



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019  
(UNAUDITED)**

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

		March 31, 2020	December 31, 2019
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents		\$ 12,125	\$ 10,924
Restricted cash	Note 3	1,529	1,418
Inventory	Note 4	12,386	12,701
Recoverable taxes	Note 5	8,352	12,658
Other accounts receivable	Note 6	3,651	590
Prepaid expenses and advances		1,810	1,602
Derivative assets	Note 18	-	71
<b>Total current assets</b>		<b>39,853</b>	<b>39,964</b>
Non-current assets			
Royalty interests	Note 6	8,476	8,476
Property, plant and equipment	Note 7	134,174	130,693
Mineral exploration projects		6,687	6,687
Recoverable taxes	Note 5	4,192	5,411
Other accounts receivable	Note 6	5,000	5,000
Restricted cash	Note 3	816	4,684
<b>Total assets</b>		<b>\$ 199,198</b>	<b>\$ 200,915</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable and accrued liabilities	Note 8	\$ 12,917	\$ 16,141
Notes payable	Note 9	5,959	5,592
Lease liabilities		1,259	2,020
Current tax liability		2,046	599
Other taxes payable		1,122	642
Reclamation provisions		261	390
Legal and other provisions	Note 10	2,606	4,041
Derivative liabilities	Note 18	1,135	1,103
<b>Total current liabilities</b>		<b>27,305</b>	<b>30,528</b>
Non-current liabilities			
Lease liabilities		671	969
Other taxes payable		11,248	9,665
Reclamation provision		12,059	15,385
Legal and other provisions	Note 10	6,618	11,543
Other liabilities		219	4,245
<b>Total liabilities</b>		<b>\$ 58,120</b>	<b>\$ 72,335</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common shares	Note 11	\$ 570,941	\$ 570,911
Stock options	Note 11	1,173	961
Deferred share units	Note 11	1,523	1,542
Contributed surplus		20,955	20,955
Deficit		(453,514)	(465,789)
<b>Total shareholders' equity</b>		<b>\$ 141,078</b>	<b>\$ 128,580</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 199,198</b>	<b>\$ 200,915</b>

Subsequent events

Note 6

On behalf of the Board:

(signed) "Jeffrey Kennedy"

(signed) "Vernon Baker"

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the three months ended March 31, 2020 and 2019

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

	Three Months Ended March 31,	
	2020	2019
<b>Revenue</b>	\$ 30,801	\$ 21,416
Operating costs <i>Note 13</i>	14,297	14,630
Depreciation	3,625	3,610
<b>Gross profit</b>	<b>12,879</b>	<b>3,176</b>
Exploration and evaluation costs	223	41
Care and maintenance costs (Paciência and Roça Grande mines)	174	302
Stock-based compensation <i>Note 11(b)(c)</i>	223	130
General and administrative expenses	1,666	2,168
Amortization	29	34
Legal, recoverable tax and other provisions expenses	427	882
Other operating expenses	385	786
<b>Operating income (loss)</b>	<b>9,752</b>	<b>(1,167)</b>
Foreign exchange (gain) <i>Note 14</i>	(5,629)	(133)
Financial instruments loss	620	45
Finance costs	426	848
Other non-operating expenses (recoveries)	14	(88)
Income (loss) before income taxes	14,321	(1,839)
Current income tax expense	2,046	-
<b>Net income (loss)</b>	<b>\$ 12,275</b>	<b>\$ (1,839)</b>
<b>Total comprehensive (loss)</b>	<b>\$ 12,275</b>	<b>\$ (1,839)</b>
<b>Earnings (loss) per share</b> <i>Note 12</i>		
Earnings (loss) per share		
Basic	\$ 0.02	\$ (0.01)
Diluted	\$ 0.02	\$ (0.01)
Weighted average shares outstanding		
Basic	724,127,839	328,505,674
Diluted	731,698,182	328,505,674

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2020 and 2019

(Unaudited and expressed in thousands of US dollars)

	Three Months Ended March 31,	
	2020	2019
<b>OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ 12,275	\$ (1,839)
Adjustments and non-cash items		
Depreciation and amortization	3,654	3,644
Accretion interest expense	187	327
Interest expense	240	521
Unrealized foreign exchange (gain)	(6,233)	(208)
Current income tax expense	2,046	-
Other tax expense	-	24
Change in unrealized derivatives	103	(35)
Legal and other provisions expense	320	1,024
Other operating activities (recoveries) expense	338	12
Changes in operating working capital	(4,296)	(947)
	<i>Note 15</i>	
<b>Net cash provided by operating activities</b>	<b>8,634</b>	<b>2,523</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(7,595)	(6,873)
Proceeds from disposition of property, plant and equipment	6	4
<b>Net cash (used in) investing activities</b>	<b>(7,589)</b>	<b>(6,869)</b>
<b>FINANCING ACTIVITIES</b>		
Cash received upon issuance of debt	1,542	7,340
Repayment of debt	(1,801)	(1,257)
Interest paid	(37)	(220)
Restricted cash margin deposits paid	(152)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(448)</b>	<b>5,863</b>
Effect of exchange rate changes on cash and cash equivalents	604	75
<b>Net increase in cash and cash equivalents</b>	<b>1,201</b>	<b>1,592</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,924</b>	<b>6,275</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>\$ 12,125</b>	<b>\$ 7,867</b>

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2020 and 2019

(Unaudited and expressed in thousands of US dollars)

	Common Shares		Warrants		Stock Options		Deferred Share Units		Contributed Surplus	Deficit	Total Equity
	Shares	Amount	Units	Amount	Options	Amount	Units	Amount			
Balance as at January 1, 2019	328,505,675	\$ 546,254	-	\$ -	2,817,148	\$ 726	5,670,768	\$ 1,577	\$ 20,940	\$ (465,641)	\$ 103,856
Stock options granted	-	-	-	-	-	49	-	-	-	-	49
Stock options forfeited	-	-	-	-	(10,667)	(1)	-	-	-	-	(1)
Deferred share units granted	-	-	-	-	-	-	-	81	-	-	81
Net loss	-	-	-	-	-	-	-	-	-	(1,839)	(1,839)
<b>Balance as at March 31, 2019</b>	<b>328,505,675</b>	<b>\$ 546,254</b>	<b>-</b>	<b>\$ -</b>	<b>2,806,481</b>	<b>\$ 774</b>	<b>5,670,768</b>	<b>\$ 1,658</b>	<b>\$ 20,940</b>	<b>\$ (467,480)</b>	<b>\$ 102,146</b>
Balance as at January 1, 2020	723,933,540	\$ 570,911	-	\$ -	5,831,481	\$ 961	6,673,467	\$ 1,542	\$ 20,955	\$ (465,789)	\$ 128,580
Stock options granted	-	-	-	-	2,770,000	212	-	-	-	-	212
Deferred share units granted	-	-	-	-	-	-	-	11	-	-	11
Deferred share units redeemed	194,300	30	-	-	-	-	(194,300)	(30)	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	12,275	12,275
<b>Balance as at March 31, 2020</b>	<b>724,127,840</b>	<b>\$ 570,941</b>	<b>-</b>	<b>\$ -</b>	<b>8,601,481</b>	<b>\$ 1,173</b>	<b>6,479,167</b>	<b>\$ 1,523</b>	<b>\$ 20,955</b>	<b>\$ (453,514)</b>	<b>\$ 141,078</b>

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

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

## 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 condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2020 and 2019, include the accounts of the Company and its wholly-owned subsidiary Mineração Serras do Oeste Ltda. (“MSOL”). MSOL is the operating subsidiary for the Turmalina complex comprising the Turmalina mine and the Caeté complex comprising the Pilar mine. All significant intercompany accounts and transactions have been eliminated on consolidation.

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all annual disclosures as required by International Financial Reporting Standards (“IFRS”), and should be read in connection with the Company’s December 31, 2019 audited annual consolidated financial statements.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on May 12, 2020.

These condensed interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due.

## 2. Significant accounting policies and estimates

The accounting policies and estimates applied in these condensed interim consolidated financial statements are consistent with those used in the Company’s audited annual consolidated financial statements for the year ended December 31, 2019.

## 3. Restricted cash

	March 31, 2020	December 31, 2019
Restricted cash - current portion		
Margin deposits <sup>(a)</sup>	\$ 537	\$ 372
Escrow judicial deposits <sup>(b)</sup>	992	1,046
	1,529	1,418
Restricted cash - non-current portion		
Escrow judicial deposits <sup>(b)</sup>	816	4,684
	816	4,684
<b>Total restricted cash</b>	<b>\$ 2,345</b>	<b>\$ 6,102</b>

a) Margin deposits paid in accordance with the Company’s notes payable (Note 9).

b) Escrow judicial deposits paid in relation to Other liabilities recognized in association with the Company’s ongoing labour, civil and tax litigations (Note 10). In March 2020, the Company signed an agreement with the

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

Turmalina mining right royalty beneficiaries, whereas (i) the parties agreed to discontinue all outstanding royalty entitlement legal claims against each other, (ii) the parties agreed to a reduced royalty charge of 2.5% of net revenue for the two year period from April 2020 to March 2022, and (iii) as a result of the termination of the ongoing lawsuits, the beneficiaries were able to withdraw the total amount that was in an escrow judicial account for royalties paid between May 2017 and January 2020. Upon execution of this agreement, the Company recognized a \$3.3 million decrease to Restricted cash, a \$3.3 million decrease to Other liabilities, and a \$nil impact to the condensed interim consolidated statements of operations and comprehensive loss.

### 4. Inventory

Inventory is comprised of the following:

	March 31, 2020	December 31, 2019
Raw material and Mine operating supplies	\$ 8,469	\$ 8,223
Ore in stockpiles	414	247
Gold in process	582	1,076
Unrefined gold doré	2,921	3,155
<b>Total inventory</b>	<b>\$ 12,386</b>	<b>\$ 12,701</b>

	Three Months Ended March 31,	
	2020	2019
Depreciation included in cost of sales	\$ 3,625	\$ 3,610

The inventory amount recognized in direct mining and processing costs for the three months ended March 31, 2020 was \$13.1 million (\$13.7 million for the three months ended March 31, 2019). During the three months ended March 31, 2020, there were no inventory write downs to net realizable value (\$nil, during the three months ended March 31, 2019).

### 5. Recoverable taxes

	December 31, 2019	Additions/ reversals	Write- offs	Sales of credits	Applied to taxes payable	Foreign exchange	March 31, 2020
Value added taxes and other	\$ 13,133	\$ 1,214	\$ -	\$ -	\$ (3,397)	\$ (2,527)	\$ 8,423
Provisions for VAT and other	(1,092)	-	-	-	-	245	(847)
Net VAT and other taxes	\$ 12,041	\$ 1,214	\$ -	\$ -	\$ (3,397)	\$ (2,282)	\$ 7,576
ICMS	\$ 7,536	\$ 594	\$ -	\$ -	\$ (128)	\$ (1,768)	\$ 6,234
Provision for ICMS	(1,508)	(107)	-	-	-	349	(1,266)
Net ICMS	\$ 6,028	\$ 487	\$ -	\$ -	\$ (128)	\$ (1,419)	\$ 4,968
<b>Total recoverable taxes</b>	<b>\$ 18,069</b>	<b>\$ 1,701</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,525)</b>	<b>\$ (3,701)</b>	<b>\$ 12,544</b>
Less: current portion	12,658						8,352
Non-current portion	\$ 5,411						\$ 4,192

In the three months ended March 31, 2020, the Company applied federal value added taxes and other tax credits to pay R\$7.2 million (\$1.6 million) in INSS tax obligations, R\$5.8 million (\$1.3 million) in goods and service withholding tax obligations, and R\$2.3 million (\$0.5 million) in other tax obligations (R\$5.3 million (\$1.4 million), R\$2.2 million (\$0.6 million), and R\$nil (\$nil), respectively, for the three months ended March 31, 2019).

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

### 6. Other accounts receivable and Royalty interests

	March 31, 2020	December 31, 2019
Due from Oz Minerals Ltd. - Gurupi Sale	5,000	5,000
Trade receivables <sup>(a)</sup>	3,245	-
Other accounts receivable	406	590
<b>Total other accounts receivable</b>	<b>\$ 8,651</b>	<b>\$ 5,590</b>
Less: current portion	3,651	590
Non-current portion	<b>\$ 5,000</b>	<b>\$ 5,000</b>

a) At March 31, 2020, the Company held \$3.2 million in gold sales accounts receivable (December 31, 2019 - \$nil) with 2,019 gold ounces sold on March 31, 2020 at \$1,607 per ounce. The Company collected this balance in April 2020.

As at March 31, 2020, the Company also held the following assets related to the Gurupi project sale: (i) a \$5 million amount due from Oz Minerals classified as Other accounts receivable (December 31, 2019 – \$5 million) and (ii) a \$8.5 million net smelter royalty receivable from Oz Minerals classified as Royalty interests (December 31, 2019 – \$8.5 million).

	March 31, 2020	December 31, 2019
Oz Minerals Ltd. - Gurupi	\$ 8,476	\$ 8,476
<b>Total royalty interests</b>	<b>\$ 8,476</b>	<b>\$ 8,476</b>



## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

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

	Plant	Vehicles	Equipment <sup>1</sup>	Leasehold <sup>2</sup>	CIP <sup>3</sup>	Mining properties	Total
<b>Cost</b>							
Balance as at January 1, 2020	\$ 13,578	\$ 11,197	\$ 246,121	\$ 3,412	\$ 3,415	\$ 454,786	\$ 732,509
Additions	-	-	380	-	732	5,980	7,092
Disposals	-	(180)	(3)	-	-	-	(183)
Reclassify within PP&E	-	-	428	-	(428)	-	-
<b>Balance as at March 31, 2020</b>	<b>\$ 13,578</b>	<b>\$ 11,017</b>	<b>\$ 246,926</b>	<b>\$ 3,412</b>	<b>\$ 3,719</b>	<b>\$ 460,766</b>	<b>\$ 739,418</b>
Balance as at January 1, 2019	\$ 13,578	\$ 11,363	\$ 241,662	\$ 2,380	\$ 2,678	\$ 431,412	\$ 703,073
Additions	-	-	3,946	1,032	4,126	25,927	35,031
Disposals	-	(166)	(2,876)	-	-	(2,553)	(5,595)
Reclassify within PP&E	-	-	3,389	-	(3,389)	-	-
Balance as at December 31, 2019	\$ 13,578	\$ 11,197	\$ 246,121	\$ 3,412	\$ 3,415	\$ 454,786	\$ 732,509
<b>Accumulated depreciation and impairment</b>							
Balance as at January 1, 2020	\$ 12,514	\$ 7,395	\$ 221,270	\$ 2,407	\$ 685	\$ 357,545	\$ 601,816
Depreciation for the period	84	61	1,726	233	-	1,493	3,597
Disposals	-	(167)	(2)	-	-	-	(169)
<b>Balance as at March 31, 2020</b>	<b>\$ 12,598</b>	<b>\$ 7,289</b>	<b>\$ 222,994</b>	<b>\$ 2,640</b>	<b>\$ 685</b>	<b>\$ 359,038</b>	<b>\$ 605,244</b>
Balance as at January 1, 2019	\$ 12,196	\$ 8,105	\$ 214,913	\$ 2,227	\$ 685	\$ 354,491	\$ 592,617
Depreciation for the period	318	237	7,400	180	-	6,126	14,261
Disposals	-	(947)	(1,043)	-	-	(3,072)	(5,062)
Balance as at December 31, 2019	\$ 12,514	\$ 7,395	\$ 221,270	\$ 2,407	\$ 685	\$ 357,545	\$ 601,816
<b>Carrying amounts</b>							
<b>As at March 31, 2020</b>	<b>\$ 980</b>	<b>\$ 3,728</b>	<b>\$ 23,932</b>	<b>\$ 772</b>	<b>\$3,034</b>	<b>\$101,728</b>	<b>\$ 134,174</b>
As at December 31, 2019	\$ 1,064	\$ 3,802	\$ 24,851	\$ 1,005	\$2,730	\$ 97,241	\$ 130,693

<sup>1</sup> As at March 31, 2020, the Company had equipment under right-of-use leases at a cost and net book value of \$8.7 million and \$6.6 million, respectively (December 31, 2019 - \$8.3 million and \$6.6 million, respectively).

<sup>2</sup> Refers to leasehold improvements in corporate office in Brazil.

<sup>3</sup> Refers to construction in progress.

The Turmalina project terms include 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. Pursuant to the agreement made in March 2020 as further detailed in Note 3, Turmalina’s royalty charge is temporarily reduced to 2.5% of net revenue for the two-year period from April 2020 to March 2022.

### 8. Accounts payable and accrued liabilities

	March 31, 2020	December 31, 2019
Accounts payable	\$ 8,571	\$ 10,369
Accrued payroll	4,342	5,693
Other	4	79
<b>Total accounts payable and accrued liabilities</b>	<b>\$ 12,917</b>	<b>\$ 16,141</b>

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

### 9. Notes payable

	March 31, 2020	December 31, 2019
Notes payable - current portion		
Bank indebtedness <sup>(a)</sup>	\$ 4,839	\$ 4,477
Vale note	1,120	1,115
	5,959	5,592
<b>Total notes payable</b>	<b>\$ 5,959</b>	<b>\$ 5,592</b>

#### a) Bank indebtedness

As at March 31, 2020, bank indebtedness consists of \$4.8 million in unsecured promissory notes, holding maturities from April 2020 through September 2020 and bearing interest rates ranging from 6.0% to 7.4%. As at December 31, 2019, bank indebtedness included \$4.5 million in unsecured promissory notes, holding maturities from March 2020 through May 2020 and bearing interest rates ranging from 6.0% to 7.4%.

### 10. Legal and other provisions

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

As at March 31, 2020, the Company has recognized a provision of \$9.2 million (December 31, 2019 - \$15.6 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 outcome of the resolution of these matters.

	December 31, 2019		Reversals/ Transfers		Payments		Foreign exchange	March 31, 2020
Labour litigation	\$ 10,274	\$ 438	\$ (174)	\$ (467)	\$ (2,253)	\$ 7,818		
Civil litigation	1,587	74	(18)	(25)	(488)	1,130		
Tax litigation <sup>(a)</sup>	3,383	-	(3,183)	-	(200)	-		
Other provisions	340	17	-	-	(80)	276		
<b>Total legal and other provisions</b>	<b>\$ 15,584</b>	<b>\$ 529</b>	<b>\$ (3,376)</b>	<b>\$ (492)</b>	<b>\$ (3,022)</b>	<b>\$ 9,224</b>		
Less: current portion	4,041						2,606	
Non-current portion	\$ 11,543						\$ 6,618	

a) In November 2019, the Company received an injunction from Brazil's tax authority stipulating R\$14.3 million (approximately \$3.6 million) due, alleging improper federal tax credits applied as payments of quarterly tax installment estimates during the year ended December 31, 2018.

In 2018, the Company applied R\$13.6 million (approximately \$3.4 million) in federal tax credits to pay quarterly tax installment estimates supported by a 2018 court order received allowing it to do so. However, as the

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

Company's 2018 annual income return had no taxes payable, the credits used were not ultimately needed, and the excess R\$13.6 million (approximately \$3.4 million) paid was claimed by the Company as a federal tax prepayment available for use in the future and recognized within Recoverable taxes.

As the injunction overrode the 2018 court order received, the Company appealed the injunction first to a district court in December 2019 and second to a superior court in February 2020, both of which were denied. As a result of the lost appeals, in March 2020, the Company entered into a settlement with the tax authority to pay the R\$14.3 million (approximately \$3.3 million) with 10% due up front and the remainder in equal monthly cash installments over a period of 60 (sixty) months.

Upon receiving the injunction in November 2019, the Company (i) re-capitalized R\$13.6 million (approximately \$3.4 million) in federal value add tax credits to Recoverable taxes and (ii) recognized a R\$14.3 million (approximately \$3.6 million) tax litigation provision in Legal and other provisions. Upon settlement in March 2020, the R\$14.3 million (\$3.3 million balance) was reclassified from Legal and other provisions to Other taxes payable.

### 11. 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 three months ended March 31, 2020 and 2019 are as follows:

		Number of shares	Amount
Balance as at December 31, 2019		723,933,540	\$ 570,911
Shares issued upon redemption of deferred share units	Note 13(c)	194,300	30
<b>Balance as at March 31, 2020</b>		<b>724,127,840</b>	<b>\$ 570,941</b>
<hr/>			
Balance as at December 31, 2018		328,505,675	\$ 546,254
<b>Balance as at March 31, 2019</b>		<b>328,505,675</b>	<b>\$ 546,254</b>

#### a) Stock options

The Stock Option Plan ("SOP") provides for the issuance of options to employees, directors, or officers of the Company, its subsidiary, or any of its affiliates, consultants, and management employees.

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 March 31, 2020 and 2019:

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2020 and 2019

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

	Number of options	Weighted average exercise price (C\$)
Balance as at December 31, 2019	5,831,481	\$ 0.29
Options granted <sup>1</sup>	2,770,000	0.25
<b>Balance as at March 31, 2020</b>	<b>8,601,481</b>	<b>\$ 0.28</b>
Balance as at December 31, 2018	2,817,148	\$ 0.51
Options forfeited <sup>2</sup>	(10,667)	0.18
<b>Balance as at March 31, 2019</b>	<b>2,806,481</b>	<b>\$ 0.51</b>

1) On January 15, 2020, 1,750,000 stock options were granted to executives of the Company. The options are exercisable at a price of C\$0.25 and expire on January 15, 2028. The options vest on a quarterly basis, in twelve equal instalments, starting on January 31, 2020 and are exercisable upon vesting. These options had a grant date fair value of C\$0.18 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$0.25, a risk free rate of 1.69%, a volatility factor of 100%, and an expected life of 8.0 years.

On January 15, 2020, 1,020,000 stock options were granted to directors of the Company and are exercisable at a price of C\$0.25 with expiry on January 15, 2028. These options vested immediately upon grant and had a grant date fair value of C\$0.18 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$0.25, a risk free rate of 1.69%, a volatility factor of 100%, and an expected life of 8.0 years.

The expected volatility was estimated using the Company's historical data from the date of grant and for a period corresponding to the expected life of the options.

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

The table below shows the outstanding stock options as at March 31, 2020 and 2019:

Weighted average exercise price (C\$)	Grant date	Number of options outstanding	Number of options exercisable	Estimated fair value at grant date (US\$ per option)	Expiry date
\$ 1.35	May 12, 2014	236,841	236,841	\$ 0.38	May 12, 2022
0.74	August 8, 2016	177,363	177,363	0.34	August 8, 2021
0.76	November 7, 2016	322,637	322,637	0.37	November 7, 2021
0.70	January 27, 2017	209,640	197,993	0.36	January 27, 2025
0.33	September 21, 2017	200,000	155,556	0.22	September 21, 2022
0.37	January 23, 2018	570,000	348,333	0.20	January 23, 2026
0.21	August 31, 2018	1,015,000	760,917	0.11	August 31, 2026
0.19	October 04, 2019	450,000	450,000	0.11	October 04, 2027
0.25	January 15, 2020	2,770,000	1,068,611	0.14	January 15, 2028
0.10	May 31, 2019	2,650,000	1,747,222	0.03	May 31, 2027
<b>\$ 0.28</b>		<b>8,601,481</b>	<b>5,465,473</b>	<b>\$ 0.13</b>	

For the three months ended March 31, 2020, the Company recognized \$212,000 in stock-based compensation expense for stock options in the condensed interim consolidated statements of operations and comprehensive loss (\$49,000 in the three months ended March 31, 2019).

### b) Deferred share units – “DSUs”

The deferred share unit plan (“DSU Plan”) provides awards to employees, directors, or officers of the Company. DSU means a right to receive, on a deferred basis, previously unissued shares in accordance with the terms of the

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 Company accounts for these awards as equity awards. 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 March 31, 2020 and 2019:

	Number of units	Weighted average grant date fair value (US\$)
Balance as at December 31, 2019	6,673,467	\$ 0.22
Units redeemed <sup>1</sup>	(194,300)	0.16
<b>Balance as at March 31, 2020</b>	<b>6,479,167</b>	<b>\$ 0.22</b>
Balance as at December 31, 2018	5,670,768	\$ 0.28
<b>Balance as at March 31, 2019</b>	<b>5,670,768</b>	<b>\$ 0.28</b>

1) In March 2020, officers and directors redeemed a total of 194,300 DSUs. The DSUs were settled via issuance of 194,300 shares, representing a total grant date fair value of \$30,000.

For the three months ended March 31, 2020, the Company recognized \$11,000 in stock-based compensation expense for DSUs in the condensed interim consolidated statements of operations and comprehensive income (loss) (\$81,000, for the three months ended March 31, 2019).

### 12. Basic and diluted earnings per share

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

	Three Months Ended March 31,	
	2020	2019
<b>Numerator</b>		
Net income (loss) for the purpose of diluted income (loss) per share	\$ 12,275	\$ (1,839)
<b>Denominator</b>		
Weighted average number of common shares outstanding - basic	724,127,839	328,505,674
Stock Options	1,091,176	-
Deferred share units	6,479,167	-
Weighted average number of common shares outstanding - diluted	731,698,182	328,505,674
<b>Basic income (loss) per share</b>	<b>\$ 0.02</b>	<b>\$ (0.01)</b>
<b>Diluted income (loss) per share</b>	<b>\$ 0.02</b>	<b>\$ (0.01)</b>

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

	Three Months Ended March 31,	
	2020	2019
Stock options	7,510,305	2,817,148
Deferred share units	-	5,670,768
<b>Anti-dilutive instruments</b>	<b>7,510,305</b>	<b>8,487,916</b>

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### 13. Operating costs

		Three Months Ended March 31,	
		2020	2019
Direct mining and processing costs	<i>Note 4</i>	\$ 13,116	\$ 13,685
Royalty expense and CFEM taxes <sup>1</sup>		1,217	938
Other costs (recoveries)		(36)	7
<b>Operating costs</b>		<b>\$ 14,297</b>	<b>\$ 14,630</b>

<sup>1</sup> CFEM - Compensação Financeira pela Exploração Mineral taxes are Brazil mining royalty fees levied by the Federal government as financial compensation for mineral exploitation.

### 14. Foreign exchange (gain) loss

		Three Months Ended March 31,	
		2020	2019
Loss on recoverable taxes	<i>Note 5</i>	\$ 3,701	\$ 62
(Gain) on reclamation provision		(3,555)	(73)
(Gain) on legal and other provisions	<i>Note 10</i>	(3,022)	(103)
(Gain) on other foreign exchange		(2,753)	(19)
<b>Total foreign exchange (gain)</b>		<b>\$ (5,629)</b>	<b>\$ (133)</b>

### 15. Cash flow – changes in operating working capital

		Three Months Ended March 31,	
		2020	2019
Restricted cash		\$ (460)	\$ (214)
Inventory		258	811
Recoverable taxes		1,118	1,088
Other accounts receivable		(3,061)	(33)
Prepaid expenses and other assets		(208)	(123)
Accounts payable and accrued liabilities		7	(2,291)
Other taxes payable		(664)	(22)
Reclamation provisions		(46)	(23)
Legal and other provisions	<i>Note 10</i>	(492)	(625)
Other liabilities		(748)	485
<b>Changes in operating working capital</b>		<b>\$ (4,296)</b>	<b>\$ (947)</b>

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### 16. 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 March 31, 2020	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
<b>Financial Liabilities</b>					
Accounts payable and accrued liabilities	\$ 12,917	\$ -	\$ -	\$ -	\$ 12,917
Other Taxes Payable					
ICMS Settlement Due	506	801	38	-	1,345
INSS	52	104	95	-	251
IRPJ & CSLL Settlement Due	564	1,040	998	-	2,602
Notes payable					
Principal					
Bank indebtedness <sup>(a)</sup>	4,839	-	-	-	4,839
Vale note	1,125	-	-	-	1,125
Interest	30	9	-	-	39
Lease liabilities	1,377	742	85	-	2,204
Reclamation provisions <sup>(b)</sup>	260	5,987	7,173	7,577	20,997
Current tax liability	2,046	-	-	-	2,046
Derivative liabilities	1,135	-	-	-	1,135
Other liabilities	-	219	-	-	219
<b>Total financial liabilities</b>	<b>\$ 24,851</b>	<b>\$ 8,902</b>	<b>\$ 8,389</b>	<b>\$ 7,577</b>	<b>\$ 49,719</b>
<b>Other Commitments</b>					
Suppliers' agreements <sup>(c)</sup>	111	-	-	-	111
<b>Total other commitments</b>	<b>\$ 111</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 111</b>
<b>Total</b>	<b>\$ 24,962</b>	<b>\$ 8,902</b>	<b>\$ 8,389</b>	<b>\$ 7,577</b>	<b>\$ 49,830</b>

<sup>(a)</sup> Bank indebtedness represents the principal on Brazilian short-term bank loans which are renewed in 180 day periods.

<sup>(b)</sup> Reclamation provisions - amounts presented in the table represent the undiscounted uninflated future payments for the expected cost of reclamation.

<sup>(c)</sup> 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.

### 17. 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, issue new equity, or enter into new customer advance arrangements.

As at March 31, 2020, the Company's capital structure is comprised of \$6.0 million in notes payable and \$141.1 million in shareholders' equity (December 31, 2019: \$5.6 million and \$103.9 million, respectively).

At March 31, 2020, the Company is not subject to externally imposed capital requirements other than those stipulated by Brazil bank indebtedness (Note 3).

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### 18. Financial risk management and financial instruments

The Company's activities expose it to a variety of financial instrument risks, including but not limited to: credit risk, liquidity risk, currency risk, interest rate risk, and price risk.

#### a) Liquidity risk

The Company earned net income of \$12.3 million for the three months ended March 31, 2020 (\$1.8 million net loss for the three months ended March 31, 2019). As at December 31, 2019, the Company has a positive working capital of \$12.5 million (December 31, 2019 – positive working capital of \$9.4 million) and an accumulated deficit of \$453.5 million (December 31, 2019 – \$465.8 million). The Company's financial liabilities and other commitments are listed in Note 16.

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

#### b) Derivative financial instruments

The Company assesses its financial instruments and non-financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. The Company engages in derivative financial instruments to manage its price risk and currency risk, including gold forward contracts, gold price collar contracts, gold call option contracts, and foreign exchange call and put option contracts.

##### 1) Price risk

The Company is exposed to price risk with respect to gold prices on gold sales. The Company periodically enters into hedge contracts to manage this risk and to secure future sales terms with customers. The Company does not use hedge accounting for these instruments and gain and losses are recorded in earnings as fair value changes occur as a component of revenue.

Included in the revenue line of the condensed interim consolidated statement of statements of operations and comprehensive income (loss) for the three months ended March 31, 2020 is a realized loss of \$1.9 million (\$0.5 million loss for the three months ended March 31, 2019) related to the Company's gold price hedge contracts executed.

##### i. Gold forward contracts

The Company periodically enters into gold forward contracts to economically hedge against the risk of declining gold prices for a portion of its forecasted gold sales and recognized the income and losses of such in the statements of operations and comprehensive income (loss). The contracts generally have expiry dates ranging from 30 to 90 days and orders unfulfilled prior to expiry are renewed automatically for a period equal to that contracted. The changes in the fair value of these contracts are recognized in the condensed interim consolidated statement of operations and comprehensive income (loss). The Company does not apply hedge accounting for these hedge instruments.



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As at March 31, 2020, the Company held no gold forward contracts outstanding (December 31, 2019 – 1,700 ounces hedged at a weighted average price of US\$1,400/oz) and no open gold forward contract derivative asset or liability position (December 31, 2019 – \$209,000 open derivative liability loss position).

### ii. Gold call options

The Company entered into written gold call option contracts in connection with its terms of financing and gold sales agreements and recognized the income and losses of such in the condensed interim consolidated statements of operations and comprehensive income (loss).

During the three months ended March 31, 2020, 5,000 ounces in call options were exercised by Auramet at a weighted average strike price of US\$1,350 (nil exercised during the three months ended March 31, 2019). As at March 31, 2020, the Company held no gold call options outstanding and no open gold call option derivative asset or liability position (December 31, 2019 – 5,000 ounces in options outstanding and a \$894,000 derivative liability).

## 2) 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, deferred compensation liabilities, Euro denominated capital lease obligations, and foreign exchange call and put option contracts.

### i. Foreign exchange call and put options

The Company entered into European style foreign exchange call and put option contracts with third party exchange service providers, holding expiration periods between 30 days and 180 days, to economically hedge against the risk of the US dollar depreciating against the Brazilian real. The changes in the fair value of these contracts are recognized in the condensed interim consolidated statement of operations and comprehensive income (loss). The Company does not apply hedge accounting for these hedge instruments.

As at March 31, 2020, the Company's outstanding foreign exchange call and put option hedge contracts were as follows:

Type	Volume Outstanding	Range Minimum Strike Price	Range Maximum Strike Price	Range Expiration
Call options	\$ 6,500,000	R\$ 4.1800 / USD	R\$ 4.4000 / USD	April 2020 to June 2020
Put options	6,500,000	R\$ 3.8500 / USD	R\$ 4.0000 / USD	April 2020 to June 2020
<b>Total options</b>	<b>\$ 13,000,000</b>	-	-	-

Included in the condensed interim consolidated statements of operations and comprehensive income (loss) for the three months ended March 31, 2020 is a realized loss of \$517,000 and a loss on changes in unrealized foreign exchange derivatives of \$1.2 million (realized loss of \$80,000 and a loss on changes in unrealized foreign exchange derivatives of \$131,000, for the three months ended March 31, 2019). As at March 31, 2020, the Company held a \$1.1 million derivative liability open loss position due to its third-party foreign exchange service providers (December 31, 2019 – \$71,000 derivative asset).

### c) 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 9.64% per annum.

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### d) Changes in liabilities arising from financing activities

	Changes from financing cash flows				Other changes				Balance as at March 31, 2020
	Balance as at December 31, 2019	Proceeds from debt issuance	Debt repayments	Interest paid	Interest expense	Right-of-use lease obligations	Foreign exchange (gain) loss	Other non- cash changes	
<b>Notes payable</b>	\$ 5,592	\$ 1,542	\$ (1,225)	\$ (37)	\$ 74	\$ -	\$ -	\$ 13	\$ 5,959
<b>Lease liabilities</b>	2,989	-	(576)	-	-	-	(511)	28	1,930
	\$ 8,581	\$ 1,542	\$ (1,801)	\$ (37)	\$ 74	\$ -	\$ (511)	\$ 41	\$ 7,889

### 19. Related party transactions

The Company incurred legal fees from Azevedo Sette Advogados (“ASA”), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount, representing the amount agreed to by the parties and included in general and administrative expenses in the condensed interim consolidated statements of operations and comprehensive income (loss). Legal fees paid to ASA were \$3,000 for the three months ended March 31, 2020 (\$19,000 for the three months ended March 31, 2019).