JAGUAR MINING INC.

Condensed Interim Consolidated Financial Statements

For the three months ended

March 31, 2016 and 2015

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

		March 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 18,016	$ 15,319
Inventory	*Note 3*	11,125	12,038
Recoverable taxes	*Note 4*	3,511	3,161
Other accounts receivable		168	398
Prepaid expenses and advances		1,280	1,904
Derivatives	*Note 11*	-	1,648
Total current assets		34,100	34,468
Non-current assets			
Property, plant and equipment	*Note 5*	107,276	107,817
Mineral exploration projects	*Note 6*	24,950	24,792
Recoverable taxes	*Note 4*	15,594	13,879
Other assets		3,076	2,453
Total assets		$ 184,996	$ 183,409
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*Note 7*	$ 16,498	$ 12,991
Notes payable	*Note 8*	12,981	13,582
Reclamation provisions	*Note 9*	1,143	578
Other provisions and liabilities	*Note 10*	4,522	5,338
Total current liabilities		35,144	32,489
Non-current liabilities			
Notes payable	*Note 8*	48,362	27,574
Deferred income taxes		1,184	2,475
Other taxes payable		107	104
Reclamation provisions	*Note 9*	17,291	14,063
Other provisions and liabilities		6,261	13,919
Total liabilities		$ 108,349	$ 90,624
SHAREHOLDERS' EQUITY			
Common shares	*Note 11*	434,469	434,469
Warrants	*Note 11*	202	202
Stock options	*Note 11*	308	802
Deferred share units	*Note 11*	494	1,380
Contributed surplus		20,223	18,768
Deficit		(379,049)	(364,048)
Hedging reserve	*Note 11*	-	1,212
Total shareholders' equity		$ 76,647	$ 92,785
Financial liabilities and other commitments	*Note 16*		
Total liabilities and shareholders' equity		$ 184,996	$ 183,409

On behalf of the Board:

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three months ended March 31, 2016 and 2015

(Unaudited and expressed in thousands of US dollars)

		Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
Gold sales		**$ 26,664**	$ 28,747
Cost of sales	*Note 13*	**(25,281)**	(26,537)
Gross profit		**1,383**	2,210
Exploration and evaluation costs		**2**	50
Care and maintenance costs (Paciencia mine)		**207**	284
Stock-based compensation		**116**	184
General and administration expenses		**2,119**	2,281
Restructuring fees		**567**	-
Amortization		**23**	243
Adjustment to legal and VAT provisions	*Note 14*	**(10,228)**	7,771
Other operating expenses		**413**	925
Operating gain (loss)		**8,164**	(9,528)
Foreign exchange loss (gain)		**2,358**	(1,924)
Financial instruments loss	*Note 15*	**19,435**	579
Finance costs		**1,223**	1,124
Other non-operating recoveries		**(44)**	(26)
Loss before income taxes		**(14,808)**	(9,281)
Current income tax expense		**1,288**	672
Deferred income tax expense		**(1,095)**	2,993
Total income tax expense		**193**	3,665
Net loss		**$ (15,001)**	$ (12,946)
Other comprehensive loss		**-**	657
Total comprehensive loss		**$ (15,001)**	$ (12,289)
Earnings per share			
Loss per share			
Basic and diluted	*Note 12*	**$ (0.13)**	$ (0.12)
Weighted average shares outstanding			
Basic and diluted		**111,136,038**	111,111,038

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, 2016 and 2015

(Unaudited and expressed in thousands of US dollars)

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
OPERATING ACTIVITIES		
Net loss for the period	**$ (15,001)**	$ (12,946)
Adjusted for non-cash items		
Unrealized foreign exchange gain	**(657)**	(1,883)
Stock-based compensation expense	**116**	184
Interest expense	**952**	799
Accretion of interest expense	**271**	325
Deferred income tax expense (recovery)	**(1,095)**	2,993
Depletion and amortization	**7,725**	6,647
Loss on disposition of property, plant and equipment	**1**	22
Write-down of inventory	**605**	32
Provision for other accounts receivable	**257**	-
(Recovery) provision for VAT and other taxes	**(819)**	1,111
Legal provisions	**(9,409)**	6,660
Unrealized gain on option component of notes	**20,755**	-
Reclamation expenditure	**(262)**	(159)
	3,439	3,785
Adjusted for changes in non-cash operating assets and liabilities		
Inventory	**499**	2,949
Other accounts receivable	**(27)**	103
Recoverable taxes	**2,395**	9,685
Prepaid expenses and other assets	**694**	361
Accounts payable and accrued liabilities	**3,462**	(1,961)
Taxes payable	**-**	1
Other provisions	**(936)**	(2,746)
Net cash provided by operating activities	**9,526**	12,177
FINANCING ACTIVITIES		
Deferred share units redeemed	**(41)**	-
Repayment of debt	**(5,037)**	(3,200)
Increase in debt	**4,421**	-
Interest paid	**(907)**	(718)
Other liabilities	**-**	(26)
Net cash used in financing activities	**(1,564)**	(3,944)
INVESTING ACTIVITIES		
Mineral exploration projects	**(158)**	(101)
Purchase of property, plant and equipment	**(5,237)**	(5,280)
Proceeds from disposition of property, plant and equipment	**-**	37
Net cash used in investing activities	**(5,395)**	(5,344)
Effect of exchange rate changes on cash and cash equivalents	**130**	208
Net increase in cash and cash equivalents	**2,697**	3,097
Cash and cash equivalents at the beginning of the period	**15,319**	7,161
Cash and cash equivalents at the end of the period	**$ 18,016**	$ 10,258

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, 2016 and 2015

(Unaudited and expressed in thousands of US dollars)

	Common Shares		Warrants		Stock Options		Deferred Share Units		Contributed Surplus	Deficit	Hedging Reserve[1]	Total Equity
	Shares	Amount	Units	Amount	Options	Amount	Units	Amount				
Balance as at January 1, 2015	111,111,038	$ 434,465	-	$ -	2,679,735	$ 525	1,600,566	$ 965	$ 18,666	$ (352,836)	$ (197)	$ 101,588
Stock options	-	-	-	-	-	67	-	-	-	-	-	67
Deferred shares units	-	-	-	-	-	-	-	117	-	-	-	117
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	657	657
Net loss	-	-	-	-	-	-	-	-	-	(12,946)	-	(12,946)
Balance as at March 31, 2015	**111,111,038**	**$ 434,465**	**-**	**$ -**	**2,679,735**	**$ 592**	**1,600,566**	**$ 1,082**	**$ 18,666**	**$ (365,782)**	**$ 460**	**$ 89,483**
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
Stock options	-	-	-	-	-	42	-	-	-	-	-	42
Options cancelled	-	-	-	-	(1,600,000)	(536)	-	-	536	-	-	-
Deferred share units	-	-	-	-	-	-	909,090	74	-	-	-	74
Deferred share units cancelled	-	-	-	-	-	-	(1,250,000)	(919)	919	-	-	-
Deferred share units redeemed	-	-	-	-	-	-	(181,818)	(41)	-	-	-	(41)
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
Net loss	-	-	-	-	-	-	-	-	-	(15,001)	-	(15,001)
Balance as at March 31, 2016	**111,136,038**	**$ 434,469**	**6,607,833**	**$ 202**	**7,679,735**	**$ 308**	**3,977,838**	**$ 494**	**$ 20,223**	**$ (379,049)**	**$ -**	**$ 76,647**

[1] Hedging reserve Note 11(e)

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

1. Nature of business and basis of preparation

Jaguar Mining Inc. (the "Company" or "Jaguar") is a corporation continued under the *Business Corporations Act* (Ontario) engaged in the acquisition, exploration, development and operation of gold producing properties in Brazil. The address of the Company's registered office is 67 Yonge Street, Suite 1203, Toronto, Ontario, Canada, M5E 1J8.

These condensed interim consolidated financial statements of the Company as at and for the three months ended March 31, 2016 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.

These 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, 2015 audited annual financial statements.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 09, 2016.

2. Significant accounting policies

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those used in the Company's annual audited consolidated financial statements for the year ended December 31, 2015.

a) Future accounting policy changes issued but not yet in effect

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 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.

- 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. We are currently assessing the impact on our consolidated financial statements along with timing of our adoption of IFRS 15. 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.

(Unaudited and expressed in thousands of US dollars)

3. Inventory

Inventory is composed of the following:

	March 31, 2016	December 31, 2015
Raw material	**$ 2,495**	$ 2,638
Mine operating supplies	**3,882**	3,569
Ore in stockpiles	**348**	1,160
Gold in process	**3,034**	2,285
Unrefined gold doré	**1,366**	2,386
Total inventory	**$ 11,125**	$ 12,038

	Three Months Ended March 31, 2016	2015
Inventory amounts recorded in cost of sales	**$ 16,959**	$ 20,125
Inventory amounts recorded in depletion and amortization	**7,702**	6,404

	Three Months Ended March 31, 2016	2015
Inventory write down	**$ 605**	$ 32

4. Recoverable taxes

	December 31, 2015	Additions/ reversals	Accretion	Tax refunded	Applied to taxes payable	Foreign exchange	March 31, 2016
Value added taxes and other[1]	$ 9,849	$ 1,345	$ -	$ (955)	$ (3,044)	$ 2,186	**$ 9,381**
Provision for VAT and other[2]	(4,448)	882	264	-	-	(347)	**(3,649)**
Net VAT and other taxes	$ 5,401	$ 2,227	$ 264	$ (955)	$ (3,044)	$ 1,839	**$ 5,732**
ICMS[3]	$ 13,500	$ 610	$ -	$ -	$ (30)	$ 1,398	**$ 15,478**
Reserve for ICMS[3]	(1,861)	(63)	-	-	-	(181)	**(2,105)**
Net ICMS	$ 11,639	$ 547	$ -	$ -	$ (30)	$ 1,217	**$ 13,373**
Total recoverable taxes	**$ 17,040**	**$ 2,774**	**$ 264**	**$ (955)**	**$ (3,074)**	**$ 3,056**	**$ 19,105**
Less: current portion	3,161						**3,511**
Non-current portion	$ 13,879						**$ 15,594**

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.

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 present value based on the manner and timing of expected recovery, discounted at a rate of 14.15% (Brazilian Central Bank's Selic rate).

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. The Company plans to request additional approvals and refunds of Federal VAT input tax credits for MTL for the years 2012 through 2015.

Separately, the Company also continues to pursue approval of Federal VAT input tax credits with respect to the years 2009 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 cash of R$3.5 million (approximately $1.0 million) in March 2016, related to MSOL. The Company plans to request additional approvals and refunds of Federal VAT input tax credits for MSOL for the years 2012 through 2015.

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.

(Unaudited and expressed in thousands of US dollars)

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

	Plant	Vehicles	Equipment	Leasehold[1]	CIP[2]	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	-	59	356	-	757	6,204	7,376
Disposals	-	-	(2)	-	-	-	(2)
Reclassify within PP&E	-	-	-	-	-	-	-
Balance as at March 31, 2016	**$ 13,495**	**$11,621**	**$ 232,617**	**$ 2,380**	**$ 3,541**	**$ 374,917**	**$ 638,571**
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	173	111	1,930	2	-	5,700	7,916
Impairment loss	-	-	-	-	-	-	-
Disposals	-	-	(1)	-	-	-	(1)
Balance as at March 31, 2016	**$ 11,055**	**$ 9,142**	**$ 196,184**	**$ 1,835**	**$ 802**	**$ 312,277**	**$ 531,295**
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 March 31, 2016	**$ 2,440**	**$2,479**	**$ 36,433**	**$ 545**	**$2,739**	**$ 62,640**	**$107,276**
Balance as at December 31, 2015	$ 2,613	$2,531	$ 38,008	$ 547	$1,982	$ 62,136	$107,817

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

[2]Refers to construction in progress.

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 projects carrying value. 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.

(Unaudited and expressed in thousands of US dollars)

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.

No impairment charge or reversal indicators were identified during the three months ended March 31, 2016.

6. Mineral exploration projects

	Gurupi	Caeté	Pedra Branca	Total
Balance as at January 1, 2016	$ 20,310	$ 4,077	$ 405	$ 24,792
Additions	158	-	-	158
Balance as at March 31, 2016	**$ 20,468**	**$ 4,077**	**$ 405**	**$ 24,950**
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**

During the year ended December 31, 2015, the Company completed a review of the Gurupi project and determined that the carrying amount of the asset was unlikely to be recovered in full from successful development or by sale as the Company has no definitive plans to develop the project in the current and foreseeable economic environment. 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.

No impairment charge or reversal indicators were identified during the three months ended March 31, 2016.

7. Accounts payable and accrued liabilities

	March 31, 2016	December 31, 2015
Accounts payable (suppliers)	**$ 10,878**	$ 7,516
Accrued payroll	**5,134**	5,086
Interest payable	**256**	211
Other	**230**	178
Total accounts payable and accrued liabilities	**$ 16,498**	$ 12,991

(Unaudited and expressed in thousands of US dollars)

8. Notes payable

	March 31, 2016	December 31, 2015
Notes payable - current portion		
Bank indebtedness	**$ 12,510**	$ 13,126
Vale note	**471**	456
	12,981	13,582
Notes payable - non-current portion		
Vale note	**1,287**	1,253
Senior Secured Convertible Debentures (a)	**47,075**	26,321
	48,362	27,574
Total notes payable	**$ 61,343**	$ 41,156

a) 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 will mature on October 27, 2018, the date three years following the closing date, and bear an interest rate of 12% per annum, payable in cash on a quarterly basis, on the last day of each quarter. The Debentures are convertible at the holder's option into common shares of the Company, at a ratio of 8,781 common shares per $1,000 of the principal amount. The Debentures can 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 is 120% for one year after the Call Date, and 110% thereafter, plus in each case the accrued interest to-date. The Debentures include 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 shall be obligated to offer to purchase all of the Debentures then outstanding. The offer price shall be 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. Upon initial recognition, the Company recorded the Debentures at their fair value of $21.5 million which was the consideration received for the instrument at the inception date. Subsequent to the initial measurement, at each reporting period the financial liability is measured at fair value in its entirety.

As at March 31, 2016, the Company revised its methodology to the finite difference method in order to calculate a more representative valuation of the financial liability due to significant changes in inputs during the period. The use of the finite difference method would not have any impact on the valuation of the financial liability as at December 31, 2015. The following inputs were used to value the financial liability as at March 31, 2016:

(Unaudited and expressed in thousands of US dollars)

	March 31, 2016
Remaining contractual life (in years)	**2.58**
Share price at period end (Cdn$/share)	**0.32**
Credit spread (%)	**36.2%**
Volatility (%)	**60%**
Risk free discount rate (%)	**0.534%**

As at March 31, 2016, the change in the fair value of the financial liability in the amount of $20.8 million was recorded as an expense through profit or loss (March 31, 2015 – $nil). All other variables remaining the same, in subsequent periods a change in the share price, discount rate, and reduction in the remaining contractual life of the liability at each reporting period will cause a change in the fair value of the financial instrument. An increase or decrease in the period-end share price by Cdn$0.01 will result in an increase or decrease in the fair value of the option of approximately $1.25 million.

9. Reclamation provision

	December 31, 2015	Additions	Accretion	Payments	Foreign exchange	March 31, 2016
Reclamation provision	$ 14,641	$ 2,139	$ 487	$ (262)	$ 1,429	**$ 18,434**
Less: current portion	578					**1,143**
Non-current portion	$ 14,063					**$ 17,291**

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 the future Brazilian Selic rate of 8.5% and the inflation rate used to determine future expected cost ranges from 4.3% to 7.0% per annum.

10. Other provisions and contingent 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.

During the three months ended March 31, 2016, management in conjunction with external counsel revised its estimate in regards to the labour litigation contingencies in order for the provision to be more representative of the likelihood of loss. The change in estimates was derived from applying certain percentages to the potential loss claim amounts based on the stage of each lawsuit. This change resulted in a decrease of $9.5 million from the provision recorded as at December 31, 2015, as noted in the table below. The ultimate outcome or actual cost of settlement may vary materially from management estimates.

(Unaudited and expressed in thousands of US dollars)

	December 31, 2015	Additions (reversals)	Payments	Foreign exchange	March 31, 2016
Labour litigation	$ 17,814	$ (9,476)	$ (936)	$ 1,731	**$ 9,133**
Civil litigation	1,091	67	-	106	**1,264**
Other provisions	352	-	-	34	**386**
	$ 19,257	$ (9,409)	$ (936)	$ 1,871	**$ 10,783**
Less: current portion	5,338				**4,522**
Non-current portion	$ 13,919				**$ 6,261**

11. Capital stock

a) Common shares

The Company is authorized to issue an unlimited number of commons shares. All issued shares are fully paid and have no par value. During the three months ended March 31, 2016, the Company did not issue or grant any common shares (three months ended March 31, 2015 – nil).

b) Warrants

As part of the Senior Secured Convertible Debentures financing, disclosed on Note 8(a), 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 2015, in connection with the Debentures Financing, valued at $202,000.

c) Stock options

The following table shows the outstanding stock options as at March 31, 2016:

	Number of options	Weighted Average Exercise Price (Cdn$)
Balance as at December 31, 2015	9,279,735	$ 0.50
Options forfeited[1]	(1,600,000)	1.35
Balance as at March 31, 2016	**7,679,735**	**$ 0.32**

1) Relates to the forfeiture of the options of former executives upon resignation.

The following table is a summary of stock options outstanding during the three-month period ended March 31, 2016 and 2015, the fair values and the assumptions used in the Black-Scholes option pricing formula:

	Number of options	Exercise Price	Dividend yield	Risk-free interest rate	Forfeiture rate	Expected life (years)	Volatility factor	Fair value USD
Stock options 2016	7,679,735	$ 0.32	-	1.00%	0%	3.99	61%	$ 0.07
Stock options 2015	2,679,735	$ 1.35	-	0.46%	0%	3.48	75%	$ 0.30

The stock options outstanding as at March 31, 2016 had a weighted average exercise price of Cdn$0.32 (March 31, 2015 – Cdn$1.35) and a weighted average remaining contractual life of 4.74 years (March 31, 2015 – 6.46 years). As at March 31, 2016, 2,395,199 stock options were exercisable at an average weighted exercise price of Cdn$1.07 (March 31, 2015 - 875,250 – Cdn$1.35).

(Unaudited and expressed in thousands of US dollars)

For the three months ended March 31, 2016, the Company had recognized $42,000 in the condensed interim consolidated statements of operations and comprehensive loss as stock-based compensation relating to the vesting of stock options (three months ended March 31, 2015 - $67,000).

d) Deferred share units – "DSUs"

The following table shows the outstanding DSUs as at March 31, 2016:

	Number of units		Weighted Average Fair Value
Balance as at December 31, 2015	4,500,566	$	0.31
Units granted[1]	909,090		0.17
Units redeemed[2]	(181,818)		0.22
Units forfeited[3]	(1,250,000)		0.82
Balance as at March 31, 2016	**3,977,838**	**$**	**0.12**

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 director.

2) On March 31, 2016, a director redeemed his DSUs upon resignation. The DSUs were settled in cash, in the amount of $41,000.

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

For the three months ended March 31, 2016, the Company recognized $74,000 in the condensed interim consolidated statements of operations and comprehensive loss as stock-based compensation relating to the vesting of DSUs (three months ended March 31, 2015 - $117,000).

Subsequent to March 31, 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. Additionally, 1,500,000 deferred share units that were granted in 2015, vested subsequent to quarter-end when the volume weighted average trading price of the common shares of the Company for 20 trading days exceeded Cdn$0.33.

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 March 31, 2016 (March 31, 2015 – 11,586 ounces, valued at $460,000).

An aggregate realized gain in the amount of $1.3 million has been recorded in the condensed interim consolidated statements of operations and comprehensive loss for the three months ended March 31, 2016 (three months ended March 31, 2015 – $583,000 loss).

12. Basic and diluted earnings per share

Dollar amounts are in thousands, except per share amounts.

	Three Months Ended March 31,	
	2016	2015
Numerator		
Net loss - basic and diluted	**$ (15,001)**	$ (12,946)
Denominator		
Weighted average number of common shares outstanding - basic and diluted	**111,136,038**	111,111,038
Basic and diluted loss per share	**$ (0.13)**	$ (0.12)

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

	Three Months Ended March 31,	
	2016	2015
Stock options	**8,613,801**	1,994,735
Deferred share units	**4,079,487**	1,224,594
Warrants	**6,607,833**	-
Convertible debentures	**185,905,750**	-
Convertible option Renvest Credit Facility	**-**	2,808,989
Anti-dilutive shares	**205,206,871**	6,028,318

13) Cost of sales

	Three Months Ended March 31,	
	2016	2015
Direct mining and processing costs	**$ 15,929**	$ 19,145
Royalty expense and CFEM taxes	**1,030**	980
Inventory write-down	**605**	32
Other	**15**	(24)
Operating costs	**$ 17,579**	$ 20,133
Depreciation	**7,702**	6,404
Total cost of sales	**$ 25,281**	$ 26,537

(Unaudited and expressed in thousands of US dollars)

14) Adjustment to legal and VAT provisions

		Three Months Ended March 31, 2016	2015
Legal provisions	Note 10	**$ (9,409)**	$ 6,660
Changes in provision against recoverability of VAT and other taxes	Note 5	**(819)**	1,111
Total adjustment to legal provisions and VAT taxes		**$ (10,228)**	$ 7,771

15) Financial instrument loss

		Three Months Ended March 31, 2016	2015
(Gain) loss on derivatives		**(1,320)**	583
Loss (gain) on conversion option embedded in convertible debt	Note 8 (a)	**20,755**	(4)
Total financial instruments loss		**$ 19,435**	$ 579

16) 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, 2016	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities	$ 16,498	$ -	$ -	$ -	$ 16,498
Notes payable					
Principal					
Bank indebtedness	12,510	-	-	-	12,510
Vale Note	500	1,000	750	-	2,250
Convertible debentures	-	21,500	-	-	21,500
Interest	2,959	4,085	-	-	7,044
Total financial liabilities	$ 32,467	$ 26,585	$ 750	$ -	$ 59,802
Other Commitments					
Operating lease agreements	$ 167	$ -	$ -	$ -	$ 167
Suppliers' agreements [1,2]	765	-	-	-	765
Other provisions and liabilities	4,522	6,261	-	-	10,783
Reclamation provisions [3]	1,152	4,949	5,542	10,674	22,317
Total other commitments	$ 6,606	$ 11,210	$ 5,542	$ 10,674	$ 34,032
Total	**$ 39,073**	**$ 37,795**	**$ 6,292**	**$ 10,674**	**$ 93,834**

[1] 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] 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.

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

17) Financial risk management and financial instruments

The Company's activities expose it to a variety of financial risks, including but not limited to: credit risk, liquidity risk, currency risk, interest rate risk and price risk. The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in connection with the Company's annual financial statements as at December 31, 2015.

a) Liquidity risk

The Company had a working capital deficiency of $1.0 million and an accumulated deficit of $379.0 million as at March 31, 2016. The Company's financial liabilities and other commitments are listed in Note 16.

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 credit facilities and manage the payment process relating to its Brazilian labour provisions.

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.

c) Financial instruments

The fair value of the following financial assets and liabilities approximate their carrying amounts due to the short term to maturity of these instruments:

a. Cash and cash equivalents
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.

(Unaudited and expressed in thousands of US dollars)

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

		Level 1	Level 2	Level 3
March 31, 2016				
Convertible Debentures	Note 8(a)	**$ -**	**$ 47,075**	**$ -**
December 31, 2015				
Derivative assets		$ -	$ 1,648	$ -
Convertible Debentures		-	26,321	-

18) 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 general and administration expenses in the statements of operations and comprehensive loss – and amount to $27,000 for the three months ended March 31, 2016 (three months ended March 31, 2015 – $23,000).