
Civil litigation	1,652	7	-	42	1,701
Other provisions	501	(207)	(28)	4	270
Total contingent liabilities	\$ 13,334	\$ 1,282	\$ (2,174)	\$ 344	\$ 12,786
Less: current portion	4,869				4,812
Non-current portion	\$ 8,465				\$ 7,974

13. Capital stock

a) Common shares

The Company is authorized to issue an unlimited number of common shares. All issued shares are fully paid and have no par value. Changes in common shares for the periods ended September 30, 2017 and 2016 are as follows:

	Number of shares	Amount
Balance as at December 31, 2016	307,115,675	\$ 539,802
Shares issued from private placement ¹	17,624,728	5,775
Shares issued to Sprott Lending	Note 10(d) 375,000	116
Balance as at September 30, 2017	325,115,403	\$ 545,693
Balance as at December 31, 2015	111,136,038	\$ 434,469
Shares issued upon conversion of convertible debentures	66,868,632	39,796
Balance as at September 30, 2016	178,004,670	\$ 474,265

1) On June 15, 2017, the Company closed a non-brokered private placement financing whereby it issued 17,624,728 common shares of the Company at a price of C\$0.44 per common share for proceeds of \$5.8 million, net of transaction costs of \$51,000.

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b) Warrants

As part of the Senior Secured Convertible Debentures financing, the Company issued finder warrants ("Finder Warrants"). The Finder Warrants have an exercise price of \$0.15 per common share and expire on October 27, 2018. An aggregate of 6,607,833 Finder Warrants were issued in connection with the Debentures Financing, valued at \$202,000. As at September 30, 2017, 3,073,411 Finder Warrants remain outstanding (December 31, 2016 – 3,073,411).

c) Stock options

The Stock Option Plan ("SOP") provides for the issuance of options to employees, directors, or officers of the Company or any of its subsidiaries or affiliates, consultants, and management employees, to attract and retain these qualified individuals and to provide additional incentives to promote the success of the Company.

The aggregate number of shares available at all times for issuance under the SOP shall not exceed 10% of the total issued and outstanding common shares of the Company (calculated on a non-diluted basis). Any option, which has been exercised, cancelled or forfeited, will again be available for grant under the SOP. The Board of Directors has the power to determine terms of any options and units granted under the Company's incentive plans, including setting exercise prices, vesting terms and expiry dates.

The following table shows the movement of stock options for the nine months ended September 30, 2017 and 2016:

	Number of options	Weighted average exercise price (C\$)
Balance as at December 31, 2016	8,311,841	\$ 0.33
Options granted ¹	1,133,740	0.57
Balance as at September 30, 2017	9,445,581	\$ 0.36
Balance as at December 31, 2015	9,279,735	\$ 0.50
Options granted ²	354,726	0.74
Options forfeited ³	(1,937,894)	1.35
Balance as at September 30, 2016	7,696,567	\$ 0.29

1) On January 27, 2017, 733,740 stock options were granted to executives of the Company. The options are exercisable at a price of C\$0.70 and expire on January 27, 2025. The options vest on a quarterly basis, in twelve equal instalments, starting on April 27, 2017 and are exercisable upon vesting.

On September 21, 2017, an additional 400,000 stock options were granted to executives of the Company, exercisable at a price of C\$0.33 and expiring on September 21, 2022. The options vest on a quarterly basis, in twelve equal instalments, starting on December 21, 2017 and are exercisable upon vesting.

2) On August 8, 2016, 354,726 stock options were granted to executives of the Company. The options are exercisable at the price of C\$0.74 and expire on August 8, 2021. The options vest on a quarterly basis, in twelve equal instalments, starting on September 30, 2016 and are exercisable upon vesting.

3) Relates to the forfeiture of the options of former executives and director following their resignation.

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The table below shows the outstanding stock options as at September 30, 2017:

Weighted average exercise price (C\$)	Grant date	Number of options outstanding	Number of options exercisable	Estimated fair value at grant date (US\$ per option)	Expiry date
\$ 0.22	December 16, 2015	7,000,000	3,500,000	\$ 0.05	December 16, 2020
0.70	January 27, 2017	733,740	61,145	0.36	January 27, 2025
0.33	September 21, 2017	400,000	65,804	0.16	September 21, 2022
0.74	August 8, 2016	354,726	118,242	0.34	August 8, 2021
0.76	November 7, 2016	645,274	161,319	0.37	November 7, 2021
1.35	May 12, 2014	236,841	236,841	0.38	May 12, 2022
1.35	October 8, 2014	75,000	56,250	0.19	October 8, 2019
\$ 0.34		9,445,581	4,199,601	\$ 0.12	

The following table is a summary of stock options outstanding during the nine-month periods ended September 30, 2017 and 2016, the fair values and the weighted average assumptions used in the Black-Scholes option pricing formula:

	Number of options	Exercise Price (C\$)	Dividend yield	Risk-free interest rate	Forfeiture rate	Expected life (years)	Volatility factor	Fair value (US\$)
Stock options 2017	9,445,581	\$ 0.36	-	1.00%	0%	3.77	74%	\$ 0.12
Stock options 2016	7,696,567	\$ 0.29	-	1.00%	0%	3.93	64%	\$ 0.07

For the three and nine months ended September 30, 2017, the Company recognized \$87,000 and \$351,000, respectively, in stock based compensation expense for stock options in the condensed interim consolidated statements of operations and comprehensive loss (three and nine months ended September 30, 2016 – \$67,000 and \$166,000, respectively).

d) Deferred share units – “DSUs”

The deferred share unit plan (“DSU Plan”) has the purpose to assist the Company in the recruitment and retention of qualified persons to serve as employees, directors, or officers of the Company and to align the interests of such persons with the long-term interests of the shareholders of the Company. DSU means a right to receive, on a deferred basis, previously unissued shares in accordance with the terms of the DSU Plan. Vested DSUs shall be redeemed in whole or in part for shares issued from treasury or, subject to the approval of the Company, cash. The DSU’s are accounted for as equity awards because they will only be settled by issuance of common shares. The maximum number of shares reserved for issuance under the DSU Plan, at any time, shall be 11,111,111.

The following table shows the movement of DSUs for the nine months ended September 30, 2017 and 2016:

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	Number of units	Weighted average fair value
Balance as at December 31, 2016	1,583,805	\$ 0.37
Units granted ¹	1,177,160	0.48
Balance as at September 30, 2017	2,760,965	\$ 0.42
Balance as at December 31, 2015	4,500,566	\$ 0.31
Units granted ²	1,503,292	0.23
Units redeemed ³	(181,818)	0.22
Units forfeited ⁴	(1,431,818)	0.74
Balance as at September 30, 2016	4,390,222	\$ 0.15

1) On January 27, 2017, the Company granted 103,400 DSUs to each of the non-executive directors, totalling a grant of 620,400 DSUs, 50% of which vested immediately, with the remaining 50% vested July 27, 2017. The DSUs are exercisable upon the retirement of such directors. In addition, the Company granted executives of the Company 278,380 time-vested DSUs, that vest on a quarterly basis, in twelve equal instalments, starting on April 27, 2017, and 278,380 performance-vested DSUs, that shall vest if the Company's stock price reaches C\$1.00 measured on a 5-day VWAP basis, and is maintained at that level for at least 20 consecutive trading days. The DSUs granted to executives of the Company are exercisable upon vesting.

2) On March 22, 2016, the Company granted 181,818 deferred share units to each of the non-executive directors, totalling a grant of 909,090 DSUs. The DSUs vested immediately and are exercisable upon the retirement of such directors.

On April 1, 2016, 24,482 deferred share units were granted to a new director of the Board. The DSUs vested immediately and are exercisable upon the retirement of such director.

On June 24, 2016, the Company granted the following: 157,896 deferred share units to non-executive directors, that vest on December 6, 2016, and 305,407 DSUs to the new directors of the Board, that vest 50% immediately and 50% on December 6, 2016. The DSUs are exercisable upon the retirement of such directors.

On August 8, 2016, 106,417 deferred share units were granted to executives of the Company. The DSUs vest on a quarterly basis, in twelve equal instalments, starting on September 30, 2016, and are exercisable upon vesting.

3) On March 31, 2016, a director redeemed 181,818 DSUs upon resignation. The DSUs were settled in cash, in the amount of \$41,000. The cash settlement was an isolated occurrence and the remainder of the DSUs are expected to be settled by the issuance of shares.

4) Relates to the forfeiture of the DSUs of former executives and director upon resignation.

For the three and nine months ended September 30, 2017, the Company recognized \$61,000 and \$500,000, respectively, in stock based compensation expense for DSUs in the condensed interim consolidated statements of operations and comprehensive loss (three and nine months ended September 30, 2016 – \$57,000 and \$183,000, respectively).

e) Hedging reserve

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The effective portion of cumulative deferred gain or loss on the hedge is recognized in other comprehensive income until the transaction is settled at which time the gain or loss is recognized in the consolidated statements of operations and comprehensive loss.

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The Company had no outstanding cash flow hedges as at September 30, 2017 or as at December 31, 2016.

An aggregate realized gain in the amount of \$nil has been recorded in the condensed interim consolidated statements of operations and comprehensive loss for the three and nine months ended September 30, 2017 (three and nine months ended September 30, 2016 – \$0.2 million and \$1.5 million, respectively).

14. Basic and diluted earnings per share

Dollar amounts and share amounts in thousands, except per share amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Numerator				
Net loss - basic and diluted	\$ (7,664)	\$ (31,648)	\$ (18,861)	\$ (73,515)
Denominator				
Weighted average number of common shares outstanding - basic and diluted	325,115,403	144,284,011	314,178,755	122,266,014
Convertible option Renvest Credit Facility	-	-	-	-
Deferred share units	-	-	-	-
Weighted average number of common shares outstanding - basic and diluted	325,115,403	144,284,011	314,178,755	122,266,014
Basic and diluted loss per share	\$ (0.02)	\$ (0.22)	\$ (0.06)	\$ (0.60)

The determination of the weighted average number of common shares outstanding for the calculation of diluted earnings per share does not include the following effect of options, deferred shares units, and warrants since they are anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Stock options	9,445,581	7,669,472	8,987,665	7,985,355
Deferred share units	2,760,965	4,345,110	2,644,543	4,149,120
Warrants	3,073,411	6,607,833	3,073,411	6,607,833
Convertible debentures	-	155,647,249	-	177,665,246
Anti-dilutive instruments	15,279,957	174,269,664	14,705,619	196,407,555

15. Operating costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Direct mining and processing costs	\$ 15,457	\$ 15,062	\$ 50,456	\$ 47,643
Royalty expense and CFEM taxes	688	967	2,275	2,965
Inventory write-down	-	185	929	1,104
Other	(29)	(23)	(46)	(55)
Operating costs	\$ 16,116	\$ 16,191	\$ 53,614	\$ 51,657

16. Change in other provisions and VAT taxes

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
Change in legal provisions	Note 12	\$ 759	\$ 737	\$ 1,820	\$ (7,140)
Changes in provision against recoverability of VAT and other taxes	Note 5	(142)	(416)	993	(1,083)
Total change in legal provisions and VAT taxes		\$ 617	\$ 321	\$ 2,813	\$ (8,223)

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17. Impairment charges

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
Impairment charge on asset held for sale	<i>Note 6</i>	\$ 5,178	\$ -	\$ 5,178	\$ -
Total impairment charges		\$ 5,178	\$ -	\$ 5,178	\$ -

18. Foreign exchange loss

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2017	2016	2017	2016
(Gain) loss on recoverable taxes	<i>Note 5</i>	\$ (1,105)	\$ 407	\$ (718)	\$ (6,911)
Loss (gain) on reclamation provision	<i>Note 11</i>	898	(230)	607	3,250
Loss (gain) on contingent liabilities and other provisions	<i>Note 12</i>	524	(89)	344	2,955
Other foreign exchange loss		321	73	395	3,456
Total foreign exchange loss		\$ 638	\$ 161	\$ 628	\$ 2,750

19. Financial instruments (gain) loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Gain on derivatives	\$ 20	\$ (267)	\$ (327)	\$ (1,587)
Change in the fair value of convertible debentures	-	31,672	-	77,616
Total financial instruments (gain) loss	\$ 20	\$ 31,405	\$ (327)	\$ 76,029

On October 27, 2015, the Company completed the issue of Senior Secured Convertible Debentures (the "Debentures") at a price of \$1,000 per Debenture, for aggregate proceeds of \$21.5 million. The Debentures bore interest at a rate of 12% per annum and were 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. During the three and nine months ended September 30, 2016, the Company recorded an increase in the fair value of the financial liability in the amount of \$31.7 million and \$77.6 million, respectively, as an expense through profit or loss.

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. During the year ended December 31, 2016 and before the Redemption Date, the Debentures were converted. Upon conversion, 188,795,215 common shares were issued and \$104.3 million, representing the fair value of the financial liability associated with the converted Debentures at the conversion dates, was transferred to common shares.

20. Finance costs

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	\$ 696	\$ 1,633	\$ 3,069	\$ 3,490
Accretion expense ¹	338	506	984	979
Total finance costs	\$ 1,034	\$ 2,139	\$ 4,053	\$ 4,469

¹ Refers to accretion of interest expense on reclamation provisions and bank indebtedness.

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For the three and nine months ended September 30, 2017 and 2016

(Unaudited Tabular dollar amounts expressed in thousands of US dollars, except per share amounts and number of shares)

21. Other non-operating (recoveries) expenses

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Interest income	\$ (278)	\$ (133)	\$ (678)	\$ (183)
Loss on disposition of property	3	15	666	279
Other non-operating expenses	23	2	84	2
Total other non-operating expenses	\$ (252)	\$ (116)	\$ 72	\$ 98

22. Cash flow – other operating activities

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Stock-based compensation	Note 14 (c)(d) \$ 148	\$ 124	\$ 850	\$ 348
Non-cash other operating expense	-	576	722	576
Loss on disposition of PP&E	3	17	259	280
Provision for other accounts receivable	-	-	-	257
Provision (recovery) for VAT and other taxes	Note 17 (142)	(417)	993	(1,082)
Reclamation expenditure	Note 11 (42)	(194)	(256)	(394)
Other operating activities	\$ (33)	\$ 106	\$ 2,568	\$ (15)

23. Cash flow – changes in working capital

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Inventory	\$ 145	\$ (1,105)	\$ (770)	\$ (1,424)
Recoverable taxes	522	765	(785)	2,602
Other accounts receivable	(350)	394	(199)	(56)
Prepaid expenses and other assets	(1,800)	(592)	(1,628)	579
Accounts payable and accrued liabilities	2,782	(2,930)	(177)	4,809
Income taxes payable	12	-	12	-
Other provisions	122	1,546	(1,872)	(485)
Changes in working capital	\$ 1,433	\$ (1,922)	\$ (5,419)	\$ 6,025

24. Financial liabilities and other commitments

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the remaining undiscounted contractual maturities of the Company's financial liabilities and other commitments:

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(Unaudited Tabular dollar amounts expressed in thousands of US dollars, except per share amounts and number of shares)

As at September 30, 2017	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities ¹	\$ 19,242	\$ -	\$ -	\$ -	\$ 19,242
Notes payable					
Principal					
Bank indebtedness ²	6,001	-	-	-	6,001
Capital leasing obligations	1,221	1,470			2,691
Vale note	500	1,000		-	1,500
Sprott Facility	5,667	5,111	-	-	10,778
Interest	911	368	-	-	1,279
Total financial liabilities	\$ 33,542	\$ 7,949	\$ -	\$ -	\$ 41,491
Other Commitments					
Operating lease agreements	\$ 56	\$ -	\$ -	\$ -	\$ 56
Suppliers' agreements ³	863	-	-	-	863
Other provisions and liabilities	4,812	7,974	-	-	12,786
Reclamation provisions ⁴	993	7,090	5,866	10,056	24,005
Total other commitments	\$ 6,724	\$ 15,064	\$ 5,866	\$ 10,056	\$ 37,710
Total	\$ 40,266	\$ 23,013	\$ 5,866	\$ 10,056	\$ 79,202

¹ Amounts payable as at September 30, 2017.

² Bank indebtedness represents the principal on Brazilian bank loans that are renewed every six months.

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

25. Financial risk management and financial instruments

The Company's activities expose it to a variety of financial risks, including but not limited to: credit risk, liquidity risk, currency risk, interest rate risk, and price risk. The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in connection with the Company's annual consolidated financial statements as at December 31, 2016.

a) Liquidity risk

As at September 30, 2017, the Company had working capital of \$6.0 million after excluding assets held for sale (Note 6) and an accumulated deficit of \$465.7 million. In October 2017, the Company received an additional \$2.0M from Avanco and expects to collect the additional \$5 million from Avanco in a series of 10 instalments of \$500,000 per month during fiscal years 2018 and 2019. The Company's financial liabilities and other commitments are listed in Note 22.

The Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. The main factors are the realized price of gold received for gold produced from the Company's operating mines and the operating and capital costs of those mines. Other key factors include the Company's ability to continue to renew its Brazilian facilities and manage the payment process relating to its Brazilian labour provisions (refer to Notes 10 and 12).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited Tabular dollar amounts expressed in thousands of US dollars, except per share amounts and number of shares)

b) Derivative financial instruments

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy.

The Company entered into forward contracts to hedge against the risk of declining gold prices for a portion of its forecasted gold sales. The Company had the following outstanding forward contracts as at September 30, 2017 (no outstanding contracts as at December 31, 2016):

Settlement Date	Ounces hedged	Average US\$ per ounce	Unrealized gain
October 31, 2017	3,724	\$ 1,280	\$ (24)

c) Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Financial instruments that impact the Company's net earnings due to currency fluctuations include: Brazilian reais and Canadian dollar denominated cash and cash equivalents, recoverable taxes, accounts payable and accrued liabilities, income taxes payable, reclamation and other provisions, and deferred compensation liabilities.

d) Interest rate risk

The Company is potentially exposed to interest rate risk on its outstanding borrowings and short-term investments. The Company managed its risk by entering into agreements with fixed interest rates on all of its debt with interest rates ranging from 0% to 22.9% per annum, with the exception of the facility with Sprott Lending, which bears interest at a rate of 6.5% plus the greater of US dollar LIBOR and 1.25% per annum.

26. Related party transactions

The Company incurred legal fees from Azevedo Sette Advogados ("ASA"), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount, representing the amount agreed to by the parties and included in general and administrative expenses in the condensed interim consolidated statements of operations and comprehensive loss. For the three and nine months ended September 30, 2017, legal fees paid to ASA were \$43,000 and \$100,000, respectively (three and nine months ended September 30, 2016 – \$12,000 and \$91,000, respectively).