CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Jaguar Mining Inc.

We have audited the accompanying consolidated financial statements of Jaguar Mining Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, the consolidated statements of operations and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jaguar Mining Inc. as at December 31, 2016 and December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 20, 2017

Toronto, Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and 2015

(Expressed in thousands of US dollars)

		December 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 26,304	$ 15,319
Inventory	*Note 4*	12,615	12,038
Recoverable taxes	*Note 5*	9,509	3,161
Other accounts receivable		690	398
Prepaid expenses and advances		1,017	1,904
Derivatives	*Note 13*	-	1,648
Total current assets		50,135	34,468
Non-current assets			
Property, plant and equipment	*Note 6*	99,702	107,817
Mineral exploration projects	*Note 7*	26,414	24,792
Recoverable taxes	*Note 5*	12,612	13,879
Other assets		3,925	2,453
Total assets		$ 192,788	$ 183,409
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*Note 8*	$ 19,879	$ 12,991
Notes payable	*Note 9*	15,173	13,582
Current tax liability		51	-
Reclamation provision	*Note 11*	1,251	578
Other provisions and liabilities	*Note 12*	4,869	5,338
Total current liabilities		41,223	32,489
Non-current liabilities			
Notes payable	*Note 9*	7,417	27,574
Deferred income taxes	*Note 10*	-	2,475
Other taxes payable		1,893	104
Reclamation provision	*Note 11*	19,456	14,063
Other provisions and liabilities	*Note 12*	8,465	13,919
Total liabilities		$ 78,454	$ 90,624
SHAREHOLDERS' EQUITY			
Common shares	*Note 13*	$ 539,802	$ 434,469
Warrants	*Note 13*	94	202
Stock options	*Note 13*	464	802
Deferred share units	*Note 13*	485	1,380
Contributed surplus		20,332	18,768
Deficit		(446,843)	(364,048)
Hedging reserve	*Note 13*	-	1,212
Total shareholders' equity		$ 114,334	$ 92,785
Financial liabilities and other commitments	*Note 22*		
Total liabilities and shareholders' equity		$ 192,788	$ 183,409

Subsequent events *Note 13*

On behalf of the Board:

(signed) "Richard Falconer" *(signed) "Rodney Lamond"*

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2016 and 2015

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

		Year Ended December 31,	
		2016	2015
Revenue		**$ 120,539**	$ 106,513
Operating costs	*Note 15*	**71,012**	67,327
Depreciation		**35,752**	16,519
Gross profit		**13,775**	22,667
Exploration and evaluation costs		**349**	108
Care and maintenance costs (Paciência mine)		**1,096**	1,016
Stock-based compensation	*Note 13 (c)(d)*	**538**	798
General and administrative expenses		**10,137**	10,863
Amortization		**869**	77
Change in legal and VAT provisions	*Note 16*	**(7,635)**	10,933
Impairment reversal	*Note 17*	**-**	(43,979)
Impairment charges	*Note 17*	**1,095**	48,323
Other operating expenses		**2,425**	3,019
Operating gain (loss)		**4,901**	(8,491)
Foreign exchange loss (gain)	*Note 19*	**2,816**	(5,608)
Financial instruments loss	*Note 18*	**76,321**	4,650
Finance costs	*Note 20*	**5,310**	6,112
Other non-operating expenses (recoveries)		**1,056**	(126)
Loss before income taxes		**(80,602)**	(13,519)
Current income tax expense	*Note 10*	**4,721**	1,327
Deferred income tax recovery	*Note 10*	**(2,528)**	(3,634)
Total income tax expense (recovery)		**2,193**	(2,307)
Net loss		**$ (82,795)**	$ (11,212)
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss:			
Unrealized gain on hedging reserve		**-**	1,577
Reclassification adjustment for realized gain included in net loss		**(1,212)**	(168)
Total comprehensive loss		**$ (84,007)**	$ (9,803)
Earnings per share			
Loss per share			
Basic and diluted	*Note 14*	**$ (0.50)**	$ (0.10)
Weighted average shares outstanding			
Basic and diluted		**164,601,488**	111,125,695

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(Expressed in thousands of US dollars)

		Year Ended December 31, 2016	2015
OPERATING ACTIVITIES			
Net loss for the year		**$ (82,795)**	$ (11,212)
Adjusted for non-cash items			
Depreciation and amortization		**36,621**	16,596
Write-down of inventory	Note 4	**2,184**	35
Accretion of interest expense	Note 20	**1,318**	1,128
Interest expense	Note 20	**3,992**	2,949
Impairment reversal	Note 7	**-**	(43,979)
Impairment charges	Note 6	**1,095**	48,323
Unrealized foreign exchange gain		**(2,674)**	(10,217)
Deferred income tax recovery		**(2,528)**	(3,634)
Loss on change in fair value of notes payable	Note 18	**77,977**	4,818
Change in legal provisions	Note 16	**(6,014)**	10,365
Other operating activities	Note 22	**288**	(1,686)
Changes in working capital	Note 23	**8,317**	10,763
Net cash provided by operation activities		**37,781**	24,249
INVESTING ACTIVITIES			
Mineral exploration projects		**(1,622)**	(494)
Purchase of property, plant and equipment		**(28,202)**	(18,367)
Proceeds from disposition of property, plant and equipment		**542**	162
Net cash used in investing activities		**(29,282)**	(18,699)
FINANCING ACTIVITIES			
Shares issued upon exercise of warrants		**395**	-
Increase in debt		**24,453**	21,500
Repayment of debt		**(18,764)**	(16,726)
Interest paid		**(3,076)**	(2,406)
Deferred share units redeemed		**(41)**	-
Net cash provided by financing activities		**2,967**	2,368
Effect of exchange rate changes on cash and cash equivalents		**(481)**	240
Net increase in cash and cash equivalents		**10,985**	8,158
Cash and cash equivalents at the beginning of the year		**15,319**	7,161
Cash and cash equivalents at the end of the year		**$ 26,304**	$ 15,319

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY

For the years ended December 31, 2016 and 2015

(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, 2015	111,111,038	$ 434,465	-	$ -	2,679,735	$ 525	1,600,566	$ 965	$ 18,666	$ (352,836)	$ (197)	$ 101,588
Shares issued	25,000	4	-	-	-	-	-	-	(4)	-	-	-
Warrants issued	-	-	6,607,833	202	-	-	-	-	-	-	-	202
Stock options granted	-	-	-	-	7,000,000	319	-	-	-	-	-	319
Stock options forfeited	-	-	-	-	(400,000)	(42)	-	-	42	-	-	-
Deferred share units cancelled	-	-	-	-	-	-	(100,000)	(64)	64	-	-	-
Deferred share units granted	-	-	-	-	-	-	3,000,000	479	-	-	-	479
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(168)	(168)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	1,577	1,577
Net loss	-	-	-	-	-	-	-	-	-	(11,212)	-	(11,212)
Balance as at December 31, 2015	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
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	188,795,215	104,298	-	-	-	-	-	-	-	-	-	104,298
Conversion of warrants	3,534,422	504	(3,534,422)	(108)	-	-	-	-	-	-	-	396
Shares issued to Sprott lending	650,000	366	-	-	-	-	-	-	-	-	-	366
Stock options granted	-	-	-	-	1,000,000	276	-	-	-	-	-	276
Stock options forfeited	-	-	-	-	(1,967,894)	(614)	-	-	614	-	-	-
Deferred share units granted	-	-	-	-	-	-	1,696,874	261	-	-	-	261
Deferred share units forfeited	-	-	-	-	-	-	(1,431,818)	(950)	950	-	-	-
Deferred share units redeemed	3,000,000	165	-	-	-	-	(3,181,818)	(206)	-	-	-	(41)
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
Net loss	-	-	-	-	-	-	-	-	-	(82,795)	-	(82,795)
Balance as at December 31, 2016	**307,115,675**	**$ 539,802**	**3,073,411**	**$ 94**	**8,311,841**	**$ 464**	**1,583,804**	**$ 485**	**$ 20,332**	**$ (446,843)**	**$ -**	**$ 114,334**

[1] Hedging reserve Note 13(e)

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

1. Nature of business

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.

These consolidated financial statements of the Company as at and for the years ended December 31, 2016 and 2015, include the accounts of the Company and its wholly-owned subsidiaries: Mineração Serras do Oeste Ltda. ("MSOL"), Mineração Turmalina Ltda. ("MTL"), and MCT Mineração Ltda. ("MCT"). All significant intercompany accounts and transactions have been eliminated on consolidation.

2. Basis of preparation

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as at December 31, 2016. IFRS comprises of International Financial Reporting Standards ("IFRS"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standards Interpretations Committee ("SICs"). The Company's significant accounting policies are described in note 3 of these consolidated financial statements for the year ended December 31, 2016.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 20, 2017.

b) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for some financial instruments and liabilities associated with certain long-term incentive plans and reclamation provisions, and the senior secured convertible debentures, which are stated at fair value.

The consolidated financial statements include the accounts of Jaguar Mining Inc. and its subsidiaries. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation. We consolidate subsidiaries where we have the ability to exercise control.

c) Functional and presentation currency

The functional currency of the Company and each of its subsidiaries is the currency of the primary economic environment in which the entities operate, which the Company has determined is the U.S. dollar. Determination of functional currency requires certain judgements to determine the primary economic environment.

In line with the Company's functional currency, these consolidated financial statements are presented in U.S. dollars.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Certain estimates, such as those related to the valuation of mineral exploration projects, recoverability of property plant and equipment, recoverable taxes, deferred tax assets and liabilities, reclamation provisions, derivatives, measurement of inventory and disclosure of contingent assets and liabilities depend on subjective or complex judgments about matters that may be uncertain. Changes in those estimates could materially impact these consolidated financial statements.

The judgments that management has applied in the application of accounting policies and related estimates that have the most significant effect on the amounts recognized in these consolidated financial statements are discussed below:

(i) Unit of production depreciation

The Company's mineral exploration projects and mining properties are depreciated on a unit-of-production basis, using the expected amount of recoverable reserves. Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and other factors impacting mineral reserves or the expected life of the mining operation.

(ii) Inventory

Gold in process and ore in stockpiles are stated at the lower of average production cost and net realizable value. Production costs charged to earnings include labour, benefits, material and other product costs. The assumptions used in the impairment assessment of gold in process inventory include estimates of gold contained in the ore stacked, assumptions of the amount of gold stacked that is expected to be recovered and an assumed gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventory, which could reduce the Company's earnings and working capital.

The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a leach pad is not known until the leaching process is concluded.

(iii) Mine reserve estimates

A mine reserve estimate is an estimate of the amount of product that can be economically and legally extracted from the Company's mining properties. In order to calculate reserve estimates, assumptions are required about a range of geological, technical and economic factors, including: quantities, grades, production techniques, recovery rates, production costs, transportation costs, commodity demand, commodity prices and exchange rates. The Company estimates its ore reserves and mineral resources based on information compiled by qualified persons as defined in accordance with the Canadian Securities Administrators' National Instrument 43-101 Standards of Disclosure for Mineral Projects requirements.

Estimates of mine reserves may change as estimates and assumptions change and as additional geological data is generated during the course of operations. Changes in mine reserve estimates may affect carrying values of the Company's inventory, property, plant and equipment, mineral exploration projects, reclamation provisions and deferred income taxes.

(iv) Capitalization of mineral exploration projects

The Company's accounting policy for exploration costs results in certain items being capitalized according to the expected recoverability of the projects. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalized the costs, a judgment is made that recovery of the costs is unlikely, the relevant capitalized amount will be written off to earnings.

The recoverability of the amounts shown for mineral exploration projects is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet obligations under various agreements, and the success of future operations or dispositions. If a project does not prove viable, all unrecoverable costs associated with the project net of any related existing impairment provisions are written off.

(v) Reclamation provision

The Company's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. In general, these laws and regulations are continually changing and, over time, becoming more restrictive which impacts the cost of retiring assets at the end of their useful lives. The Company recognizes liabilities for reclamation provisions in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset, where one is identifiable, is recorded and amortized over the life of the asset. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the period is expensed. Over time, the reclamation provision will be increased each period to reflect the interest element (accretion) reflected in its initial measurement at fair value, and will also be adjusted for changes in the estimate of the amount, timing and cost of the work to be carried out.

The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are future changes to environmental laws and regulations that could increase the extent of reclamation and remediation work required to be performed by the Company.

(vi) Stock-based compensation

The Company includes an estimate of forfeitures, share price volatility, expected life and risk-free interest rates in the calculation of the fair value for certain long-term incentive plans. These estimates are based on previous experience and may change throughout the life of an incentive plan. Such changes could impact the carrying value of property, plant and equipment, mineral exploration projects, inventory equity and earnings.

(vii) Determination of functional currency

The functional currency of the Company has been assessed by management based on consideration of the currency and economic factors that mainly influence the Company's gold sales, production and operating costs, financing and related transactions. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

(viii) Capitalization of borrowing costs

Borrowing costs are identified for capitalization to property, plant and equipment construction projects until such time that the constructed asset is substantially complete and ready for its intended use. Borrowing costs related to specific borrowings are identified for capitalization to mineral exploration projects until such time that the mine is substantially complete and ready for its intended use. Amounts to be capitalized are estimated based on costs incurred to date and the interest rate of specific borrowings or the weighted average borrowing

costs of general borrowings. The judgment used to identify mines or assets that require capitalization of borrowing costs could impact the carrying value of those assets, depreciation and amortization and interest expense.

(ix) Identification of impairment

The Company considers, at each reporting date or whenever events or circumstances indicate the recoverable amount may be less than the carrying amount, whether or not there has been an impairment of the capitalized mineral exploration projects, or property, plant and equipment. For non-producing properties, the assessment is done by comparing the carrying amount of the asset and market values for the total enterprise value per ounce, for companies with similar projects. For producing mining properties, this assessment is based on the expected future cash flows to be generated from the asset. Assumptions, such as gold price, discount rate, foreign exchange rate and expenditures underlying the fair value estimates are subject to risks and uncertainties. If the Company determines there has been an impairment because its prior estimates of discounted future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, the Company would be required to write-down the recorded value of its mineral explorations projects, or property, plant and equipment, which would reduce the Company's earnings and net assets.

(x) Recoverable taxes

The Company is due refunds of certain taxes based on consumption, of which the timing of realization is uncertain. If these recoverable taxes are not collected, it could reduce the carrying value of these assets. Given limited methods available to recover these taxes and the length of time it takes to recover them, for certain of these recoverable taxes, management estimates their recoverable amount based on their present value based on the manner and timing of expected recovery and historical losses when recovering the credits.

(xi) Deferred taxes

The Company recognizes the deferred tax benefit related to tax assets and tax losses to the extent recovery is probable. Assessing the recoverability of deferred income tax assets requires management to make significant estimates of future taxable profit and expected timing of reversals of existing temporary differences. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the balance sheet date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from tax assets and tax losses.

(xii) Other provisions and contingent liabilities

On an ongoing basis, the Company is subject to various claims and other legal disputes, mainly consisting of lawsuits filed by former employees, related to employment relationships mainly in Brazil, the outcomes of which cannot be assessed with a high degree of certainty. The most recurring claims are related to payment of overtime, hours in itinerary, and health and safety. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

By their nature, these provisions will only be resolved when one or more future events occur or fail to occur. The assessment of such provisions inherently involves the exercise of significant judgment of the potential outcome of future events.

3. Significant accounting policies

a) Existing accounting policies

(i) Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Cash and cash equivalents

The Company considers deposits in banks, certificates of deposit and short-term investments with remaining maturities of three months or less at the time of acquisition to be cash and cash equivalents. Cash held on deposit as security is classified as restricted cash.

(iii) Inventory

Gold in process and ore in stockpiles are stated at the lower of the average total production cost or net realizable value. Production costs include direct labour, employee benefits, direct material and other direct product costs including depreciation and amortization. Net realizable value represents estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion.

Raw materials and mine operating supplies are stated at the lower of weighted average cost, and net realizable value.

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

Plant, vehicles and equipment

At acquisition, we record plant, vehicles and equipment at cost, including all expenditures incurred to prepare an asset for its intended use. These expenditures consist of: the purchase price; brokers’ commissions; and installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. The Company capitalizes costs that meet the asset recognition criteria. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expense and are accounted for as a cost of the inventory produced in the period.

Plant, vehicles and equipment are depreciated over their expected useful life, which commences when the assets are considered available for use. Once plant, vehicles and equipment are considered available for use they are measured at cost less accumulated depreciation and applicable impairment losses. Depreciation on equipment utilized in the development of assets, including underground mine development, is recapitalized as development costs attributable to the related asset.

Leasing arrangements

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, including whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Company are classified as finance leases. Finance leases are recorded as an asset with a corresponding

liability at an amount equal to the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding.

The interest element of the lease is charged to the consolidated statement of income as a finance cost. PP&E assets acquired under finance leases are depreciated, over the shorter of the useful life of the asset and the lease term. All other leases are classified as operating leases. Operating lease payments are recognized as an operating cost in the consolidated statements of income on a straight-line basis over the lease term.

Construction-in-progress

Assets under construction at operating mines are capitalized as construction-in-progress ("CIP"). The cost of CIP comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. Construction-in-progress amounts related to development projects are included in the carrying amount of the development project.

Construction-in-progress amounts incurred at operating mines are presented as a separate asset within PP&E. Construction-in-progress also includes deposits on long lead items. Construction-in-progress is not depreciated. Depreciation commences once the asset is complete and available for use.

Depreciation and amortization

Depreciation and amortization methods and rates for significant categories of non-current assets are as follows:

Processing plants	- over plant life, straight-line basis
Vehicles	- 5 years, straight-line basis
Equipment	- 5-10 years, straight-line basis
Leasehold improvements	- over term of lease, straight-line basis
Mining properties	- unit-of-production method (1)

(1) Amortization of mining properties, pre-production and development costs are calculated and recorded on the unit-of-production basis over the mine's estimated and economically proven and probable reserves.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Depreciation or amortization is adjusted prospectively if there is a change in useful lives, reserve base or residual values.

(v) Underground mine development costs

At the Company's underground mines, development costs are incurred to build new drifts and ramps that enable the Company to physically access ore underground. The time over which the Company will continue to incur these costs depends on the mine life. These underground development costs are capitalized as incurred.

Capitalized underground development costs incurred to enable access to specific ore blocks or areas of the underground mine, and which only provide an economic benefit over the period of mining that ore block or area, are amortized on a units of production basis, whereby the denominator is estimated ounces of gold in proven and probable reserves and the portion of resources within that ore block or area that is considered probable of economic extraction.

(vi) Impairment

The carrying value of all categories of property, plant and equipment and mineral exploration projects are reviewed at each reporting date for impairment or whenever events or circumstances indicate the recoverable amount may be less than the carrying amount. The recoverable amount is the greater of its value-in-use and its fair value less cost of disposal.

Value-in-use is based on estimates of discounted future cash flows expected to be recovered from an asset or the smallest group of assets that largely generates independent cash inflows (cash generating units or "CGUs") through their use. Estimated future cash flows are calculated using estimates of future recoverable reserves and resources, future commodity prices and expected future operating and capital costs. Once calculated, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost of disposal is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Costs of disposal are incremental costs directly attributable to the disposal of an asset or CGU, excluding finance costs and income tax expense.

An impairment loss is recognized when the carrying value of an asset held for use exceeds its estimated recoverable amount. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit on a pro-rata basis. Impairment losses are recognized in operating expenses. Impairment losses are recorded in the reporting period in which determination of impairment is made by management.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(vii) Income taxes

Income tax expense comprises current and deferred income taxes. Income tax expense is recognized in the consolidated statements of operations and comprehensive income (loss) except to the extent that it relates to items recognized directly in equity.

Current income taxes

Current income taxes are the expected taxes payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred income taxes

The Company accounts for deferred income taxes under the asset and liability method. Under this method of tax allocation, deferred income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases (temporary differences).

Deferred income taxes are measured using the tax rates that are expected to be in effect when the temporary differences are likely to reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect on deferred income tax assets and liabilities of a change in tax rates is included in earnings in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the amount that is probable to be realized.

(viii) Reclamation provisions

Mining, extraction and processing activities normally give rise to obligations for environmental rehabilitation or reclamation. Reclamation work can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related costs required to perform the rehabilitation work; and operation of equipment designed to reduce or eliminate environmental effects. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and our environmental policies.

Routine operating costs that may impact the ultimate closure and reclamation activities, such as waste material handling conducted as an integral part of a mining or production process, are not included in the provision. Costs arising from unforeseen circumstances, such as the contamination caused by unplanned discharges, are recognized as an expense and liability when the event that gives rise to an obligation occurs and reliable estimates of the required reclamation costs can be made.

Provisions for the cost of each reclamation program are normally recognized at the time that an environmental disturbance occurs or a constructive obligation is determined. When the extent of disturbance increases over the life of an operation, the provision is increased accordingly. The major parts of the carrying amount of provisions relate to tailings pond closure/reclamation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance and security of closed mines. Costs included in the provision encompass all closure and reclamation activity expected to occur progressively over the life of the operation at the time of closure and post-closure in connection with disturbances as at the reporting date. Estimated costs included in the determination of the provision reflect the risks and probabilities of alternative estimates of cash flows required to settle the obligation at each particular operation. The expected reclamation costs are estimated based on the cost of external contractors performing the work or the cost of performing the work internally depending on management's intention.

The timing of the actual rehabilitation expenditure is dependent upon a number of factors such as the life and nature of the asset, the operating license conditions and the environment in which the mine operates.

Expenditures may occur before and after closure and can continue for an extended period of time depending on rehabilitation requirements. Rehabilitation provisions are measured at the expected value of future cash flows, which exclude the effect of inflation, discounted to their present value using a current US dollar real risk-free pre-tax discount rate. The unwinding of the discount, referred to as accretion expense, is included in finance costs and results in an increase in the amount of the provision. Provisions are updated each reporting period for changes to expected cash flows and for the effect of changes in the discount rate, and the change in estimate is added or deducted from the related asset and depreciated over the expected economic life of the operation to which it relates. Significant judgments and estimates are involved in forming expectations of future activities and the amount and timing of the associated cash flows. Those expectations are formed based on existing environmental and regulatory requirements or, if more stringent, the Company's environmental policies which give rise to a constructive obligation.

When provisions for closure and rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The

capitalized cost of closure and rehabilitation activities is recognized in PP&E and depreciated over the expected economic life of the operation to which it relates.

Adjustments to the estimated amount and timing of future closure and rehabilitation cash flows are a normal occurrence in light of the significant judgments and estimates involved. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and resources with a corresponding change in the life of mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; changes in discount rates; changes in foreign exchange rates and changes in laws and regulations governing the protection of the environment.

Rehabilitation provisions are adjusted as a result of changes in estimates and assumptions. Those adjustments are accounted for as a change in the corresponding cost of the related assets, including the related mineral property, except where a reduction in the provision is greater than the remaining net book value of the related assets, in which case the value is reduced to nil and the remaining adjustment is recognized in the consolidated statements of operations and comprehensive income (loss).

In the case of closed sites, changes in estimates and assumptions are recognized immediately in the consolidated statements of operations and comprehensive income (loss). For an operating mine, the adjusted carrying amount of the related asset is depreciated prospectively. Adjustments also result in changes to future finance costs.

(ix) Legal and other provisions

Provisions are recorded when a legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation estimated at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation and is measured using the present value of cash flows estimated to settle the present obligation.

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims that may result in such proceedings, the Company with assistance from its legal counsel evaluate the perceived merits of any legal proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated, and then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case we disclose the nature of the guarantee. Legal fees incurred in connection with pending legal proceedings are expensed as incurred. Contingent gains are only recognized when the inflow of economic benefits is virtually certain.

(x) Foreign currency translation

The U.S. dollar is considered to be the functional currency of the Company and of its subsidiaries. Monetary assets and liabilities of the Company's operations are translated into U.S. dollars at the rate of exchange in effect at the balance sheet date, and non-monetary assets and liabilities are translated at the historical rate of exchange. Transactions in foreign currencies are translated at the actual rates of exchange. Foreign currency gains and losses are recognized in the consolidated statements of operations and comprehensive income (loss).

(xi) Revenue recognition

The Company records revenue when evidence exists that all of the following criteria are met:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
- The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to us; and
- The costs incurred or to be incurred in respect of the sale can be reliably measured.

The Company produces gold doré which is further refined by a third party. Revenue from gold doré is recognized when title is transferred, delivery is completed, and when the Company has reasonable assurance with respect to measurement and collectability.

(xii) Stock-based compensation

The Company has stock-based compensation plans, which are described in Note 13(c)(d). The Company accounts for all equity-settled stock-based payments based on the fair value of the award on grant date.

Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized over the vesting period. The amount recognized as an expense is adjusted to reflect any changes in the Company's estimate of the shares that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements in which the Company receives goods or services as consideration are measured at the fair value of the good or service received, unless that fair value cannot be estimated reliably.

(xiii) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings (loss) per share by the application of the treasury method. The computation of diluted earnings (loss) per share assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

(xiv) Financial instruments - recognition and measurement

The Company classifies all financial instruments as held-to-maturity, fair value through profit & loss ("FVTPL"), loans and receivables, available-for-sale, or other financial liabilities.

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to earnings in the period in which they arise.

- FVTPL financial instruments are carried at fair value with changes in fair value charged or credited to earnings in the period in which they arise.

- Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to earnings using the effective interest method. Impairment losses are charged to earnings in the period in which they arise.

- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income (loss). Impairment losses are charged to earnings in the period in which they arise.

- Other financial liabilities are initially measured at cost or amortized cost, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to earnings using the effective interest method.

- The following is a summary of the financial instruments outstanding and classifications as at December 31, 2016:

Cash and cash equivalents	- Loans and receivables
Other accounts receivable	- Loans and receivables
Derivative assets and liabilities	- FVTPL
Accounts payable and accrued liabilities	- Other financial liabilities
Notes payable (excluding the Sprott Facility)	- Other financial liabilities
Other provisions	- Other financial liabilities
Sprott Facility	- Amortized cost

The Company has used certain derivative financial instruments, principally forward sales contracts and commodity option contracts to manage commodity price exposure on gold sales, and forward foreign exchange contracts to manage exposure to changes in foreign exchange rates. Derivative financial instruments are used for risk management purposes and not for generating trading profits. Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in interest income/expense in the consolidated statements of operations and comprehensive income (loss) with the exception of derivatives designated as effective cash flow hedges.

For cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement ("IAS39"), the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is reported as an unrealized gain (loss) on derivatives contracts in the consolidated statement of operations and comprehensive loss.

Unrealized gains and losses on forward sales contracts are a result of the difference between the forward spot price of the gold and the forward sales contract price. Unrealized gains and losses on forward foreign exchange contracts are primarily a result of the difference between the forward currency contract price and the spot price of the Brazilian reais (R$).

(xv) Borrowing costs

For qualifying assets, the Company capitalizes interest or borrowing costs. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in the exploration and evaluation, development or construction stages. Qualifying assets also include significant expansion projects at our operating mines. Capitalized interest costs are considered an element of the cost of the qualifying asset which is determined based on gross expenditures incurred on an asset. Capitalization ceases when the asset is substantially complete or if active development is suspended or ceases.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Where surplus funds available out of money borrowed specifically to finance a project are temporarily invested, the total capitalized interest is reduced by income generated from short-term investments of such funds.

b) Accounting standards issued but not yet effective

The following are new pronouncements approved by the IASB. These new standards are not yet effective and have not been applied in preparing these financial statements, however, they may impact future periods:

- IFRS 2 Share-based Payment (“IFRS 2”) – In June 2016, the IASB issued amendments to IFRS 2 Share-based Payment, covering the measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings, and accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements, and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments apply for annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of the amendments to IFRS 2 on the Company’s consolidated financial statements has not yet been determined.

- IFRS 9 Financial Instruments (“IFRS 9”) – In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB’s project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of IFRS 9 on the Company’s financial instruments has not yet been determined.

- IAS 12 Income Taxes (“IAS 12”) – 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. The amendments apply for annual periods beginning on or after January 1, 2017 with retrospective application. Early application of the amendments is permitted. The impact of the amendments to IAS 12 on the Company’s consolidated financial statements has not yet been determined.

- IFRS 15 Revenue from Contracts with Customers (“IFRS 15”) – In May 2014, the IASB issued IFRS 15, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. In September 2015, the IASB deferred the effective date of the standard to annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The impact of IFRS 15 on the Company’s consolidated financial statements has not yet been determined.

- IFRS 16 Leases (“IFRS 16”) – In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted, provided the new revenue standard, IFRS 15, has been applied or is applied at the same date as IFRS 16. The impact of IFRS 16 on the Company’s consolidated financial statements has not yet been determined.

- 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 impact of IFRIC 22 on the Company’s consolidated financial statements has not yet been determined.

4. Inventory

Inventory is comprised of the following:

	December 31, 2016	December 31, 2015
Raw material	$ 2,304	$ 2,638
Mine operating supplies	4,799	3,569
Ore in stockpiles	641	1,160
Gold in process	2,514	2,285
Unrefined gold doré	2,357	2,386
Total inventory	**$ 12,615**	$ 12,038

	Year Ended December 31,	
	2016	2015
Depreciation included in cost of sales	35,752	16,519

	Year Ended December 31,	
	2016	2015
Inventory write-down	$ 2,184	$ 35

5. Recoverable taxes

	December 31, 2015	Additions/ Reversals	Accretion	Tax refunded	Write-off and sales of credits	Applied to taxes payable	Foreign exchange	December 31, 2016
Value added taxes and other[1]	$ 9,849	$ 11,223	$ -	$ (1,016)	$ -	$ (12,388)	$ 4,948	$ 12,616
Provision for VAT and other[2]	(4,448)	1,458	514	-	-	-	(657)	(3,133)
Net VAT and other taxes	$ 5,401	$ 12,681	$ 514	$ (1,016)	$ -	$ (12,388)	$ 4,291	$ 9,483
ICMS[3]	$ 13,500	$ 1,465	$ -	$ -	$ (1,271)	$ (1,734)	$ 2,749	$ 14,709
Reserve for ICMS[3]	(1,861)	163	-	-	-	-	(373)	(2,071)
Net ICMS	$ 11,639	$ 1,628	$ -	$ -	$ (1,271)	$ (1,734)	$ 2,376	$ 12,638
Total recoverable taxes	**$ 17,040**	**$ 14,309**	**$ 514**	**$ (1,016)**	**$ (1,271)**	**$ (14,122)**	**$ 6,667**	**$ 22,121**
Less: current portion	3,161							9,509
Non-current portion	$ 13,879							$ 12,612

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 cash refund or as a credit against current taxes payable.

   During 2014, the Company initiated procedures to obtain approval and/or refund of Federal VAT input tax credits with respect to the years 2009 through 2011 for its MTL operating subsidiary. MTL is the operating

subsidiary for the Turmalina Mine. Following an extensive audit process by the Brazilian tax authorities, R$16.7 million (approximately $6.0 million) was refunded in cash to the Company on February 6, 2015.

Separately, the Company also 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 of its results.

2) The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The provision reduces the net carrying amount of value added taxes and other taxes to their estimated recoverable value 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) (14.15% in 2015).

   The reduction on the provision of VAT and other taxes is due to the plans for compensating tax credits with other Federal taxes payable and the reduction on the discounted rate, due to expected improvements in the Brazilian economy.

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 approximately 13%) or be used to purchase specified machinery and equipment, as subject to approval by government authority. The ICMS credits can only be realized in the state where they were generated; in the case of Jaguar, in the State of Minas Gerais, Brazil.

   In October 2016, the Company received approval from the state to be able to sell R$4.3 million (approximately $1.3 million) of its gross ICMS deferred tax credits related to MSOL to third parties.

6. Property, plant and equipment ("PP&E")

	Plant	Vehicles	Equipment[1]	Leasehold[2]	CIP[3]	Mining properties	Total
Cost							
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**
Balance as at January 1, 2015	$ 13,495	$11,522	$ 229,701	$ 2,380	$ 2,476	$ 353,616	$ 613,190
Additions	-	65	2,018	-	1,760	15,417	19,260
Disposals	-	(468)	(465)	-	-	(320)	(1,253)
Reclassify within PP&E	-	443	1,009	-	(1,452)	-	-
Balance as at December 31, 2015	$ 13,495	$11,562	$ 232,263	$ 2,380	$ 2,784	$ 368,713	$ 631,197
Accumulated amortization and impairment							
Balance as at January 1, 2016	$ 10,882	$ 9,031	$ 194,255	$ 1,833	$ 802	$ 306,577	$ 523,380
Amortization for the period	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**
Balance as at January 1, 2015	$ 11,277	$ 9,234	$ 202,443	$ 1,923	$ 1,142	$ 323,398	$ 549,417
Amortization for the year	684	548	6,112	7	-	7,615	14,966
Impairment reversal	(1,079)	(352)	(13,918)	(97)	(340)	(24,116)	(39,902)
Disposals	-	(399)	(382)	-	-	(320)	(1,101)
Balance as at December 31, 2015	$ 10,882	$ 9,031	$ 194,255	$ 1,833	$ 802	$ 306,577	$ 523,380
Carrying amounts							
As at December 31, 2016	**$ 1,996**	**$2,326**	**$ 35,219**	**$ 147**	**$4,444**	**$ 55,570**	**$ 99,702**
As at December 31, 2015	$ 2,613	$2,531	$ 38,008	$ 547	$1,982	$ 62,136	$107,817

[1]As at December 31, 2016, the Company had equipment under capital leases at a cost and net book value of $2.5 million (December 31, 2015 - $nil).

[2]Refers to leasehold improvements in corporate office in Brazil.

[3]Refers to construction in progress.

As at December 31, 2016, mining properties include the following properties which are in production, or are under development:

a) Turmalina project

The terms of the acquisition of MTL included a royalty payable by the Company to an unrelated third party. The royalty is a net revenue interest of 5% of annual net revenue up to $10.0 million and 3% thereafter.

b) Paciência Project - Santa Isabel, Palmital, Marzagão, Rio de Peixe Oxide, Chame, and Bahú mines

In November 2003, the Company closed a property acquisition agreement dated April 17, 2003 whereby the Company acquired certain mineral rights from AngloGold for $818,000. The mineral rights acquired relate to the

following properties in the Paciência Project: Santa Isabel, Morro do Adão, Bahu, and Marzagão, and the following properties in the Caeté Project: Catita and Camará. The Company will also pay a sliding scale net smelter royalty ("NSR"), from 1.5% to 4.5% of gross revenue, on gold and other precious metals produced from the properties, based on precious metal prices at the time of production.

If the Company discovers, on a concession basis, in excess of 750,000 ounces of gold over the measured and indicated resources used in the agreement, AngloGold has the right to buy-in up to 70% of that concession for a predetermined price. If this were to occur, the Company would retain a 30% interest and would receive the same sliding scale NSR payment from AngloGold as the one mentioned above.

As at December 31, 2016 the carrying amount for the Paciência project is $nil, due to past impairment charges (December 31, 2015 - $nil).

c) Caeté Project - Roça Grande and Pilar mines

The Company is required to pay royalties of 0.5% of revenue to the land owners of the Pilar mine site.

d) Impairment and impairment reversal

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.

As at December 31, 2016, the Company identified the negative operating cash flows for Roça Grande as an indicator of impairment for the Caeté complex. The Company concluded that the carrying value of Roça Grande in the Caeté CGU should be $nil based on RG's negative operating cash flows and consequently recorded an impairment charge of $1.1 million for the year ended December 31, 2016.

During the year ended December 31, 2015, the Company identified the significant increase in the reserve and resource base of the Pilar gold mine, resulting in an extension of the life of mine ("LOM"), as an indicator of a potential reversal to an impairment recognized against Caeté's carrying value for the year ended December 31, 2014. Consequently, the Company performed an assessment to determine the recoverable amount of its mine operations for a potential impairment reversal by comparing the carrying value of the Caeté project to the discounted cash flows expected from the use and eventual disposition of those assets and liabilities. The recoverable amount was determined to be the fair value less costs to dispose ("FVLCD") and management's estimate of the FVLCD is classified as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

The significant assumptions used in determining the recoverable amount of the project were LOM production profiles, future gold prices, reserves and resources, discount rates, foreign exchange rates, and capital expenditures. The estimates of future cash flows were derived from the most recent LOM plans which extend to 2019 for Pilar. LOM plans are typically developed annually and are based on management's current best estimates of optimized mine and processing plans, future operating costs, and capital expenditures. The Company bases its future gold price estimate with reference to forward prices and industry analyst consensus. For the determination of the impairment reversal, a gold price estimate of $1,150 was used for 2016, and $1,250 for 2017 and beyond. A discount rate of 9.61% was used to present value the estimated future cash flows from the operation.

The assessment indicated that the discounted cash flows of the Caeté project exceeded the carrying value of the project as at December 31, 2015, and consequently an impairment reversal of $44.0 million was recorded. The

impairment reversal for the year ended December 31, 2015 was allocated as follows: $39.9 million to property, plant and equipment and $4.1 million to mineral exploration projects.

7. Mineral exploration projects

	Gurupi	Turmalina	Caeté	Pedra Branca	Total
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**
Balance as at January 1, 2015	$68,139	$ -	$ -	$ 405	$68,544
Additions	494	-	-	-	494
Impairment charge	(48,323)		-	-	(48,323)
Impairment reversal	-	-	4,077	-	4,077
Balance as at December 31, 2015	$20,310	$ -	$ 4,077	$ 405	$24,792

a) Gurupi

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

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

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

During the year ended December 31, 2015, the Company completed a review of the Gurupi Project ("Gurupi" or the "Project") and determined that the carrying amount of the asset was unlikely to be recovered in full from successful development or by sale. The impairment test was carried out using market comparable values for the in-situ ounces (i.e. Total Enterprise Value per ounce), for companies with similar projects as Gurupi (low-grade bulk tonnage, open pit). Based on the results of the impairment test, the Company recorded an impairment charge of $48.3 million related to the Gurupi project.

b) Caeté

The project includes the following exploration properties: Pilar-sulphide, Catita-sulphide, Camará, Roça Grande, Serra Paraíso–sulphide, and Trindade.

c) Pedra Branca

The Company is engaged in gold exploration at a greenfield site, the Pedra Branca Project (the "Project"), in the State of Ceará in northeastern Brazil, covering 87,000 acres. The Project was previously a joint venture with Glencore Canada Corporation (formerly known as Xstrata plc.). On March 7, 2012, Jaguar executed a binding Memorandum of Understanding ("MOU") with Glencore Canada Corporation to acquire the remaining 40% interest in the Project. In accordance with the terms of the MOU, Jaguar committed to (a) a cash consideration in the amount of $400,000; (b) a NSR of 1% payable to Xstrata on future gold production; and (c) rights of first refusal on any Base Metal Dominant Deposit (as defined in the MOU) discovered. Upon such discovery, Glencore Canada Corporation may elect to form a new company owned 30% by MSOL and 70% by Glencore Canada Corporation, by paying 300% of MSOL's exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

8. Accounts payable and accrued liabilities

		December 31, 2016		December 31, 2015
Accounts payable (suppliers)	**$**	**13,314**	$	7,516
Accrued payroll		**6,211**		5,086
Interest payable		**154**		211
Other		**200**		178
Total accounts payable and accrued liabilities	**$**	**19,879**	$	12,991

9. Notes payable

		December 31, 2016		December 31, 2015
Notes payable - current portion				
Bank indebtedness [a]	**$**	**10,326**	$	13,126
Capital leasing obligations [b]		**734**		-
Vale note [c]		**458**		456
Sprott Facility [d]		**3,655**		-
		15,173		13,582
Notes payable - non-current portion				
Capital leasing obligations [b]		**1,314**		-
Vale note [c]		**943**		1,253
Sprott Facility [d]		**5,160**		-
Senior security convertible debentures [e]		**-**		26,321
		7,417		27,574
Total notes payable	**$**	**22,590**	$	41,156

a) Bank indebtedness

As at December 31, 2016, bank indebtedness includes $10.3 million of unsecured promissory notes with maturities from January 2017 to March 2017. The notes bear interest at 4.5% to 8.9% (2015 - $13.1 million, maturing from January 2016 to February 2016 at interest rates of 4.5% to 10.9%).

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 7.2% and 8.5% per annum, with maturity dates between July 2019 and October 2019.

The following table outlines the total minimum loan payments due for capital leasing obligations over their remaining terms as at December 31, 2016 and December 31, 2015:

	December 31, 2016	December 31, 2015
2017	**$ 848**	$ -
2018	**787**	-
2019	**630**	-
Total minimum loan payments	**2,265**	-
Less: Future finance charges	**(242)**	-
Present value of minimum loan payments	**$ 2,023**	$ -
Less: current portion	**734**	-
Non-current portion	**$ 1,289**	$ -

c) Vale note

The Vale note was generated in 2008, by 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 December 31, 2016 was $1.8 million ($2.3 million as at December 31, 2015).

The note payable is recognized at its amortized cost of $1.4 million and the discount of $349,000, 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 to fund accelerated growth exploration initiatives. The Sprott Facility is payable over a term of 30 months, in equal monthly repayments, 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 the Sprott Facility, the Company has made a cash payment to Sprott Lending for structuring and legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares of Jaguar to Sprott Lending and to Natural Resource Income Investing Limited Partnership.

The Company also incurred transaction costs, totaling $584,000, to obtain 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.

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 year ended December 31, 2016, $66,000 was recorded as finance costs in the consolidated statements of operations and comprehensive loss related to the accretion of the transaction costs. In accordance with the terms of the Sprott Facility, the Company made principal repayments and interest payments of $667,000 and $117,000, respectively, during the year ended December 31, 2016 ($nil and $nil, respectively, during the year ended December 31, 2015).

The Sprott Facility is provided by security agreements comprising the Company's and two of its subsidiaries', MSOL and MTL's, present and future assets, the shares of MSOL and MTL, and loan guarantees by MSOL and MTL. 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.

e) Senior Secured Convertible Debentures

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 had a maturity date of October 27, 2018, the date three years following the closing date, and bore interest at a rate of 12% per annum, payable in cash on a quarterly basis, on the last day of each quarter. The Debentures 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. The Debentures could be redeemed after completion of 12 months ("Call Date"), and prior to the maturity date, in cash in whole or in part. The redemption price was 120% for one year after the Call Date, and 110% thereafter, plus in each case the accrued interest to-date. The Debentures included a general security agreement over all of the Company's and its subsidiaries' present and future assets, delivery of the shares of the Company's subsidiaries and loan guarantees by the Company's subsidiaries. Within 30 days following the occurrence of a Change of Control, the Company would have been obligated to offer to purchase all of the Debentures then outstanding. The offer price would have been 120% of the principal amount plus accrued interest to-date if the payment date occurs prior to October 27, 2016, or 110% thereafter.

Under IFRS, the Debentures qualify as financial instruments and hence fall under the scope of IAS 39. Under IAS 39, an entity has the option to designate a financial instrument (financial asset or financial liability) to be measured at fair value through profit or loss, provided such a designation results in more relevant information for the user of the financial statements. This designation also requires that all the costs associated with the transaction should be charged to the profit or loss on initial recognition. However, the option to designate is irrevocable, that is, an entity cannot change this option subsequent to the initial recognition. The Company has chosen to designate the Debentures to be measured at fair value through profit or loss at any reporting period or upon conversion.

During the year ended December 31, 2016, the Company recorded an increase in the fair value of the financial liability, in the amount of $78.0 million, as an expense through profit or loss (year ended December 31, 2015 – $4.8 million).

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 (Note 13(a)).

10. Income taxes

a) Income tax expense

The following table shows the components of current and deferred tax expense:

	December 31, 2016	December 31, 2015
Current income tax expense	$ 4,721	$ 1,327
Deferred income tax recovery	(2,528)	(3,634)
Total income tax expense (recovery)	$ 2,193	$ (2,307)

b) Tax rate reconciliation

The provision for income taxes differs from that which would be expected by applying the combined Canadian federal and provincial statutory income tax rate to income (loss) before income taxes. A reconciliation of the difference is as follows:

	December 31, 2016	December 31, 2015
Loss before income taxes	$ (80,602)	$ (13,519)
Combined federal and provincial income tax rate	26.50%	26.50%
Expected income tax expense (recovery)	$ (21,360)	$ (3,583)
Increase (decrease) in tax expense resulting from:		
Foreign exchange on deferred taxes	$ (11,188)	37,571
Change in benefit of non-capital losses not recognized	16,067	(7,664)
Change in benefit of other temporary differences not recognized	(3,887)	(19,608)
Difference in foreign tax rate and Canadian tax rate	202	(322)
Change in the fair value of convertible debentures	20,708	1,277
Charged to OCI	436	(436)
Non-deductible (taxable) expense	1,169	(9,580)
Withholding tax on intercompany interest	46	38
Income tax expense (recovery)	$ 2,193	$ (2,307)

c) Deferred tax assets

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2016	December 31, 2015
Deductible temporary differences	$ 232,625	$ 242,631
Tax losses	141,333	93,094

In addition to the deductible temporary differences disclosed above, there is $499.0 million (2015 - $497.0 million) of deductible temporary differences associated with investment in subsidiaries for which deferred tax assets have not been recognized.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits there from.

d) Tax losses

As at December 31, 2016, the Company's Canadian non-capital losses, that can be applied against future taxable profit amount to $20.0 million (December 31, 2015 - $14.1 million), and will expire as follows:

Expiry year		December 31, 2016
2034	$	7,360
2035		7,249
2036		5,412
Total	$	20,021

The Company also has non-capital losses of $138.0 million (equivalent to R$449.8 million) in Brazil which can be carried forward indefinitely, however only 30% of taxable income in one year can be applied against the loss carry-forward balance.

e) Movement in net deferred tax liabilities

		2016		2015
Balance at the beginning of the year - January 1	$	2,475	$	8,338
Deferred income tax recovery		(2,529)		(3,634)
Effect recognized in OCI		(436)		436
Foreign exchange expense (recovery)		490		(2,665)
Balance at the end of the year - December 31	$	-	$	2,475

f) Recognized deferred tax assets and liabilities

The following table summarizes the types of recognized deferred tax assets and liabilities:

		December 31, 2016		December 31, 2015
Deferred tax assets				
Non-capital losses	$	4,513	$	4,437
Provisions		839		3,382
Mineral exploration projects		2,919		-
Unrealized foreign exchange loss		2,125		-
Inventory		142		-
Financing fees		1,347		2,094
Total deferred tax assets	$	11,885	$	9,913
Deferred tax liabilities				
Unrealized foreign exchange gain	$	(5,441)	$	(4,012)
Inventory		-	$	(8)
Property, plant and equipment		(3,108)		(5,696)
Deferred revenue		(3,336)		(2,672)
Total deferred tax liabilities	$	(11,885)	$	(12,388)
Deferred tax liabilities - net	$	-	$	(2,475)

11. Reclamation provisions

	December 31, 2015	Additions	Accretion	Payments	Foreign exchange	December 31, 2016
Reclamation provision	$ 14,641	$ 1,985	$ 1,640	$ (720)	$ 3,161	**$ 20,707**
Less: current portion	578					**1,251**
Non-current portion	$ 14,063					**$ 19,456**

	December 31, 2014	Additions (Recovery)	Accretion	Payments	Foreign exchange	December 31, 2015
Reclamation provision	$ 21,374	$ (2,015)	$ 1,901	$ (339)	$ (6,280)	**$ 14,641**
Less: current portion	1,202					**578**
Non-current portion	$ 20,172					**$ 14,063**

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 7.25% and the inflation rate used to determine future expected cost ranges from 4.0% to 6.6% per annum (December 31, 2015 – 10.5% discount rate and inflation rate ranging from 4.3% to 7.0% per annum).

The Company expects to spend approximately $23.6 million (amount not discounted or adjusted for inflation) which will be incurred between 2017 and 2029 to reclaim the areas explored (December 31, 2015 – $20.3 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. 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 December 31, 2016, the Company has recognized a provision of $13.3 million (December 31, 2015 - $19.3 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.

In Q1 2016, management in conjunction with external counsel revised its estimate in regards to the labour litigation provisions in order for the provision to be more representative of the likelihood of loss. The change in estimates was derived from applying certain probability factors to the potential loss claim amounts based on the stage of each lawsuit. This change in estimates resulted in a decrease of $6.6 million from the provision of $17.8 million recorded as at December 31, 2015.

	December 31, 2015	Additions (reversals)	Payments	Foreign exchange	December 31, 2016
Labour litigation	$ 17,814	$ (6,354)	$ (2,844)	$ 2,565	**$ 11,181**
Civil litigation	1,091	340	-	221	**1,652**
Other provisions	352	-	-	149	**501**
	$ 19,257	$ (6,014)	$ (2,844)	$ 2,935	**$ 13,334**
Less: current portion	5,338				**4,869**
Non-current portion	$ 13,919				**$ 8,465**

	December 31, 2014	Additions (Reversals)	Payments	Foreign exchange	December 31, 2015
Labour litigation	$ 14,491	$ 10,333	$ (939)	$ (6,071)	**$ 17,814**
Civil litigation	1,560	32	-	(501)	**1,091**
Other provisions	554	-	(32)	(170)	**352**
	$ 16,605	$ 10,365	$ (971)	$ (6,742)	**$ 19,257**
Less: current portion	16,605				**5,338**
Non-current portion	$ -				**$ 13,919**

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 years ended December 31, 2016 and 2015 are as follows:

		Number of shares	Amount
Balance as at December 31, 2015		111,136,038	$ 434,469
Shares issued upon conversion of convertible debentures	Note 9(e)	188,795,215	104,298
Shares issued for Sprott Facility	Note 9(d)	650,000	366
Shares issued upon conversion of warrants	Note 13(b)	3,534,422	504
Shares issued upon redemption of deferred share units	Note 13(d)	3,000,000	165
Balance as at December 31, 2016		**307,115,675**	**$ 539,802**
Balance as at December 31, 2014		111,111,038	434,465
Shares issued		25,000	4
Balance as at December 31, 2015		**111,136,038**	**$ 434,469**

b) Warrants

As part of the Senior Secured Convertible Debentures financing, disclosed in Note 9(d), 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.

During the year ended December 31, 2016, 3,534,422 warrants were exercised resulting in total gross proceeds to the Company of $396,000 (equivalent to C$530,000). This amount plus $108,000 of contributed surplus related to these warrants was transferred to common shares.

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 years ended December 31, 2016 and 2015:

	Number of options	Weighted average exercise price (C$)	
Balance as at December 31, 2015	9,279,735	$	0.50
Options granted[1]	1,000,000		0.75
Options forfeited[2]	(1,967,894)		1.35
Balance as at December 31, 2016	**8,311,841**	**$**	**0.33**
Balance as at December 31, 2014	2,679,735	$	1.35
Options forfeited[2]	(400,000)		1.35
Options granted[3]	7,000,000		0.22
Balance as at December 31, 2015	**9,279,735**	**$**	**0.50**

1) On August 8, 2016, 354,726 stock options were granted to executives of the Company. The options are exercisable at a 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.

On November 7, 2016, 645,274 stock options were granted to executives of the Company. The options are exercisable at a price of C$0.76 and expire on November 7, 2021. The options vest on a quarterly basis, in twelve equal instalments, starting on December 31, 2016 and are exercisable upon vesting.

2) Relates to the forfeiture of the options of former executives and director upon resignation.

3) On December 16, 2015, the Company granted 7,000,000 options to an executive of the Company, which are each exercisable at a price of C$0.22 and expire on December 16, 2020. The options vest on a quarterly basis at the end of each fiscal quarter of the Company, in twelve equal instalments, and are exercisable upon vesting.

The table below shows the outstanding stock options as at December 31, 2016 and 2015:

		Outstanding		Vested	
December 31,	Exercise price (C$)	Number of options	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life
2016	**$1.35**	**311,841**	**4.74**	**293,091**	**4.87**
2016	**$0.76**	**645,274**	**4.85**	**53,773**	**4.85**
2016	**$0.74**	**354,726**	**4.61**	**59,121**	**4.61**
2016	**$0.22**	**7,000,000**	**3.96**	**2,333,333**	**3.96**
2015	$1.35	2,279,735	6.04	1,817,235	6.16
2015	$0.22	7,000,000	4.96	-	4.96

The following table is a summary of stock options outstanding during the year ended December 31, 2016 and 2015, 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 2016	**8,311,841**	**$ 0.33**	**-**	**1.00%**	**0%**	**3.82**	**69%**	**$ 0.10**
Stock options 2015	9,279,735	$ 0.50	-	0.87%	0%	3.96	64%	$ 0.12

For the year ended December 31, 2016, the Company recognized $276,000 in stock based compensation expense for stock options in the consolidated statements of operations and comprehensive loss (December 31, 2015 – $319,000).

Subsequent to December 31, 2016, the Company granted 733,740 stock options 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.

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 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 years ended December 31, 2016 and 2015:

	Number of units	Weighted average fair value
Balance as at December 31, 2015	4,500,566	$ 0.31
Units granted[1]	1,696,874	0.27
Units redeemed[2,4]	(3,181,818)	0.06
Units forfeited[3]	(1,431,818)	0.74
Balance as at December 31, 2016	**1,583,804**	**$ 0.37**
Balance as at December 31, 2014	1,600,566	$ 0.81
Units cancelled	(100,000)	0.64
Units granted[4]	3,000,000	0.06
Balance as at December 31, 2015	**4,500,566**	**$ 0.31**

1) 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% of which vest immediately and 50% vest 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.

On November 7, 2016, 193,582 deferred share units were granted to executives of the Company. The DSUs vest on a quarterly basis, in twelve equal instalments, starting on December 31, 2016, and are exercisable upon vesting.

2) 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 DSU's are expected to be settled by the issuance of shares.

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

4) On December 16, 2015, the Company granted 3,000,000 deferred share units to an executive of the Company, of which 1,500,000 DSUs would vest if and when the volume weighted average trading price ("VWAP") of the common shares of the Company for 20 trading days was equal to or exceeds C$0.33, and the remaining 1,500,000 DSUs would vest if and when the 20-day VWAP was equal to or exceeds C$0.44. All 3,000,000 of these DSUs vested during the year ended December 31, 2016 and were redeemed in shares of the Company by the executive on November 21, 2016.

For the year ended December 31, 2016, the Company recognized $261,000 in stock based compensation expense for DSUs in the consolidated statements of operations and comprehensive loss (December 31, 2015 – $479,000).

Subsequent to December 31, 2016, 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% vesting 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.

e) Hedging reserve

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The 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.

The Company had no outstanding hedges as at December 31, 2016 (December 31, 2015 – 11,146 ounces, unrealized net gain of $1.2 million).

An aggregate realized gain in the amount of $1.7 million has been recorded in the consolidated statements of operations and comprehensive income for the year ended December 31, 2016 (December 31, 2015 – $168,000).

14. Basic and diluted earnings per share

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

	Year Ended December 31,	
	2016	2015
Numerator		
Net loss - basic and diluted	**$ (82,795)**	$ (11,212)
Denominator		
Weighted average number of common shares outstanding - basic and diluted	**164,601,488**	111,125,695
Basic and diluted loss per share	**$ (0.50)**	$ (0.10)

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, convertible debentures and deferred shares units since they are anti-dilutive:

	Year Ended December 31,	
	2016	2015
Stock options	**7,952,412**	2,690,694
Deferred share units	**3,926,811**	1,654,676
Warrants	**6,091,964**	-
Convertible debentures	**-**	35,328,878
Anti-dilutive instruments	**17,971,187**	39,674,248

15. Operating costs

		Year Ended December 31,	
		2016	2015
Direct mining and processing costs		**$ 65,174**	$ 67,138
Royalty expense and CFEM taxes		**3,844**	3,163
Inventory write-down	Note 4	**2,184**	35
Reclamation recovery		-	(2,903)
Other		**(190)**	(106)
Operating costs		**$ 71,012**	$ 67,327

16. Change in other provisions and VAT taxes

		Year Ended December 31,	
		2016	2015
Change in legal provisions	Note 12	**$ (6,014)**	$ 10,365
Changes in provision against recoverability of VAT and other taxes	Note 5	**(1,621)**	568
Total change in other provisions and VAT taxes		**$ (7,635)**	$ 10,933

17. Impairment charges

		Year Ended December 31,	
		2016	2015
Impairment reversal on PP&E	Note 6(d)	**$ -**	$ (39,902)
Impairment reversal on mineral exploration projects	Note 6(d)	**-**	(4,077)
Impairment charge on PP&E	Note 6(d)	**1,095**	-
Impairment charge on mineral exploration projects	Note 7(a)	**-**	48,323
Total impairment charges		**$ 1,095**	$ 4,344

18. Financial instruments loss

		Year Ended December 31,	
		2016	2015
Gain on derivatives	Note 13(e)	**$ (1,656)**	$ (168)
Change in the fair value of convertible debentures	Note 9(e)	**77,977**	4,818
Total financial instruments loss		**$ 76,321**	$ 4,650

19. Foreign exchange loss (gain)

		Year Ended December 31,	
		2016	2015
(Gain) loss on recoverable taxes	Note 5	**$ (6,667)**	$ 4,663
Loss (gain) on reclamation provision	Note 11	**3,161**	(6,280)
Loss (gain) on contingent liabilities and other provisions	Note 12	**2,935**	(6,742)
Other foreign exchange loss		**3,387**	2,751
Total foreign exchange loss (gain)		**$ 2,816**	$ (5,608)

20. Finance costs

	Year Ended December 31,	
	2016	2015
Interest expense	**$ 3,992**	$ 2,949
Accretion expense	**1,318**	1,128
Transaction costs	**-**	2,035
Total finance costs	**$ 5,310**	$ 6,112

21. Other non-operating expenses (recoveries)

	Year Ended December 31,	
	2016	2015
Interest income	**$ (202)**	$ (118)
Loss (gain) on disposition of property	**1,258**	(11)
Other non-operating expenses	**-**	3
Total other non-operating expenses (recoveries)	**$ 1,056**	$ (126)

22. Cash flow – other operating activities

		Year Ended December 31, 2016	2015
Stock-based compensation	Note 13 (c)(d)	**$ 538**	$ 798
Non-cash other operating expense	`	**576**	-
Reclamation recovery		**-**	(2,903)
Loss (gain) on disposition of PP&E		**1,258**	(12)
Provision for other accounts receivable		**257**	-
(Recovery) provision for VAT and other taxes	Note 16	**(1,621)**	568
Finder warrants issued		**-**	202
Reclamation expenditure	Note 11	**(720)**	(339)
Other operating activities		**$ 288**	$ (1,686)

23. Cash flow – changes in working capital

	Year Ended December 31, 2016	2015
Inventory	**$ (1,800)**	$ 5,469
Recoverable taxes	**5,313**	10,345
Other accounts receivable	**(549)**	366
Prepaid expenses and other assets	**(585)**	(1,185)
Accounts payable and accrued liabilities	**6,945**	(3,197)
Income taxes payable	**1,837**	3
Other provisions	**(2,844)**	(971)
Other liabilities	**-**	(67)
Changes in working capital	**$ 8,317**	$ 10,763

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:

As at December 31, 2016	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities[2]	$ 19,879	$ -	$ -	$ -	**$ 19,879**
Notes payable					-
Principal					
Bank indebtedness[1]	10,326	-	-	-	**10,326**
Capital leasing obligations	734	1,531			**2,265**
Vale note	500	1,000	250	-	**1,750**
Sprott Facility	4,000	5,333	-	-	**9,333**
Interest	783	407	-	-	**1,190**
Total financial liabilities	$ 36,222	$ 8,271	$ 250	$ -	**$ 44,743**
Other Commitments					
Operating lease agreements	$ 55	$ -	$ -	$ -	**$ 55**
Suppliers' agreements[3,4]	992	-	-	-	**992**
Other provisions and liabilities	4,869	8,465	-	-	**13,334**
Reclamation provisions[5]	1,258	6,892	5,702	9,775	**23,627**
Total other commitments	$ 7,174	$ 15,357	$ 5,702	$ 9,775	**$ 38,008**
Total	**$ 43,396**	**$ 23,628**	**$ 5,952**	**$ 9,775**	**$ 82,751**

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

[2] Amounts payable as at December 31, 2016.

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

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

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

As at December 31, 2015	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities	$ 12,991	$ -	$ -	$ -	**$ 12,991**
Notes payable					**-**
Principal	13,626	22,500	750	-	**36,876**
Bank indebtedness	13,126	-	-	-	**13,126**
Vale note	500	1,000	750	-	**2,250**
Convertible debentures	-	21,500	-	-	**21,500**
Interest payments	2,900	4,730	-	-	**7,630**
Total financial liabilities	$ 29,517	$ 27,230	$ 750	$ -	**$ 57,497**
Other Commitments					
Operating lease agreements	$ 174	$ 8	$ -	$ -	**$ 182**
Suppliers' agreements[1]	671	-	-	-	**671**
Other provisions and liabilities	5,338	13,919	-	-	**19,257**
Reclamation provisions[2]	597	4,354	5,142	10,246	**20,339**
Total other commitments	$ 6,780	$ 18,281	$ 5,142	$ 10,246	**$ 40,449**
Total	**$ 36,297**	**$ 45,511**	**$ 5,892**	**$ 10,246**	**$ 97,946**

[1] 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.

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

25. Capital disclosures

The Company manages its capital structure in order to support the acquisition, exploration and development of mineral properties, and to maximize return to stakeholders through a flexible capital structure which optimizes the costs of capital and the debt and equity balance. The Company sets the amount of capital in proportion to risk by managing the capital structure and making adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To adjust or maintain its capital structure, the Company may adjust the amount of long-term debt, enter into new credit facilities or issue new equity.

The capital structure of the Company consists of notes payable (Note 9) and all of the components of shareholders' equity.

The Company is not subject to externally imposed capital requirements.

26. 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.

a) Credit risk

Credit risk associated with financial assets arises from cash held with banks, derivative financial instruments with positive fair values and credit exposure to customers. The credit risk is limited to the carrying amount on the statement of financial position.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, but does not expect any counterparties to fail to meet their obligations. The Company's cash

and cash equivalents are held through large financial institutions in Brazil and Canada. The Company manages its credit risk by entering into transactions with high-credit quality counterparties, limiting the amount of exposure to each counterparty where possible, and monitoring the financial condition of the counterparties.

b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing this risk is to ensure sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage.

As at December 31, 2016, the Company had a working capital of $8.9 million and an accumulated deficit of $446.8 million. The Company realized a net loss for the year ended December 31, 2016 amounting to $82.8 million. The Company's financial liabilities and other commitments are listed in Note 24.

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 factor is 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 Note 12).

c) 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 no outstanding contracts as at December 31, 2016 (2015 – a net unrealized gain of $1.2 million recorded as a derivative). Included in the consolidated statements of operations and comprehensive income (loss) are realized gains of $1.7 million for the year ended December 31, 2016 (2015 – realized gains of $168,000).

d) 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.

The exposure of the Company's financial assets and liabilities (and certain other assets and liabilities) to currency risk is as follows, as at December 31, 2016:

	Denominated in Brazilian reais	Denominated in Canadian dollars
Financial assets		
Cash and cash equivalents	$ 9,542	$ 669
Recoverable taxes	20,660	1,461
Other accounts receivable	690	-
Prepaid expenses and advances	884	-
Other assets	3,925	-
Total financial assets	$ 35,701	$ 2,130
Financial liabilities		
Accounts payable and accrued liabilities	$ 19,179	$ 103
Other taxes payable	1,893	-
Reclamation provision	20,707	-
Other provision and liability	13,334	-
Total financial liabilities	55,113	103
Net financial assets/(liabilities)	$ (19,412)	$ 2,027

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments (and certain other assets and liabilities) as at December 31, 2016 and 2015 with all other variables held constant. It shows how income before taxes would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

Exchange Rates	Change for Sensitivity Analysis	Gain/(loss) of change to 2016 Foreign Exchange	Gain/(loss) of change to 2015 Foreign Exchange
USD per Brazilian reais	10% increase	**$ 1,765**	**$ 2,181**
USD per Brazilian reais	10% decrease	**(1,765)**	**(2,181)**
USD per Canadian dollar	10% increase	**(184)**	**(10)**
USD per Canadian dollar	10% decrease	**184**	**10**

e) 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 8.5% per annum (2015 – 0% to 12.0% 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.

f) Price risk

The Company is exposed to price risk with respect to gold prices on gold production. The Company periodically enters into hedge contracts to manage this risk. As at December 31, 2016, the Company had no outstanding hedge contracts (Note 13(e)) (2015 – 11,146 ounces).

g) Financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular

contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts its valuation models to incorporate a measure of credit risk. The fair value of the following financial assets and liabilities approximate their carrying amount due to the limited term of these instruments:

a. Cash and cash equivalent
b. Other accounts receivable
c. Accounts payable and accrued liabilities
d. Other provisions

Fair value estimation:

IFRS 7 Financial Instruments - Disclosures prescribes the following three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair values of financial assets and liabilities:

a. Level 1 – quoted prices (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.

b. Level 2 – inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

c. Level 3 – one or more significant inputs used in a valuation technique that are unobservable for the instruments.

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis as at December 31, 2016 and 2015 are as follows:

		Level 1	Level 2	Level 3
December 31, 2016		-	-	-
December 31, 2015				
Convertible debentures	Note 9(e)	$ -	$ 26,321	$ -

The valuation techniques that are used to measure fair value are as follows:

Convertible debentures

The fair value of the convertible debentures was determined using the finite difference method.

27. Related party transactions

a) Transactions with directors and key management

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the

form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits, and share-based payments).
Key management personnel are defined as the executive officers of the Company including the President and Chief Executive Officer, Chief Financial Officer, Vice President of Operations, Vice President of Investor Relations and Corporate Secretary.

During the years ended December 31, 2016 and 2015, remuneration to directors and key management personnel were as follows:

- ***Compensation of directors***

Compensation of directors comprised:

	Year Ended December 31,			
	2016		2015	
Fees earned and other compensation[1]	**$**	**329**	$	459
Share based compensation		**313**		69
Total compensation of directors	**$**	**642**	$	528

(1) Fees earned and other compensation represents fees paid to the non-executive chairman and the non-executive directors during the financial year.

- ***Compensation of key management personnel***

Compensation of key management personnel comprised:

	Year Ended December 31,			
	2016		2015	
Salary earned and other compensation	**$**	**1,259**	$	2,359
Share-based compensation		**304**		723
	$	**1,563**	$	3,082

b) Other related party transactions

The Company incurred legal fees from Azevedo Sette Advogados ("ASA"), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount – being the amount agreed to by the parties and included in administration expenses in the statements of operations and comprehensive loss – and amount to $128,000 for the year ended December 31, 2016 (2015 - $87,000).

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