JAGUAR MINING INC.

Condensed Interim Consolidated Financial Statements

For the three and nine months ended

September 30, 2016 and 2015

(Unaudited)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

			September 30, 2016		December 31, 2015
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**17,280**	$	15,319
Inventory	*Note 3*		**13,046**		12,038
Recoverable taxes	*Note 4*		**9,448**		3,161
Other accounts receivable			**197**		398
Prepaid expenses and advances			**704**		1,904
Derivatives	*Note 11*		**-**		1,648
Total current assets			**40,675**		34,468
Non-current assets					
Property, plant and equipment	*Note 5*		**105,493**		107,817
Mineral exploration projects	*Note 6*		**26,125**		24,792
Recoverable taxes	*Note 4*		**13,719**		13,879
Other assets			**3,767**		2,453
Total assets		**$**	**189,779**	$	183,409
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities	*Note 7*	**$**	**17,644**	$	12,991
Notes payable	*Note 8*		**11,868**		13,582
Reclamation provision	*Note 9*		**2,384**		578
Other provisions and liabilities	*Note 10*		**6,129**		5,338
Total current liabilities			**38,025**		32,489
Non-current liabilities					
Notes payable	*Note 8*		**65,918**		27,574
Deferred income taxes			**-**		2,475
Other taxes payable			**1,947**		104
Reclamation provision	*Note 9*		**19,110**		14,063
Other provisions and liabilities	*Note 10*		**6,618**		13,919
Total liabilities		**$**	**131,618**	$	90,624
SHAREHOLDERS' EQUITY					
Common shares	*Note 11*		**474,265**		434,469
Warrants	*Note 11*		**202**		202
Stock options	*Note 11*		**357**		802
Deferred share units	*Note 11*		**572**		1,380
Contributed surplus			**20,328**		18,768
Deficit			**(437,563)**		(364,048)
Hedging reserve	*Note 11*		**-**		1,212
Total shareholders' equity		**$**	**58,161**	$	92,785
Financial liabilities and other commitments	*Note 17*				
Total liabilities and shareholders' equity		**$**	**189,779**	$	183,409

Subsequent events *Notes 6, 8 and 19*

On behalf of the Board:

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2016, and 2015

(Unaudited and expressed in thousands of US dollars)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	**2016**	2015
Gold sales		**$ 33,618**	$ 28,126	**$ 90,278**	$ 79,692
Operating costs	*Note 13*	**16,191**	17,892	**51,657**	54,833
Depreciation		**9,509**	3,254	**25,599**	12,891
Gross profit		**7,918**	6,980	**13,022**	11,968
Exploration and evaluation costs		**33**	18	**50**	96
Care and maintenance costs (Paciência mine)		**298**	238	**763**	813
Stock-based compensation	*Note 11*	**124**	84	**349**	448
General and administrative expenses		**2,541**	3,120	**6,966**	8,468
Amortization		**-**	18	**42**	499
Adjustment to legal and VAT provisions	*Note 14*	**321**	965	**(8,223)**	9,811
Other operating expenses		**462**	418	**1,549**	1,773
Operating gain (loss)		**4,139**	2,119	**11,526**	(9,940)
Foreign exchange loss (gain)		**161**	(6,654)	**2,750**	(6,870)
Financial instruments loss (gain)	*Note 15*	**31,405**	-	**76,029**	(38)
Finance costs		**2,138**	(492)	**4,469**	1,691
Other non-operating (recoveries) expenses		**(116)**	25	**98**	(16)
(Loss) gain before income taxes		**(29,449)**	9,240	**(71,820)**	(4,707)
Current income tax expense		**2,165**	252	**4,235**	937
Deferred income tax expense (recovery)		**34**	4,543	**(2,540)**	7,240
Total income tax expense		**2,199**	4,795	**1,695**	8,177
Net (loss) income		**$ (31,648)**	$ 4,445	**$ (73,515)**	$ (12,884)
Other comprehensive income		**-**	604	**-**	1,434
Total comprehensive (loss) income		**$ (31,648)**	$ 5,049	**$ (73,515)**	$ (11,450)
Earnings per share					
(Loss) gain per share					
Basic and diluted	*Note 12*	**$ (0.22)**	$ 0.04	**$ (0.60)**	$ (0.12)
Weighted average shares outstanding					
Basic		**144,284,011**	111,136,038	**122,266,014**	111,122,210
Diluted		**144,284,011**	112,636,604	**122,266,014**	111,122,210

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2016 and 2015

(Unaudited and expressed in thousands of US dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
OPERATING ACTIVITIES				
Net (loss) income for the period	**$ (31,648)**	$ 4,445	**$ (73,515)**	$ (12,884)
Adjusted for non-cash items				
Unrealized foreign exchange (gain) loss	**(1,457)**	83	**(2,331)**	(2,414)
Stock-based compensation	**124**	84	**348**	448
Interest expense	**1,633**	606	**3,490**	2,078
Non-cash other operating expense	**576**	-	**576**	-
Accretion of interest expense	**504**	(1,098)	**979**	(387)
Deferred income tax expense (recovery)	**34**	4,543	**(2,540)**	7,239
Depreciation and amortization	**9,509**	3,272	**25,641**	13,390
Loss on disposition of property, plant and equipment	**17**	59	**280**	82
Write-down of inventory	**185**	-	**1,104**	32
Provision for other accounts receivable	**-**	-	**257**	-
(Recovery) provision for VAT and other taxes	**(417)**	(425)	**(1,082)**	221
Legal provisions	**737**	1,390	**(7,140)**	9,590
Loss on change in fair value of notes payable	**31,672**	-	**77,616**	-
Reclamation expenditure	**(194)**	(40)	**(394)**	(284)
	11,275	12,919	**23,289**	17,111
Adjusted for changes in non-cash operating assets and liabilities				
Accounts receivable	**-**	(1,958)	**-**	(1,958)
Inventory	**(1,105)**	2,063	**(1,424)**	4,442
Other accounts receivable	**394**	17	**(56)**	(29)
Recoverable taxes	**765**	(1,755)	**2,602**	9,151
Prepaid expenses and other assets	**(592)**	564	**579**	(1,081)
Accounts payable and accrued liabilities	**(2,930)**	(3,006)	**4,809**	(2,590)
Taxes payable	**1,839**	(6)	**1,840**	(6)
Other provisions	**(293)**	(5,168)	**(2,325)**	(7,555)
Net cash provided by operating activities	**9,353**	3,670	**29,314**	17,485
INVESTING ACTIVITIES				
Mineral exploration projects	**(731)**	(130)	**(1,333)**	(367)
Purchase of property, plant and equipment	**(6,791)**	(4,222)	**(20,694)**	(12,562)
Proceeds from disposition of property, plant and equipment	**2**	78	**23**	119
Net cash used in investing activities	**(7,520)**	(4,274)	**(22,004)**	(12,810)
FINANCING ACTIVITIES				
Repayment of debt	**(11,201)**	(13,664)	**(16,972)**	(21,364)
Increase in debt	**10,251**	12,613	**14,672**	13,913
Interest paid	**(946)**	(432)	**(2,738)**	(1,705)
Deferred share units redeemed	**-**	-	**(41)**	-
Other liabilities	**-**	(10)	**-**	(22)
Net cash used in financing activities	**(1,896)**	(1,493)	**(5,079)**	(9,178)
Effect of exchange rate changes on cash and cash equivalents	**(192)**	210	**(270)**	231
Net (decrease) increase in cash and cash equivalents	**(255)**	(1,887)	**1,961**	(4,272)
Cash and cash equivalents at the beginning of the period	**17,535**	4,776	**15,319**	7,161
Cash and cash equivalents at the end of the period	**$ 17,280**	$ 2,889	**$ 17,280**	$ 2,889

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 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
Shares issued	25,000	4	-	-	-	-	-	-	(4)	-	-	-
Stock options	-	-	-	-	-	168	-	-	-	-	-	168
Options cancelled	-	-	-	-	(400,000)	(42)	-	-	42	-	-	-
Deferred share units cancelled	-	-	-	-	-	-	(100,000)	(64)	64	-	-	-
Deferred share units	-	-	-	-	-	-	-	280	-	-	-	280
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(35)	(35)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	-	1,434	1,434
Net loss	-	-	-	-	-	-	-	-	-	(12,884)	-	(12,884)
Balance as at September 30, 2015	111,136,038	$ 434,469	-	-	2,279,735	$ 651	1,500,566	$ 1,181	$ 18,768	$ (365,720)	$ 1,202	$ 90,551
Balance as at January 1, 2016	111,136,038	$ 434,469	6,607,833	$ 202	9,279,735	$ 802	4,500,566	$ 1,380	$ 18,768	$ (364,048)	$ 1,212	$ 92,785
Conversion of convertible debentures	66,868,632	39,796	-	-	-	-	-	-	-	-	-	39,796
Stock options	-	-	-	-	354,726	165	-	-	-	-	-	165
Options forfeited	-	-	-	-	(1,937,894)	(610)	-	-	610	-	-	-
Deferred share units	-	-	-	-	-	-	1,503,292	183	-	-	-	183
Deferred share units forfeited	-	-	-	-	-	-	(1,431,818)	(950)	950	-	-	-
Deferred share units redeemed	-	-	-	-	-	-	(181,818)	(41)	-	-	-	(41)
Realized gain on statement of operations	-	-	-	-	-	-	-	-	-	-	(1,212)	(1,212)
Net loss	-	-	-	-	-	-	-	-	-	(73,515)	-	(73,515)
Balance as at September 30, 2016	**178,004,670**	**$ 474,265**	**6,607,833**	**$ 202**	**7,696,567**	**$ 357**	**4,390,222**	**$ 572**	**$ 20,328**	**$ (437,563)**	**$ -**	**$ 58,161**

[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 and nine months ended September 30, 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 November 7, 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 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.

- 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.

(Unaudited and tabular amounts expressed in thousands of US dollars)

- 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.

3. Inventory

Inventory is composed of the following:

	September 30, 2016	December 31, 2015
Raw material	**$ 2,367**	$ 2,638
Mine operating supplies	**5,323**	3,569
Ore in stockpiles	**362**	1,160
Gold in process	**2,853**	2,285
Unrefined gold doré	**2,141**	2,386
Total inventory	**$ 13,046**	$ 12,038

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2016	2015	**2016**	2015
Depreciation included in cost of sales	**9,509**	3,254	**25,599**	12,891

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2016	2015	**2016**	2015
Inventory write-down	**$ 185**	$ -	**$ 1,104**	$ 32

4. Recoverable taxes

	December 31, 2015	**Additions/ Reversals**	**Accretion**	**Tax refunded**	**Applied to taxes payable**	**Foreign exchange**	**September 30, 2016**
Value added taxes and other[1]	$ 9,849	$ 7,632	$ -	$ (1,013)	$ (9,469)	$ 4,975	**$ 11,974**
Provision for VAT and other[2]	(4,448)	1,204	514	-	-	(657)	**(3,387)**
Net VAT and other taxes	$ 5,401	$ 8,836	$ 514	$ (1,013)	$ (9,469)	$ 4,318	**$ 8,587**
ICMS[3]	$ 13,500	$ 2,886	$ -	$ -	$ (2,416)	$ 2,975	**$ 16,945**
Reserve for ICMS[3]	(1,861)	(122)	-	-	-	(382)	**(2,365)**
Net ICMS	$ 11,639	$ 2,764	$ -	$ -	$ (2,416)	$ 2,593	**$ 14,580**
Total recoverable taxes	**$ 17,040**	**$ 11,600**	**$ 514**	**$ (1,013)**	**$ (11,885)**	**$ 6,911**	**$ 23,167**
Less: current portion	3,161						**9,448**
Non-current portion	$ 13,879						**$ 13,719**

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. The court order determined that the tax authority will have to review the Company's claim by the end of November 2016.

2) The Company recorded a provision for its recoverable taxes given limited methods available to recover such taxes and the length of time they can take to recover. 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).

   The provision of VAT and other taxes reduced during the period ended September 30, 2016 as a result of changes in the estimated timing of recovery of related taxes.

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 of its gross ICMS deferred tax credits related to MSOL to third parties.

(Unaudited and tabular amounts expressed in thousands of US dollars)

5. 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	10	86	2,138	-	3,752	18,321	24,307
Disposals	-	-	(1,696)	-	-	-	(1,696)
Balance as at September 30, 2016	**$ 13,495**	**$11,652**	**$ 232,693**	**$ 2,380**	**$ 6,554**	**$ 387,034**	**$ 653,808**
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	518	266	5,710	6	-	19,828	26,328
Disposals	-	-	(1,393)	-	-	-	(1,393)
Balance as at September 30, 2016	**$ 11,400**	**$ 9,297**	**$ 198,572**	**$ 1,839**	**$ 802**	**$ 326,405**	**$ 548,315**
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 September 30, 2016	**$ 2,095**	**$2,355**	**$ 34,121**	**$ 541**	**$5,752**	**$ 60,629**	**$105,493**
As at December 31, 2015	$ 2,613	$2,531	$ 38,008	$ 547	$1,982	$ 62,136	$107,817

[1]As at September 30, 2016, the Company had equipment under capital leases at a cost and net book value of $1.2 million (December 31, 2015 - $nil).

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

[3]Refers to construction in progress.

The additions to mining properties is mainly related to primary development at the Turmalina and Pilar mines.

During the year ended December 31, 2015, the Company identified 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 of an impairment recognized against the Caeté project 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.

(Unaudited and tabular amounts expressed in thousands of US dollars)

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.

6. Mineral exploration projects

	Gurupi	Turmalina	Caeté	Pedra Branca	Total
Balance as at January 1, 2016	$20,310	$ -	$ 4,077	$ 405	$24,792
Additions	630	703	-	-	1,333
Balance as at September 30, 2016	**$20,940**	**$ 703**	**$ 4,077**	**$ 405**	**$26,125**
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

Subsequent to September 30, 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.

(Unaudited and tabular amounts expressed in thousands of US dollars)

7. Accounts payable and accrued liabilities

	September 30, 2016	December 31, 2015
Accounts payable (suppliers)	**$ 10,341**	$ 7,516
Accrued payroll	**7,022**	5,086
Interest payable	**55**	211
Other	**226**	178
Total accounts payable and accrued liabilities	**$ 17,644**	$ 12,991

8. Notes payable

	September 30, 2016	December 31, 2015
Notes payable - current portion		
Bank indebtedness	**$ 11,076**	$ 13,126
Capital leasing obligations (a)	**321**	-
Vale note	**471**	456
	11,868	13,582
Notes payable - non-current portion		
Vale note	**1,136**	1,253
Capital leasing obligations (a)	**642**	-
Senior Secured Convertible Debentures (b)	**64,140**	26,321
	65,918	27,574
Total notes payable	**$ 77,786**	$ 41,156

a) 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 loans bear interest at 8.50% per annum with maturity dates between July 31, 2019 and September 30, 2019.

The following table outlines the total minimum loan payments due for capital leasing obligations over their remaining terms as at September 30, 2016 and December 31, 2015:

(Unaudited and tabular amounts expressed in thousands of US dollars)

	September 30, 2016	December 31, 2015
2016	$ 127	$ -
2017	391	-
2018	363	-
2019	215	-
Total minimum loan payments	1,096	-
Less: Future finance charges	(133)	-
Present value of minimum loan payments	$ 963	-
Less: current portion	321	-
Non-current portion	$ 642	$ -

b) 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 approximately 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.

During the three and nine months ended September 30, 2016, $7.6 million of the principal amount of the debentures were converted. Upon conversion, 66,868,632 common shares were issued and $39.8 million, representing the fair value of the financial liability associated with the converted debentures at the conversion date, was transferred to common shares (Note 11(a)).

The following inputs were used to value the remaining $13,885,000 debentures as at September 30, 2016:

	September 30, 2016
Remaining contractual life (in years)	2.07
Share price at period end (C$/share)	0.69
Credit spread (%)	36.2%
Volatility	60%
Risk free discount rate (%)	0.51%

(Unaudited and tabular amounts expressed in thousands of US dollars)

The increase in the fair value of the financial liability in the amount of $31.7 million and $77.6 million for the three and nine months ended September 30, 2016, respectively, was recorded as an expense through profit or loss (three and nine months ended September 30, 2015 – $nil).

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. Subsequent to September 30, 2016, the remaining outstanding $13.9 million of the principal amount of the Debentures were converted into 121,926,583 common shares.

9. Reclamation provision

	December 31, 2015	Additions	Accretion	Payments	Foreign exchange	September 30, 2016
Reclamation provision	$ 14,641	$ 2,650	$ 1,347	$ (394)	$ 3,250	**$ 21,494**
Less: current portion	578					**2,384**
Non-current portion	$ 14,063					**$ 19,110**

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 7.5% and the inflation rate used to determine future expected cost ranges from 4.1% 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. The ultimate outcome or actual cost of settlements may vary materially from management estimates. During the nine months ended September 30, 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 $9.4 million during the three months ended March 31, 2016, that was partially offset by additions of $1.5 million during the three months ended June 30, 2016 and $0.8 million during the three months ended September 30, 2016, as noted in the table below.

	December 31, 2015	Additions (reversals)	Payments	Foreign exchange	September 30, 2016
Labour litigation	$ 17,814	$ (7,439)	$ (2,325)	$ 2,658	**$ 10,708**
Civil litigation	1,091	227	-	227	**1,545**
Other provisions	352	72	-	70	**494**
	$ 19,257	$ (7,140)	$ (2,325)	$ 2,955	**$ 12,747**
Less: current portion	5,338				**6,129**
Non-current portion	$ 13,919				**$ 6,618**

(Unaudited and tabular amounts expressed in thousands of US dollars)

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. Changes in common shares for the periods ended September 30, 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 8(b)	66,868,632		39,796
Balance as at September 30, 2016		**178,004,670**	**$**	**474,265**
Balance as at December 31, 2014		111,111,038		434,465
Shares issued		25,000		4
Balance as at September 30, 2015		**111,136,038**	**$**	**434,469**

b) Warrants

As part of the Senior Secured Convertible Debentures financing, disclosed in Note 8(a), the Company issued finder warrants ("Finder Warrants"). The Finder Warrants have an exercise price of C$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.

Subsequent to September 30, 2016, 2,000,000 warrants were exercised resulting in total gross proceeds to the Company of $228,000 (equivalent to C$300,000). This amount plus $61,000 of contributed surplus related to these warrants will be transferred to common shares in October 2016.

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 period ending September 30, 2016:

(Unaudited and tabular amounts expressed in thousands of US dollars)

	Number of options	Weighted average exercise price (C$)
Balance as at December 31, 2015	9,279,735	$ 0.50
Options granted[1]	354,726	0.74
Options forfeited[2]	(1,937,894)	1.35
Balance as at September 30, 2016	**7,696,567**	**$ 0.29**
Balance as at December 31, 2014	2,679,735	$ 1.35
Options forfeited[2]	(400,000)	1.35
Balance as at September 30, 2015	**2,279,735**	**$ 1.35**

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

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

The table below shows the outstanding stock options as at September 30, 2016 and December 31, 2015:

		Outstanding		Vested	
September 30,	Exercise price (C$)	Number of options	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life
2016	**$0.22**	**7,000,000**	**4.21**	**1,750,000**	**4.21**
2016	**$0.74**	**354,726**	**4.86**	**29,561**	**4.86**
2016	**$1.35**	**341,841**	**4.82**	**304,341**	**5.05**
2015	$1.35	2,279,735	6.30	1,100,618	6.45

The following table is a summary of stock options outstanding during the nine-month period ended September 30, 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	**7,696,567**	**$ 0.29**	**-**	**1.00%**	**0%**	**3.93**	**64%**	**$ 0.07**
Stock options 2015	2,279,735	$ 1.35	-	1.47%	0%	2.79	53%	$ 0.20

For the three and nine months ended September 30, 2016, the Company had recognized $67,000 and $166,000, respectively in the condensed interim consolidated statements of operations and comprehensive loss as stock-based compensation relating to the vesting of stock options (three and nine months ended September 30, 2015 - $31,000 and $168,000, respectively).

d) Deferred share units – "DSUs"

The deferred share unit plan ("DSU Plan") has the purpose to assist the Company in the recruitment and retention of qualified persons to serve as employees, directors, or officers of the Company and to align the interests of such persons with the long-term interests of the shareholders of the Company. DSU means a right to receive, on a deferred basis, previously unissued shares in accordance with the terms of the DSU Plan. The maximum number of shares reserved for issuance under the DSU Plan, at any time, shall be 11,111,111.

(Unaudited and tabular amounts expressed in thousands of US dollars)

The following table shows the movement of DSUs for the period ending September 30, 2016:

	Number of units		Weighted average fair value
Balance as at December 31, 2015	4,500,566	$	0.31
Units granted[1]	1,503,292		0.23
Units redeemed[2]	(181,818)		0.22
Units forfeited[3]	(1,431,818)		0.74
Balance as at September 30, 2016	**4,390,222**	**$**	**0.15**
Balance as at December 31, 2014	1,600,566	$	0.81
Units cancelled[4]	(100,000)		0.64
Balance as at September 30, 2015	**1,500,566**	**$**	**0.82**

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.

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

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

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

2) On March 31, 2016, a director redeemed his 181,818 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 and director upon resignation.

4) Relates to the cancelation of the options of a former executive, upon resignation in April 2015.

For the three and nine months ended September 30, 2016, the Company recognized $57,000 and $183,000, respectively, in the condensed interim consolidated statements of operations and comprehensive loss as stock-based compensation relating to the vesting of DSUs (three and nine months ended September 30, 2015 - $54,000 and $280,000, respectively).

On April 24, 2016, 1,500,000 DSUs that were granted in 2015, vested when the volume weighted average trading price ("VWAP") of the common shares of the Company for 20 trading days exceeded C$0.33. Additionally, the remaining 1,500,000 DSUs granted in 2015, vested on July 11, 2016, when the VWAP of the common shares of the Company for 20 trading days exceeded C$0.44.

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 September 30, 2016 (September 30, 2015 – 10,593 ounces, valued at $1.2 million).

An aggregate realized gain in the amount of $1.5 million has been recorded in the condensed interim consolidated statements of operations and comprehensive income for the nine months ended September 30, 2016 (three and nine months ended September 30, 2015 – $nil and $35,000).

12. Basic and diluted earnings per share

Dollar amounts are in thousands, except per share amounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Numerator				
Net (loss) income - basic and diluted	**$ (31,648)**	$ 4,445	**$ (73,515)**	$ (12,884)
Denominator				
Weighted average number of common shares outstanding - basic and diluted	**144,284,011**	111,136,038	**122,266,014**	111,122,210
Deferred share units	**-**	1,500,566	**-**	-
Weighted average number of common shares outstanding - diluted	**144,284,011**	112,636,604	**122,266,014**	111,122,210
Basic and diluted (loss) income per share	**$ (0.22)**	$ 0.04	**$ (0.60)**	$ (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, deferred share units, warrants and convertible notes since they are anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Stock options	**7,669,472**	2,279,735	**7,985,355**	2,444,570
Deferred share units	**4,345,110**	-	**4,149,120**	1,541,775
Warrants	**6,607,833**	-	**6,607,833**	-
Convertible debentures	**155,647,249**	-	**177,665,246**	-
Convertible option Renvest Credit Facility	**-**	2,840,200	**-**	2,808,989
Anti-dilutive instruments	**174,269,664**	5,119,935	**196,407,554**	6,795,334

13) Cost of sales

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Direct mining and processing costs	**$ 15,062**	$ 17,209	**$ 47,643**	$ 52,584
Royalty expense and CFEM taxes	**967**	747	**2,965**	2,340
Inventory write-down	**185**	-	**1,104**	32
Other	**(23)**	(64)	**(55)**	(123)
Operating costs	**$ 16,191**	$ 17,892	**$ 51,657**	$ 54,833

(Unaudited and tabular amounts expressed in thousands of US dollars)

14) Adjustment to legal and VAT provisions

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Legal provisions	**$ 737**	$ 1,390	**$ (7,140)**	$ 9,590
Changes in provision against recoverability of VAT and other taxes	**(416)**	(425)	**(1,083)**	221
Total adjustment to legal provisions and VAT taxes	**$ 321**	$ 965	**$ (8,223)**	$ 9,811

15) Financial instruments loss (gain)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2016	2015	**2016**	2015
Gain on derivatives		**$ (267)**	$ -	**$ (1,587)**	$ (35)
Change in the fair value of convertible debentures	Note 8(b)	**31,672**	-	**77,616**	(3)
Total financial instruments loss (gain)		**$ 31,405**	$ -	**$ 76,029**	$ (38)

16) Foreign exchange (gain) loss

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	**2016**	2015
Loss (gain) on recoverable taxes	**$ 407**	$ 7,105	**$ (6,911)**	$ 12,833
(Gain) loss on reclamation provision	**(230)**	(4,492)	**3,250**	(6,537)
(Gain) loss on contingent liabilities and other provisions	**(89)**	(4,913)	**2,955**	(6,977)
Other foreign exchange loss (gain)	**70**	(4,354)	**3,456**	(6,189)
Total foreign exchange loss (gain)	**$ 158**	$ (6,654)	**$ 2,750**	$ (6,870)

17) 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:

(Unaudited and tabular amounts expressed in thousands of US dollars)

As at September 30, 2016	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities	$ 17,644	$ -	$ -	$ -	$ 17,644
Notes payable					-
Principal					
Bank indebtedness[1]	11,076	-	-	-	11,076
Capital leasing obligations	321	642			963
Vale Note	500	1,000	500	-	2,000
Convertible debentures[2]	-	13,885	-	-	13,885
Interest	200	54	-	-	254
Total financial liabilities	$ 29,741	$ 15,581	$ 500	$ -	$ 45,822
Other Commitments					
Operating lease agreements	$ 63	$ -	$ -	$ -	$ 63
Suppliers' agreements[3,4]	954	-	-	-	954
Other provisions and liabilities	6,129	6,618	-	-	12,747
Reclamation provisions[5]	2,379	5,867	5,922	10,574	24,742
Total other commitments	$ 9,525	$ 12,485	$ 5,922	$ 10,574	$ 38,506
Total	**$ 39,266**	**$ 28,066**	**$ 6,422**	**$ 10,574**	**$ 84,328**

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

[2] Amounts payable as at September 30, 2016, which were converted subsequent to period end. See Note 8(b).

[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.

18) 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 working capital of $2.7 million and an accumulated deficit of $437.6 million as at September 30, 2016. The Company's financial liabilities and other commitments are listed in Note 17.

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.

(Unaudited and tabular amounts expressed in thousands of US dollars)

b) Derivative financial instruments

The Company uses 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. The Company had no outstanding contract as at September 30, 2016.

Also, 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. The fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis as at September 30, 2016 and December 31, 2015 are as follows:

		Level 1	Level 2	Level 3
September 30, 2016				
Convertible debentures	Note 8(a)	**$ -**	**$ 64,140**	**$ -**
December 31, 2015				
Derivative assets		$ -	$ 1,648	$ -
Convertible debentures		-	26,321	-

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 – 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 $12,000 and $91,000 for the three and nine months ended September 30, 2016, respectively (three and nine months ended September 30, 2015 – $10,000 and $49,000, respectively).

On November 7, 2016, the Company entered into an Agreement (the “Agreement”) with Sprott Private Resource Lending (Collector) LP ("Sprott Lending"), 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 34% of the common shares of the Company as at September 30, 2016. The Agreement is a secured loan facility (the "Facility") totaling $10.0 million to fund accelerated growth exploration initiatives. The Facility is for a term of 30 months with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR and 1.25% per annum. In consideration for the structuring and syndication of the Facility, the Company has made a cash payment to Sprott Lending. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares to Sprott Lending and to Natural Resource Income Investing Limited Partnership, which is also indirectly wholly-owned by Sprott Inc. The Toronto Stock Exchange has provided conditional approval of the relevant terms of this transaction.