CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Jaguar Mining Inc.

Opinion

We have audited the consolidated financial statements of Jaguar Mining Inc. (the Entity), which comprise:

- The consolidated statements of financial position as at December 31, 2018 and December 31, 2017
- the consolidated statements of operations and other comprehensive loss for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that Jaguar Mining Inc. has incurred continued operating losses, and has an accumulated deficit. Current liabilities exceed its current assets and will require additional financing to fund its near term operating cash and capital requirements.

As stated in Note 2 in the financial statements, these events or conditions, along with other matters as set forth in Note 2 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Daniel Gordon Ricica.

Toronto, Canada

March 27, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018 and 2017

(Expressed in thousands of US dollars)

		December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 6,275	$ 18,628
Restricted cash	*Note 5*	5,262	2,926
Inventory	*Note 6*	12,136	12,257
Recoverable taxes	*Note 7*	10,421	10,848
Other accounts receivable	*Note 8*	566	3,576
Prepaid expenses and advances		1,920	1,241
Derivative assets	*Note 32*	331	-
Total current assets		36,911	49,476
Non-current assets			
Royalty interests	*Note 8*	8,476	8,476
Property, plant and equipment	*Note 9*	109,543	110,177
Mineral exploration projects	*Note 10*	6,687	6,968
Recoverable taxes	*Note 7*	8,650	4,388
Other accounts receivable	*Note 8*	5,000	1,500
Restricted cash	*Note 5*	3,400	2,694
Total assets		$ 178,667	$ 183,679
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	*Note 11*	$ 17,506	$ 17,896
Notes payable	*Note 12*	9,500	12,385
Customer advances	*Note 13*	7,000	-
Current tax liability	*Note 14*	-	466
Other taxes payable	*Note 15*	503	-
Reclamation provisions	*Note 16*	335	528
Contingent liabilities	*Note 17*	3,871	4,069
Derivative liabilities	*Note 32*	607	-
Total current liabilities		39,322	35,344
Non-current liabilities			
Notes payable	*Note 12*	243	5,140
Other taxes payable	*Note 15*	9,749	-
Reclamation provision	*Note 16*	14,977	17,513
Contingent liabilities	*Note 17*	7,610	7,296
Other liabilities		2,910	-
Total liabilities		$ 74,811	$ 65,293
SHAREHOLDERS' EQUITY			
Common shares	*Note 18*	$ 546,254	$ 545,693
Warrants	*Note 18*	-	94
Stock options	*Note 18*	726	922
Deferred share units	*Note 18*	1,577	1,018
Contributed surplus		20,940	20,332
Deficit		(465,641)	(449,673)
Total shareholders' equity		$ 103,856	$ 118,386
Total liabilities and shareholders' equity		$ 178,667	$ 183,679
Going Concern	*Note 2*		
Subsequent events	*Note 34*		

On behalf of the Board:

(signed) "Richard Falconer" *(signed) "Benjamin Guenther"*

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

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

For the years ended December 31, 2018 and 2017

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

		Year Ended December 31, 2018	2017
Revenue		**$ 94,918**	$ 105,231
Operating costs	*Note 20*	**54,581**	69,140
Depreciation		**19,208**	22,572
Gross profit		**21,129**	13,519
Exploration and evaluation costs		**775**	769
Care and maintenance costs (Paciência and Roça Grande mines)		**2,187**	1,282
Stock-based compensation	*Note 18(c)(d)*	**1,086**	991
General and administrative expenses		**8,968**	10,144
Amortization		**150**	239
Changes in other provisions and VAT taxes	*Note 21*	**2,226**	3,653
Impairment charge (reversal)	*Note 22*	**9,028**	(14,830)
Other operating expenses	*Note 23*	**7,360**	3,262
Operating (loss) income		**(10,651)**	8,009
Foreign exchange (gain)	*Note 24*	**(1,187)**	(478)
Financial instruments loss (gain)	*Note 25*	**2,441**	(327)
Finance costs	*Note 26*	**3,690**	5,593
Loss on disposal of subsidiary		**-**	4,902
Other non-operating expenses (recoveries)	*Note 27*	**331**	(148)
Income (loss) before income taxes		**(15,926)**	(1,533)
Current income tax expense	*Note 14*	**42**	1,297
Total income tax expense		**42**	1,297
Net income (loss)		**$ (15,968)**	$ (2,830)
Total comprehensive income (loss)		**$ (15,968)**	$ (2,830)
Earnings per share	*Note 19*		
Loss per share			
Basic and diluted		**$ (0.05)**	$ (0.01)
Weighted average shares outstanding			
Basic and diluted		**326,006,386**	316,935,390

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Expressed in thousands of US dollars)

		Year Ended December 31,	
		2018	2017
OPERATING ACTIVITIES			
Net income (loss) for the period		**$ (15,968)**	$ (2,830)
Adjustments and non-cash items			
Depreciation and amortization		**19,358**	22,811
Write-down of inventory		**-**	929
Accretion of interest expense		**1,474**	1,604
Interest expense	*Note 26*	**2,526**	3,989
Impairment (reversal)	*Note 22*	**9,029**	(14,830)
Unrealized foreign exchange (gain) loss	*Note 24*	**(1,691)**	334
Current income tax expense (recovery)		**42**	1,297
Loss (gain) on disposition of mineral exploration		**-**	4,902
Other tax expense		**2,667**	-
Change in unrealized derivatives	*Note 25*	**276**	-
Change in legal provisions	*Note 21*	**4,367**	1,418
Other operating activities (recovery) expense	*Note 28*	**(898)**	3,839
Changes in working capital	*Note 29*	**1**	(8,495)
Net cash provided by operating activities		**21,183**	14,968
INVESTING ACTIVITIES			
Mineral exploration projects		**-**	(416)
Purchase of property, plant and equipment		**(28,994)**	(23,494)
Proceeds from disposition of property, plant and equipment		**168**	514
Proceeds from disposition of mineral exploration projects		**-**	4,200
Net cash (used in) investing activities		**(28,826)**	(19,196)
FINANCING ACTIVITIES			
Cash received upon issuance of shares via Finders Warrants redemption		**352**	-
Cash received upon issuance of shares via private placement		**-**	5,775
Cash received upon issuance of debt		**5,083**	4,870
Cash received upon issuance of customer advances	*Note 13*	**7,000**	-
Repayment of debt		**(14,112)**	(11,710)
Restricted cash margin deposits paid		**(2,500)**	-
Interest paid		**(1,037)**	(1,571)
Net cash (used in) financing activities		**(5,214)**	(2,636)
Effect of exchange rate changes on cash and cash equivalents	*Note 24*	**504**	(812)
Net (decrease) in cash and cash equivalents		**(12,353)**	(7,676)
Cash and cash equivalents at the beginning of the period		**18,628**	26,304
Cash and cash equivalents at the end of the period		**$ 6,275**	$ 18,628

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2018 and 2017

(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, 2017	307,115,675	$ 539,802	3,073,411	$ 94	8,311,841	$ 464	1,583,804	$ 485	$ 20,332	$ (446,843)	$ 114,334
Shares issued from private placement	17,624,728	5,775	-	-	-	-	-	-	-	-	5,775
Shares issued to Sprott Lending	375,000	116	-	-	-	-	-	-	-	-	116
Stock options granted	-	-	-	-	1,133,740	458	-	-	-	-	458
Deferred share units granted	-	-	-	-	-	-	1,210,160	533	-	-	533
Net loss	-	-	-	-	-	-	-	-	-	(2,830)	(2,830)
Balance as at December 31, 2017	325,115,403	$ 545,693	3,073,411	$ 94	9,445,581	$ 922	2,793,964	$ 1,018	$ 20,332	$ (449,673)	$ 118,386
Balance as at January 1, 2018	325,115,403	$ 545,693	3,073,411	$ 94	9,445,581	$ 922	2,793,964	$ 1,018	$ 20,332	$ (449,673)	$ 118,386
Conversion of warrants	3,073,411	446	(3,073,411)	(94)	-	-	-	-	-	-	352
Stock options granted	-	-	-	-	2,717,000	296	-	-	-	-	296
Stock options forfeited	-	-	-	-	(9,345,433)	(492)	-	-	492	-	-
Deferred share units granted	-	-	-	-	-	-	4,476,000	790	-	-	790
Deferred share units forfeited	-	-	-	-	-	-	(1,282,335)	(116)	116	-	-
Deferred share units redeemed	316,861	115	-	-	-	-	(316,861)	(115)	-	-	-
Net loss	-	-	-	-	-	-	-	-	-	(15,968)	(15,968)
Balance as at December 31, 2018	**328,505,675**	**$ 546,254**	**-**	**$ -**	**2,817,148**	**$ 726**	**5,670,768**	**$ 1,577**	**$ 20,940**	**$ (465,641)**	**$ 103,856**

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

1. Nature of business

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

In February 2017, the Company completed a merger between two of its subsidiaries, Mineração Serras do Oeste Ltda. ("MSOL") and Mineração Turmalina Ltda. ("MTL"), with MSOL being the surviving legal entity. In September 2017, the Company and Avanco Resources Limited ("Avanco") entered into an Accelerated Earn-In Agreement, pursuant to which Avanco established terms to acquire a 100% ownership of MCT Mineração Ltda. ("MCT") and the Gurupi mineral exploration asset held therein. In October 2017, the Company completed the sale of its Gurupi Project ("Gurupi") to Avanco Resources Limited ("Avanco") by transferring the quotas (i.e. equity shares) in MCT Mineração Ltda. that were currently held directly or indirectly by the Company, to Avanco, pursuant to the Accelerated Earn-In Agreement (Note 8).

These consolidated financial statements of the Company as at and for the year ended December 31, 2018 include the accounts of the Company and its wholly-owned subsidiary Mineração Serras do Oeste Ltda. ("MSOL"). As at for the year ended December 31, 2017, these consolidated financial statements contemplate the result of the above-mentioned transactions completed and include the accounts of the Company and its wholly-owned subsidiaries Mineração Serras do Oeste Ltda. ("MSOL"), Mineração Turmalina Ltda. ("MTL"), and MCT Mineração Ltda. ("MCT"). All significant intercompany accounts and transactions have been eliminated on consolidation.

2. Going concern

These 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.

The Company has incurred a net loss of $16.0 million for the year ended December 31, 2018 and has an accumulated deficit of $465.6 million. The Company considers that the near term economic outlook presents challenges in terms of sustained commodity prices as well as maintaining production levels and acknowledges the development and sustaining capital requirements and foreign exchange risks associated with its business operations. Whilst the Company has instituted measures to preserve cash, improve operations and is seeking to secure additional financing, these circumstances create uncertainties over future results and cash flows.

The Company had a working capital deficiency of $2.4 million as at December 31, 2018. The Company will need to obtain additional financing in order to meet its near-term operating cash requirements, debt payments, development and sustaining capital expenditures. There is no assurance that the Company's financing initiatives will be successful or sufficient.

On March 15, 2019, the Company entered into a senior secured loan facility ("Auramet loan facility") agreement with lender Auramet International LLC totaling $7.9 million with a maturity date of July 15, 2019 to fund working capital requirements, under ground development at Turmalina and for general corporate purposes while it continues to explore its longer term financing options.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations or exploration programs will result in profitable mining operations. This fact, along with the factors discussed in the preceding paragraphs results in a material uncertainty that casts significant doubt as to the Company's ability to continue to operate as a going concern. The recoverability of the carrying value of property, plant and equipment and mineral exploration projects is dependent upon the success of the above

operating, exploration and financing activities and the future gold price. Changes in future conditions could require material write-downs of the carrying value of property, plant and equipment and mineral exploration projects.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used, and such adjustments could be material. The consolidated financial statements do not include any adjustment to the carrying amount, or classification of assets and liabilities, if the Company was unable to continue as a going concern.

3. Basis of preparation

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with IFRS, effective as at December 31, 2018. IFRS comprises of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's significant accounting policies are described in Note 4 of these consolidated financial statements for the year ended December 31, 2018.

These consolidated financial statements were authorized for issuance by the Board of Directors on March 26, 2019.

4. Significant accounting policies

a) Basis of measurement

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

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

b) Functional and presentation currency

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

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

c) Existing accounting policies

(i) Basis of consolidation

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

(ii) Cash and cash equivalents

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

(iii) Inventory

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

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

(iv) Royalty interests

Royalty interests consist of acquired royalty interests exploration stage properties. Exploration assets represent interests on projects where technical feasibility and commercial viability of extracting a mineral resource are not demonstrable. Interests in exploration assets are recorded at cost and are capitalized as tangible assets with finite lives in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. They are subsequently measured at cost less accumulated depletion and accumulated impairment losses. The Company’s royalty interests are depleted on a units-of-production basis, with estimated recoverable reserves and resources being used to determine the depletion rate for each of the Company’s mineral and royalty interests. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and resources to be converted into reserves. Changes to depletion rates are accounted for prospectively.

The Company estimates the reserves and resources relating to each agreement. Reserves are estimates of the amount of minerals that can be economically and legally extracted from the mining properties at which the Company has royalty agreements, adjusted where applicable to reflect the Company’s percentage entitlement to minerals produced from such mines. The Company estimates its reserves and resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of the Company’s mineral, royalty and other interests and depletion charges.

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

Plant, vehicles and equipment

At acquisition, the Company records plant, vehicles and equipment at cost, including all expenditures incurred to prepare an asset for its intended use. These expenditures consist of: the purchase price; brokers’ commissions; and installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. The Company capitalizes costs that meet the asset recognition criteria. Costs incurred that do not

extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expense and are accounted for as a cost of the inventory produced in the period.

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

Leasing arrangements

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

Leasing arrangements that transfer substantially all the risks and rewards of ownership of the asset to the Company are classified as finance leases. Finance leases are recorded as an asset with a corresponding liability at an amount equal to the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance costs using the effective interest method, whereby a constant rate of interest expense is recognized on the balance of the liability outstanding.

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

Construction-in-progress

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

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

Depreciation and amortization

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

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

(1) Amortization of mining properties, pre-production and development costs are calculated and recorded on the unit-of-production basis over the mine’s measured, indicated and inferred mineral resource estimates as disclosed in Note 4(d) (2017 – economically proven and probable reserves).

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

(vi) Underground mine development costs

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

Capitalized underground development costs incurred to enable access to specific ore blocks or areas of the underground mine, and which only provide an economic benefit over the period of mining that ore block or area, are amortized on a units of production basis, whereby the denominator is measured, indicated and inferred mineral resource estimates and the portion of resources within that ore block or area that is considered probable for economic extraction.

(vii) Impairment and impairment reversals

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

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

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

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

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

(viii) Customer advances

Customer advances are recognized as deferred revenue, as the balance will be recognized through the delivery of non-financial products (gold concentrate) rather than cash or financial assets. The Company intends to settle the advance obligations through its own production. Should settlement via product delivery not be viable, the advance arrangement transforms into a derivative since a cash settlement payment may be required. This would cause a change to the accounting treatment, resulting in the revaluation of the fair value of the agreement through the income statement on a recurring basis.

(ix) Income taxes

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

Current income taxes

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

Deferred income taxes

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

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

(x) Reclamation provisions

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

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

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

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

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

When provisions for closure and rehabilitation are initially recognized, the corresponding cost is capitalized as an asset, representing part of the cost of acquiring the future economic benefits of the operation. The capitalized cost of closure and rehabilitation activities is recognized in PP&E and depreciated over the expected economic life of the operation to which it relates.

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

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

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

(xi) Legal and other provisions

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

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

(xii) Foreign currency translation

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

(xiii) Stock-based compensation

The Company has stock-based compensation plans, which are described in Note 18(c)(d). The Company accounts for all equity-settled stock-based payments based on the fair value of the award on grant date.

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

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

(xiv) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings (loss) per share by the application of the treasury method. The computation of diluted earnings (loss) per share assumes conversion,

exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.

(xv) Financial instruments - recognition and measurement

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as FVTPL, directly attributable transaction costs. Measurement of financial assets in subsequent periods depends on whether the financial asset has been classified as amortized cost, FVTPL or FVTOCI. Measurement of financial liabilities subsequent to initial recognition depends on whether they are classified as amortized cost or FVTPL. Financial assets and financial liabilities classified as amortized cost are measured subsequent to initial recognition using the effective interest method.

On initial recognition, financial assets are classified as: amortized cost, fair value through profit and loss ("FVTPL"), or fair value through other comprehensive income ("FVTOCI"). Such classification is determined according to the assets' contractual cash flow characteristics and the business models under which they are held.

A financial asset is measured at amortized cost if meets the following criteria: (i) it is not designated as FVTPL, (ii) it is held with the objective of collecting contractual cash flows, and (iii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Loss allowances for 'expected credit losses' are recognized on financial assets measured at amortized cost, and on contract assets measured at FVOCI.

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

- The following is a summary of the financial instruments outstanding and classifications as at December 31, 2018:

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

The Company has used certain derivative financial instruments, principally forward sales contracts and commodity option contracts to manage commodity price exposure on gold sales, and forward foreign exchange contracts to manage exposure to changes in foreign exchange rates. Derivative financial instruments are used for risk management purposes and not for generating trading profits. Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in

interest income/expense in the consolidated statements of operations and comprehensive income (loss) with the exception of derivatives designated as effective cash flow hedges.

For cash flow hedges that qualify under the hedging requirements of IFRS 9 Financial Instruments, the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is reported as an unrealized gain (loss) on derivatives contracts in the consolidated statement of operations and comprehensive loss.

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

d) Use of estimates and judgments

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

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

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

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

(i) Units of production depreciation

As of January 1, 2018, the Company changed the accounting estimates used to depreciate Caete's mining properties and mineral exploration projects on a unit-of-production basis from using the expected amount of recoverable reserves to the use of the expected amount of recoverable mineral resources. The change in accounting estimate was made to ensure depreciation reflects management's best estimate of the useful life of the Caeté project and has been accounted for on a prospective basis. Due to the annual updating of recoverable mineral resources, it is impracticable to assess the impact of the change in estimate in future periods.

(ii) Inventory

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

(iii) Mine reserve and resource estimates

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

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

(iv) Capitalization of mineral exploration projects

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

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

(v) Customer advances

Significant judgment was required in determining the appropriate accounting treatment for interest-bearing customer advances. The upfront cash deposit received from the customer is accounted for as deferred revenue, as the Company has determined that such will be recognized through the delivery of non-financial products (gold concentrate) rather than cash or financial assets. It is the Company´s intention to settle the advance obligations through its own production and if this is not possible, it would lead to the advance arrangement becoming a derivative since a cash settlement payment may be required. This would cause a change in the accounting treatment, resulting in the revaluation of the fair value of the agreement through the income statement on a recurring basis.

(vi) Reclamation provision

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

each period to reflect the interest element (accretion) reflected in its initial measurement at fair value, and will also be adjusted for changes in the estimate of the amount, timing and cost of the work to be carried out.

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

(vii) Stock-based compensation

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

(viii) Determination of functional currency

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

(ix) Identification of impairment charges and impairment reversals

The Company considers, at each reporting date or whenever events or circumstances indicate the recoverable amount may be less than the carrying amount, whether or not there has been an impairment of the capitalized royalty interests, mineral exploration projects, or property, plant and equipment.

For non-producing properties, the assessment is done by comparing the carrying amount of the asset and market values for the total enterprise value per ounce, for companies with similar projects. For producing mining properties, this assessment is based on the expected future cash flows to be generated from the asset. Assumptions, such as gold price, discount rate, foreign exchange rate and expenditures underlying the fair value estimates are subject to risks and uncertainties.

If the Company determines there has been an impairment because its prior estimates of discounted future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves and resources expected to be recovered or otherwise, the Company would be required to write-down the recorded value of its mineral explorations projects, or property, plant and equipment, which would reduce the Company's earnings and net assets.

An impairment provision is reversed if there has been a change in the estimates used to determine the recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(x) Recoverable taxes

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

(xi) Deferred taxes

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

(xii) Other provisions and contingent liabilities

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

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

e) Changes in Significant Accounting Policies

- 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. There was no material impact on the Company's consolidated financial statements upon adoption of this standard.

- 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. IFRS 9's key changes include but are not limited to eliminating the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, and available for sale and (ii) replacing IAS 39's incurred loss model with the expected credit loss model in evaluating certain financial assets for impairment. In implementing IFRS 9, the Company updated the financial instrument classifications within its accounting policy as follows:

Asset or Liability	**Classification Effective January 1, 2018 Under IFRS 9**	**Classification at December 31, 2017 under IAS 39**
Cash and cash equivalents	Amortized cost	Loans and receivables
Other accounts receivable	Amortized cost	Loans and receivables

Derivative assets and liabilities	FVTPL (Fair value through profit and loss)	FVTPL (Fair value through profit and loss)
Accounts payable and accrued liabilities	Amortized cost	Other financial liabilities
Notes payable (excluding the Sprott Facility)	Amortized cost	Other financial liabilities
Other provisions	Amortized cost	Other financial liabilities
Sprott Facility	Amortized cost	Amortized cost

There was no material impact on the Company's consolidated financial statements upon adoption of this standard.

- 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 implementing IFRS 15, the Company converted its revenue recognition policy into a five step model to recognize revenue upon satisfying performance obligations and transferring control of its inventory to its customers. The following is the new accounting policy for revenue recognition under IFRS 15:

  The five step model is summarized as follows:

  1. Identify the contract with a customer
  2. Identify the performance obligations in the contract
  3. Determine the transaction price
  4. Allocate the transaction price to the performance obligations in the contract
  5. Recognize revenue when (or as) the entity satisfies a performance obligation

  The Company produces gold doré which is generally refined by a third party and delivered to its customers, sold at a sales price based on prevailing spot market gold prices. The Company recognizes revenue when it transfers control of the gold doré to the customer, which generally occurs upon delivery. Payment is received on the date or within a few days of transfer of control.

  There was no material impact on the Company's consolidated financial statements upon adoption of this standard.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration ("IFRIC 22") – In December 2016 the IASB issued IFRIC 22. IFRIC 22 clarifies the date that should be used for translation when a foreign currency transaction involves an advance payment or receipt. There was no material impact on the Company's consolidated financial statements upon adoption of this standard.

f) Accounting standards issued but not yet effective

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

- IFRS 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 Company will adopt IFRS 16 for the annual period beginning January 1, 2019 using the modified retrospective approach. Under the modified retrospective approach, the Company recognizes transition adjustments, if any, in retained earnings on the date of initial application (January 1, 2019), without restating the financial statements on a retrospective basis.

  The Company has substantially completed its assessment the estimated impact of the initial application of IFRS 16 will have on the consolidated financial statements. The Company will recognize additional assets and lease liabilities on its balance sheet on the date of initial application of IFRS 16, and a corresponding increase in depreciation and interest expense in future periods. Cash flow from operating activities will also increase under IFRS 16, as lease payments for most leases will be recorded as cash flows from financing activities in the consolidated statements of cash flows.

  The Company will elect not to recognize assets and lease liabilities for short-term leases, that have a lease term of 12 months or less, and leases of low-value assets. Lease payments associated with these leases will be recognized as an expense over the lease term. The Company will elect to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

  The Company does not expect the impact of its IFRS 16 adoption as at January 1, 2019 to the balance sheet be significant, and its assessment will be finalized and reported in more detail in the first quarter 2019 condensed interim consolidated financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23") On June 2017, the IASB issued IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation seeks to bring clarity to the accounting for income tax that have yet to be accepted by tax authorities and provides requirements, in addition to the requirements in IAS 12 Income Taxes, by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective for annual reporting periods beginning on or after January 1, 2019, with earlier adoption permitted. The Company concluded that the adoption of the new standard will not give rise to any material changes to the Company's consolidated financial statements.

5. Restricted cash

Restricted cash consists of escrow judicial deposits related to the Company's labour and civil litigation (Note 17), a $2 million margin deposit with Auramet International LLC, pursuant to the customer advance agreement with Auramet (Note 13), and a $0.5 million margin deposit with Banco Votorantim S.A., pursuant to the loan agreement with Banco Votorantim and classified as bank indebtedness within notes payable (Note 12).

6. Inventory

Inventory is comprised of the following:

	December 31, 2018	December 31, 2017
Raw material	$ 2,616	$ 2,392
Mine operating supplies	4,636	4,472
Ore in stockpiles	169	363
Gold in process	1,522	2,160
Unrefined gold doré	3,193	2,870
Total inventory	**$ 12,136**	$ 12,257

	Year Ended December 31, 2018	2017
Depreciation included in cost of sales	$ 19,208	$ 22,572

The amount of inventories recognized in direct mining and processing costs for the year ended December 31, 2018 was $51.7 million (December 31, 2017 - $65.0 million). As at December 31, 2018, there were no inventory write downs to net realizable value (December 31, 2017 - $0.9 million).

7. Recoverable taxes

	December 31, 2017	Additions/ reversals	Tax refunded	Write-off & sales of credits	Applied to taxes payable	Foreign exchange	December 31, 2018
Value added taxes and other[1]	$ 7,912	$ 15,105	$ (1,723)	$ (225)	$ (7,329)	$ (2,043)	$ 11,697
Provision for VAT and other[2]	(2,331)	890	-	$ (45)	-	334	(1,152)
Net VAT and other taxes	$ 5,581	$ 15,995	$ (1,723)	$ (270)	$ (7,329)	$ (1,709)	$ 10,545
ICMS[3]	$ 14,604	$ 3,200	$ (481)	$ (2,674)	$ (830)	$ (2,342)	$ 11,477
Provision for ICMS[3]	(4,949)	1,296	-	-	-	702	(2,951)
Net ICMS	$ 9,655	$ 4,496	$ (481)	$ (2,674)	$ (830)	$ (1,640)	$ 8,526
Total recoverable taxes	**$ 15,236**	**$ 20,491**	**$ (2,204)**	**$ (2,944)**	**$ (8,159)**	**$ (3,349)**	**$ 19,071**
Less: current portion	10,848						10,421
Non-current portion	$ 4,388						$ 8,650

	December 31, 2016	Additions/ reversals	Tax refunded	Write-off & sales of credits	Applied to taxes payable	Foreign exchange	December 31, 2017
Value added taxes and other[1]	$ 12,616	$ 5,754	$ (464)	$ (1,179)	$ (8,622)	$ (193)	$ 7,912
Provision for VAT and other[2]	(3,133)	759	-	$ -	-	43	(2,331)
Net VAT and other taxes	$ 9,483	$ 6,513	$ (464)	$ (1,179)	$ (8,622)	$ (150)	$ 5,581
ICMS[3]	$ 14,709	$ 4,239	$ (1,320)	$ (2,687)	$ (93)	$ (244)	$ 14,604
Provision for ICMS[3]	(2,071)	(2,994)	-	-	-	116	(4,949)
Net ICMS	$ 12,638	$ 1,245	$ (1,320)	$ (2,687)	$ (93)	$ (128)	$ 9,655
Total recoverable taxes	**$ 22,121**	**$ 7,758**	**$ (1,784)**	**$ (3,866)**	**$ (8,715)**	**$ (278)**	**$ 15,236**
Less: current portion	9,509						10,848
Non-current portion	$ 12,612						$ 4,388

1) The Company is required to pay certain value added 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.

   The Company continues to pursue approval of Federal VAT input tax credits with respect to the years 2008 through 2011 for its MSOL operating subsidiary. MSOL is the operating subsidiary for the Turmalina complex comprising the Turmalina mine and the Caeté complex comprising the Pilar and Roça Grande mines. The Company received a cash refund in the amount of R$3.5 million (approximately $1.0 million) in March 2016, related to MSOL. In July 2016, the Company initiated a lawsuit to obtain a court order to force the tax authority to review the Company's remaining tax credits for MSOL with respect to the years 2008 to 2011, amounting to R$36.0 million (approximately $11.0 million). A court order was granted and by November 2016, the Tax Authority reviewed the claim and granted a favourable decision to partially recognize the amount claimed, deeming R$1.5 million (approximately $0.5 million) due to the Company. The Company collected this amount and proceeded to appeal the Tax Authority´s review result in pursuit of further tax credit refund recognition on the remainder of this claim. At December 31, 2018, the Company is awaiting the Tax Authority´s review result of its appeal to receive the remainder.

   In October 2017, the Company sold its 100% owned subsidiary MCT Mineração Ltda. to Avanco as per the terms described in Note 8. MCT Mineração Ltda. held a Federal VAT tax credits carrying value of $1.2 million, and this tax credit balance sold was recorded to loss on disposal of subsidiary in the income statement.

   In February 2018, Jaguar resolved a dispute with the Canada Revenue Agency ("CRA") with respect to its recoverable harmonized sales taxes (HST). On February 5, 2018, Jaguar received a favourable judgement from the tax court of Canada relating to HST refunds claimed for the period October 1, 2013 to December 31, 2015. As at December 31, 2017, the Company had $1.7 million in recoverable HST taxes on its balance sheet, $1.3 million derived from the period October 1, 2013 to December 31, 2015 and $0.4 million derived from the period January 1, 2016 to December 31, 2017. In March 2018, the Company received the $1.7 million HST tax refund in its entirety from the CRA and, as such, converted the recoverable tax balance to cash.

   In May 2018, the Brazilian federal government ratified a new tax law, Law 13,670/18, which prohibited legal entities from using federal tax credits (PIS and COFINS) to settle its federal income tax and social contribution tax obligations (*IRPJ – Imposto de Renda Pessoa Jurídica* and *CSLL – Contribuição social sobre lucro líquido*). The new law was made effective upon ratification and considered immediately applicable to a given company's portfolio of tax credits held. Following the new law's ratification, the Company filed a petition challenging the legality of applying the new law to tax credits accumulated prior to the new law's existence and was successfully awarded a Court order to continue to compensate its IRPJ & CSLL tax obligations with PIS & COFINS tax credits for the calendar year ended December 31, 2018. The impacts of this change are further detailed in Note 15(c).

2) The Company has recorded a provision against its recoverable taxes in Brazil given the limited methods available to recover such taxes and the length of time it will take to recover such taxes. The provision reduces the net carrying amount of value added taxes and other taxes to their estimated recoverable value. In the year ended December 31, 2018, the Company received the final tax assessments issued by the Brazilian Federal Tax Authority following the conclusion of its audit over the Company's historical Federal VAT input tax credits recognized in fiscal year 2013. Based on the results confirmed, the Company made a change in accounting estimate and reduced its provision criteria for tax credits recognized after January 1, 2012 from 20% as at December 31, 2017 to 5% as at December 31, 2018.

3) *ICMS – Imposto sobre circulação de mercadorias e prestação de serviços* is a type of value added tax which can either be sold to other companies, usually at a discount rate of 15% - 30% (2017 – at a discount rate of 15% - 41%), be used to satisfy ICMS tax settlement installments due, 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 the year ended December 31, 2018, the Company sold R$11.6 million (approximately $3.7 million) in ICMS export tax credits. The Company received approval from the state tax authority to sell an additional R$13 million (approximately $3.56 million) in ICMS export tax credits. As at December 31, 2018, the Company held R$5 million (approximately $1.29 million) in ICMS export tax credits authorized for sale but not yet sold (December 31, 2017 – R$5 million, approximately $1.5 million).

In June 2018, the Company decided to enter into an Administrative Agreement with the Minas Gerais State Tax authority in order to pay R$8.3 million (approximately $2.2 million) in historical ICMS taxes due, as further detailed in Note 15. In accordance with the agreement, the Company will pay its ICMS debt due in 60 (sixty) monthly installments using ICMS tax credits (non-cash).

8. Other accounts receivable and Royalty interests

	December 31, 2018	December 31, 2017
Due from Avanco Resources Limited - Gurupi Sale	**5,000**	5,000
Other accounts receivable	**566**	76
Total other accounts receivable	**$ 5,566**	$ 5,076
Less: current portion	**566**	3,576
Non-current portion	**$ 5,000**	$ 1,500

Effective September 17, 2017, the Company entered into an accelerated earn-in agreement ("the Accelerated Earn-In Agreement") to sell to Avanco Resources Limited ("Avanco") its Gurupi mineral exploration properties and the Brazilian subsidiary in which they were held. In October 2017, the Company completed the sale of its Gurupi Project ("Gurupi") to Avanco Resources Limited ("Avanco") by transferring the quotas (i.e. equity shares) in MCT Mineração Ltda. that were held directly or indirectly by the Company, to Avanco, pursuant to the Accelerated Earn-In Agreement.

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

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

Jaguar received an initial aggregate cash payment of $4 million, in two installments of $2 million each in September and October 2017. The Company will collect the additional $5 million from Avanco in a series of 10 instalments of $500,000, which the Company expects to occur starting in 2020, in the month in which Avanco receives "clear title

and access" to the project. The net smelter royalties will be received throughout the life of mine of the Gurupi Project. Upon completion of the sale to Avanco and for the year ended December 31, 2017, the Company recognized a $4.9 million loss on disposal of subsidiary in the consolidated statements of operations and comprehensive income (loss).

As at December 31, 2018, the Company held the following assets related to the Gurupi project sale: (i) a $5 million amount due from Avanco classified as Other accounts receivable (December 31, 2017 – $5 million) and (ii) a $8.5 million net smelter royalty receivable from Avanco classified as Royalty interests (December 31, 2017 – $8.5 million).

	December 31, 2018	December 31, 2017
Avanco - Gurupi	**$ 8,476**	$ 8,476
Total royalty interests	**$ 8,476**	$ 8,476

As at December 31, 2018, there were no indicators of impairment on Royalty interests (December 31, 2017 –$nil).

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

	Plant	Vehicles	Equipment[1]	Leasehold[2]	CIP[3]	Mining properties	Total
Cost							
Balance as at January 1, 2018	$ 13,578	$ 10,662	$ 238,782	$ 2,380	$ 3,532	$ 406,973	$ 675,907
Additions	-	250	1,781	-	1,436	24,439	27,906
Disposals	-	(487)	(1,044)	-	(122)	-	(1,653)
Reclassify within PP&E	-	938	1,230	-	(2,168)	-	-
Balance as at December 31, 2018	**$ 13,578**	**$ 11,363**	**$ 240,749**	**$ 2,380**	**$ 2,678**	**$ 431,412**	**$ 702,160**
Balance as at January 1, 2017	$ 13,569	$ 10,839	$ 234,635	$ 2,380	$ 5,244	$ 391,450	$ 658,117
Additions	-	97	1,732	-	2,773	15,523	20,125
Disposals	-	(381)	(1,927)	-	(27)	-	(2,335)
Reclassify within PP&E	9	107	4,342	-	(4,458)	-	-
Balance as at December 31, 2017	$ 13,578	$ 10,662	$ 238,782	$ 2,380	$ 3,532	$ 406,973	$ 675,907
Accumulated amortization and impairment							
Balance as at January 1, 2018	$ 11,903	$ 8,238	$ 200,759	$ 2,230	$ 685	$ 341,915	$ 565,730
Amortization for the period	397	277	10,822	7	-	7,841	19,344
Impairment loss	(104)	(34)	4,161	(10)	-	4,735	8,748
Disposals	-	(376)	(829)	-	-	-	(1,205)
Balance as at December 31, 2018	**$ 12,196**	**$ 8,105**	**$ 214,913**	**$ 2,227**	**$ 685**	**$ 354,491**	**$ 592,617**
Balance as at January 1, 2017	$ 11,573	$ 8,513	$ 199,416	$ 2,233	$ 800	$ 335,880	$ 558,415
Amortization for the period	694	114	7,197	30	-	14,180	22,215
Impairment reversal	(364)	(119)	(4,701)	(33)	(115)	(8,145)	(13,477)
Disposals	-	(270)	(1,153)	-	-	-	(1,423)
Balance as at December 31, 2017	$ 11,903	$ 8,238	$ 200,759	$ 2,230	$ 685	$ 341,915	$ 565,730
Carrying amounts							
As at December 31, 2018	**$ 1,382**	**$ 3,258**	**$ 25,836**	**$ 153**	**$1,993**	**$ 76,921**	**$ 109,543**
As at December 31, 2017	$ 1,675	$ 2,424	$ 38,023	$ 150	$2,847	$ 65,058	$ 110,177

[1] As at December 31, 2018, the Company had equipment under capital leases at a cost and net book value of $4.5 million and $3.8 million, respectively (December 31, 2017 - $3.5 million and $3.2 million, respectively).

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

[3] Refers to construction in progress.

As at December 31, 2018, mining properties include the following properties which are in production, or are under development:

a) Turmalina project

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

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

In November 2003, the Company closed a property acquisition agreement dated April 17, 2003 whereby the Company acquired certain mineral rights from AngloGold for $818,000. The mineral rights acquired relate to the following properties in the Paciência Project: Santa Isabel, Morro do Adão, Bahu, and Marzagão, and the following properties in the Caeté Project: Catita and Camará. The Company will also pay a sliding scale net smelter royalty ("NSR"), from 1.5% to 4.5% of gross revenue, on gold and other precious metals produced from the properties, based on precious metal prices at the time of production.

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

As at December 31, 2018 the carrying amount for the Paciência project is $nil, due to past impairment charges (December 31, 2017 - $nil).

c) Caeté Project - Roça Grande and Pilar mines

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

d) Impairment and impairment reversal

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

As at December 31, 2018, the Company assessed each CGU for triggers of potential impairment or potential reversal to impairment. In the event such triggers were identified, the Company proceeded to compare the CGU's carrying value to the recoverable amount determined. The recoverable amount was determined to be the fair value less costs to dispose ("FVLCD") and the Company'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. 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.

Turmalina
At December 31, 2018 the Company identified ongoing operational challenges as an indicator of impairment.

The estimates of future cash flows were derived from the most recent LOM plans which extend to 2027 for Turmalina. For the determination of the impairment charge, a gold price estimate of $1,275 was used for 2019, and $1,300 for 2020 and beyond. A discount rate of 10.5% was used to present value the estimated future cash flows from the operation. The assessment indicated that the carrying value of the Turmalina project exceeded the its discounted cash flows as at December 31, 2018, and consequently an impairment charge of $13.3 million was recorded. The impairment charge for the year ended December 31, 2018 was allocated as follows: $12.6 million to property, plant and equipment and $0.7 million to mineral exploration projects.

Pilar
At December 31, 2018 the Company identified an extension of its mine life combined with ongoing operational improvement as an indicator to test for impairment (reversal).

The estimates of future cash flows were derived from the most recent LOM plans which extend to 2027 for Pilar. For the determination of the impairment reversal, a gold price estimate of $1,275 was used for 2019, and $1,300 for 2020 and beyond. A discount rate of 10.5% 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, 2018, and consequently an impairment reversal of $4.2 million was recorded. The impairment reversal for the year ended December 31, 2018 was allocated as follows: $3.8 million to property, plant and equipment and $0.4 million to mineral exploration projects.

Roça Grande
In March 2018, as part of refocusing its attention, resources and efforts on Turmalina and Pilar mines, and exploration growth activities, the Company made a strategic decision to temporarily suspend its Roça Grande mine operations. This temporary suspension will continue for an unspecified future period. As at December 31, 2018 the carrying amount for the Roça Grande project is $nil, due to past impairment charges (December 31, 2017 - $nil), and there were no indicators of potential reversal of impairment identified.

10. Mineral exploration projects

	Gurupi	Turmalina	Caeté	Pedra Branca	Total
Balance as at January 1, 2018	$ -	$ 1,215	$ 5,348	$ 405	$ 6,968
Impairment reversal (charge)	-	(668)	387	-	(281)
Balance as at December 31, 2018	**$ -**	**$ 547**	**$ 5,735**	**$ 405**	**$ 6,687**
Balance as at January 1, 2017	$21,213	$ 719	$ 4,077	$ 405	$ 26,414
Additions	293	496	-	-	789
Disposals	(21,506)	-	(82)	-	(21,588)
Impairment reversal	-	-	1,353	-	1,353
Balance as at December 31, 2017	$ -	$ 1,215	$ 5,348	$ 405	$ 6,968

a) Gurupi

On September 17, 2017, the Company entered into an Accelerated Earn-In Agreement ("the Accelerated Earn-In Agreement") with Avanco, pursuant to which Avanco established terms to earn up to a 100% interest in the Gurupi Project. In October 2017, the Company completed its sale of Gurupi to Avanco and transferred 100% of its quotas in MCT to Avanco, as described in Note 8.

b) Caeté

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

c) Pedra Branca

The Company is engaged in gold exploration at its 100% owned greenfield site, the Pedra Branca Project (the "Project"), in the State of Ceará in northeastern Brazil, covering 38,000 hectares. Previously a joint venture with Glencore Canada Corporation (formerly known as Xstrata plc.), in April 2012 MSOL acquired the remaining 40% ownership of the Project via an earn-in agreement as follows: (i) a cash consideration in the amount of $400,000; (b) a net smelter royalty ("NSR") of 1% payable to Glencore Canada Corporation on future gold production; and (c) a first option to Glencore Canada Corporation upon discovery of any Base Metal Dominant Deposit. Upon such discovery, Glencore Canada Corporation may elect to form a new company owned 30% by MSOL and 70% by Glencore Canada Corporation, by paying 300% of MSOL's exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property. The Company executed its US$400,000 payment to Glencore Canada Corporation in April 2012 to establish its 100% ownership of the Project with the aforementioned NSR and first option commitments.

11. Accounts payable and accrued liabilities

		December 31, 2018		December 31, 2017
Accounts payable (suppliers)	**$**	**11,745**	$	11,099
Accrued payroll		**5,485**		6,492
Interest payable		**230**		77
Other		**46**		228
Total accounts payable and accrued liabilities	**$**	**17,506**	$	17,896

12. Notes payable

	December 31, 2018	December 31, 2017
Notes payable - current portion		
Bank indebtedness [a]	$ 7,270	$ 5,176
Capital leasing obligations [b]	1,381	1,083
Vale note [c]	849	726
Sprott Facility [d]	-	5,400
	9,500	12,385
Notes payable - non-current portion		
Capital leasing obligations [b]	18	861
Vale note [c]	225	654
Sprott Facility [d]	-	3,625
	243	5,140
Total notes payable	$ 9,743	$ 17,525

a) Bank indebtedness

As at December 31, 2018, bank indebtedness included $7.2 million in unsecured promissory notes, holding maturities from April 2019 through June 2019 and bearing interest rates ranging from 6.5% to 8.4%. As at December 31, 2017, bank indebtedness included $5.2 million in unsecured promissory notes, holding maturities from March 2018 through December 2018 and bearing interest rates ranging from 4.5% to 9.6%.

b) Capital leasing obligations

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

The following table outlines the total minimum loan payments due for capital leasing obligations over their remaining terms as at December 31, 2018 and December 31, 2017:

	December 31, 2018	December 31, 2017
2018	**$ -**	$ 1,193
2019	**1,430**	956
2020	**33**	47
Total minimum loan payments	**1,463**	2,196
Less: Future finance charges	**(64)**	(252)
Present value of minimum loan payments	**$ 1,399**	$ 1,944
Less: current portion	**1,381**	1,083
Non-current portion	**$ 18**	$ 861

c) Vale note

The Vale note was generated in 2008, by the purchase of mineral rights regarding the Caeté Project for $13.3 million ("Vale Purchase Agreement"). Payment under the Vale Purchase Agreement was subject to satisfaction of certain conditions including perfection of the transfer of the mineral rights before the *Departamento Nacional de Produção Mineral* ("DNPM"). During 2010, the Company paid $3.2 million. In November 2014, the agreement was amended whereby the Company agreed to waive certain mineral rights expected to be transferred under the purchase agreement as they had not been duly conveyed. Accordingly, the outstanding indebtedness amount was reduced from $9.0 million to $3.0 million, payable in twelve installments of $250,000, maturing December and July of every year, until fully paid in 2020. The first installment was paid in December 2014. The balance outstanding as at December 31, 2018 was $1.1 million ($1.5 million as at December 31, 2017).

The note payable is recognized at its amortized cost of $1.1 million, and the discount of $48,000 is being accreted monthly using the effective interest method and applying Brazil's risk-free interest rate (SELIC), which was 6.50% at December 31, 2018 (December 31, 2017 – 6.90%).

d) Sprott Facility

On November 7, 2016, the Company entered into an agreement with Sprott Private Resource Lending (Collector) LP ("Sprott Lending") for a secured loan facility (the "Sprott Facility") totaling $10.0 million ("Tranche 1") to fund accelerated growth exploration initiatives. Tranche 1 of the Sprott Facility is payable over a term of 30 months, in equal monthly repayments of principal, plus interest, with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR or 1.25% per annum. In consideration for the structuring and syndication of Tranche 1, the Company has made a cash payment to Sprott Lending for structuring and legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 650,000 common shares of Jaguar to Sprott Lending and to Natural Resource Income Investing Limited Partnership.

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

On June 9, 2017, the Company entered into an agreement with Sprott Lending for an additional tranche of the Sprott Facility totaling $5.0 million ("Tranche 2"). Tranche 2 of the Sprott Facility is payable over a term of 36 months, in equal monthly repayments of principal, plus interest, with an interest rate of 6.5% per annum, plus the greater of US dollar LIBOR or 1.25% per annum. In consideration for the structuring and syndication of Tranche 2,

the Company has made a cash payment to Sprott Lending for legal fees. In consideration for and providing the financing commitment, the Company has issued an aggregate of 375,000 common shares of Jaguar to Sprott Lending and to Natural Resource Income Investing Limited Partnership.

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

In May 2018, the Company reached an agreement for a new $7 million, unsecured customer advance agreement with Auramet (the "Auramet advance"), further described in Note 13, which was used in conjunction with a new Brazil debt facility of $2.4 million to fully repay the Company's Secured Loan facility with Sprott Resource Lending, effective June 30, 2018. During the year ended December 31, 2018, the Company made principal repayments and interest payments of $9.4 million and $324,000, respectively ($5.0 million and $827,000, respectively, during the year ended December 31, 2017).

The Sprott Facility was provided by security agreements comprising the Company's and MSOL's present and future assets, the shares of MSOL, and a loan guarantee by MSOL. The Sprott Facility required among other things that the Company adhere to specific financial covenants, such as maintaining a minimum of $5.0 million unrestricted cash and cash equivalents and positive working capital computed monthly. Sprott Lending waived the Company's obligation to comply with the positive working capital covenant from the period of April 1, 2017 through June 29, 2017, and the Company was in compliance with the Sprott Facility covenants as at period end. As at December 31, 2017, the Company had repaid $5.6 million of principal from the Sprott Facility and $9.4 million was outstanding.

The Sprott Facility was a financial liability and was initially measured at fair value and subsequently measured at amortized cost using the effective interest method. During the year ended December 31, 2018, $336,000 was recorded as finance costs in consolidated statements of operations and comprehensive income (loss) related to the remaining accretion of the transaction costs ($428,000 for the year ended December 31, 2017).

The Sprott Facility was provided by security agreements comprising the Company's and MSOL's present and future assets, the shares of MSOL, and a loan guarantee by MSOL. The Sprott Facility was fully repaid on June 28, 2018.

13. Customer advances

	December 31, 2018	December 31, 2017
Auramet International LLC	**$ 7,000**	$ -
Total customer advances	**$ 7,000**	$ -

a) Auramet advance

On May 9th, 2018, the Company entered into an agreement with Auramet International LLC for an unsecured customer advance ("Auramet advance") in the form of a gold purchase and sale agreement whereby Auramet extended up to $7 million in minimum prepayment amounts each of $1 million to Jaguar. As part of the agreement, the Company is required to maintain a $2 million margin deposit with Auramet. Funds advanced under the Auramet advance are subject to interest at 1-month LIBOR + 7.5%, and hold a covenant to maintain a minimum net cash balance of $5 million, including the margin deposit. The Auramet advance requires settlement in full at maturity on October 31, 2019.

On May 9th, 2018, the Company also agreed to a European style gold call options agreement with Auramet whereby Auramet holds an option to purchase up to 7,000 ounces of gold (1,000 ounces per month) at a strike price of US$1,450 per ounce on expiration dates maturing monthly between May 2019 and November 2019. As at

and for the year ended December 31, 2018, these options remained outstanding, and the Company recognized a derivative asset of $331,000, a derivative liability of $143,000, unrealized gain of $188,000, and a realized gain of $nil (2017 – $nil, $nil, $nil, and $nil).

14. Income taxes

a) Income tax expense

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

		December 31, 2018		December 31, 2017
Current income tax expense	**$**	**42**	$	1,297
Deferred income tax recovery		**-**		-
Total income tax expense (recovery)	**$**	**42**	$	1,297

b) Tax rate reconciliation

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

		December 31, 2018		December 31, 2017
Loss before income taxes	**$**	**(15,926)**	$	(1,533)
Combined Canadian federal and provincial income tax rate		**26.50%**		26.50%
Expected income tax expense (recovery)	**$**	**(4,220)**	$	(406)
Increase (decrease) in tax expense resulting from:				
Adjustment to prior year income taxes	**$**	**-**		1,255
Foreign exchange on deferred taxes		**12,178**		(2,428)
Change in benefit of non-capital losses not recognized		**28,925**		10,838
Change in benefit of other temporary differences not recognized		**(35,998)**		(9,804)
Difference in foreign tax rate and Canadian tax rate		**(577)**		(1,495)
Non-deductible (taxable) expense		**(266)**		3,291
Withholding tax on intercompany interest		**-**		46
Income tax expense	**$**	**42**	$	1,297

c) Deferred tax assets

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

		December 31, 2018		December 31, 2017
Deductible temporary differences	**$**	**96,076**	$	203,273
Tax losses		**268,052**		180,966

In addition to the deductible temporary differences disclosed above, there is $526.7 million (2017 - $578.7 million) of deductible temporary differences associated with investment in subsidiaries for which deferred tax assets have not been recognized.

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

d) Tax losses

As at December 31, 2018, the Company's Canadian non-capital losses, that can be applied against future taxable profit amount to $34.3 million (December 31, 2017 - $27.6 million), and will expire as follows:

Expiry year		**December 31, 2018**
2034	**$**	**6,930**
2035		**6,414**
2036		**5,327**
2037		**6,748**
2038		**8,870**
Total	**$**	**34,289**

The Company also has Canadian capital losses of $17.2 million (December 31, 2017 - $19.3 million) which can be carried forward indefinitely. These losses can only be applied against capital gains.

The Company has non-capital losses of $225.1 million (equivalent to R$872.1 million) in Brazil which can be carried forward indefinitely, however only 30% of taxable income in one year can be applied against the loss carry-forward balance.

e) Movement in net deferred tax liabilities

		2018		2017
Balance at the beginning of the year - January 1	**$**	**-**	$	-
Balance at the end of the year - December 31	**$**	**-**	$	-

f) Recognized deferred tax assets and liabilities

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

	December 31, 2018	December 31, 2017
Deferred tax assets		
Non-capital losses	**$ 2,281**	$ 1,914
Financing fees	**129**	733
Total deferred tax assets	**$ 2,410**	$ 2,647
Deferred tax liabilities		
Unrealized foreign exchange gain	**$ (2,024)**	$ (2,647)
Inventory	**(262)**	-
Intangible asset	**(123)**	-
Property, plant and equipment	**(1)**	-
Total deferred tax liabilities	**$ (2,410)**	$ (2,647)
Deferred tax liabilities - net	**$ -**	$ -

15. Other taxes payable

	December 31, 2017	Additions (reversals)	Accretion	Payments	Foreign exchange	December 31, 2018
ICMS Settlement Due[1]	$ -	$ 2,217	$ -	$ (544)	$ 7	**$ 1,680**
INSS[2]	-	409	-	(21)	14	**402**
Withholding taxes[3]	-	8,170	-	-	-	**8,170**
Total Other taxes payable	$ -	$ 10,796	$ -	$ (565)	$ 21	**$ 10,252**
Less: current portion	-					**503**
Non-current portion	$ -					**$ 9,749**

1) In June 2018, the Company decided to enter into an Administrative Agreement with the Minas Gerais State Tax Authority in order to pay an historical debt (2008 – 2014) of R$8.3 million (approximately $2.2 million) in ICMS taxes. The agreement was ratified by the parties in July 2018.

This debt has its origin in ICMS levied on electricity ("Demanda Contratada") in which the Superior Courts have ruled in the taxpayer's favour. The Company filed an appeal against the levy of the ICMS and the likelihood of the Company losing the appeal has been assessed as remote. Although the Company would likely win the judicial lawsuit, the Company took the decision to pay the mentioned debt in instalments, using its tax credits (non-cash), in order to facilitate and accelerate its ICMS tax credits recovery as cash.

2) In September 2018, the Company received a social security tax (*INSS – Instituto Nacional do Seguro Social*) assessment from Brazil's Federal Tax Authority with respect to fiscal years 2014 and 2015, challenging the social security tax rate basis applied by the Company, which as per Brazilian tax legislation is variable based on the Company's historical work accident rate. The tax assessment claimed entitlement to a total additional R$1.9 million (approximately $0.5 million) due from the Company. Upon review, the Company and its legal counsel assessed its probability of loss as more likely than not and entered a settlement agreement with the Federal Tax Authority to reduce its exposure to fines and interest and extend its cash flow impact, agreeing to pay a total of R$1.5 million (approximately $0.4 million), in cash, over 60 (sixty) equal monthly installments starting in October 2018.

3) As at December 31, 2017, the Company held R$26.0 million ($8.1 million) in value added taxes assets offsetting its IRPJ and CSLL withholding taxes payable balance to $nil. In the year ended December 31, 2018, with the change in tax rules, the Company removed its offset treatment. As a result, its value added taxes asset balance increased in additions by R$33.4 million ($8.6 million) as per Note 7 and its withholding taxes payable balance increased accordingly, recognizing R$1.5 million ($0.4 million) as current and R$31.7 million ($8.2 million) as noncurrent.

16. Reclamation provisions

	December 31, 2017	Additions (reversals)	Accretion	Payments	Foreign exchange	December 31, 2018
Reclamation provision	$ 18,041	$ (978)	$ 1,095	$ (159)	$ (2,687)	**$ 15,312**
Less: current portion	528					**335**
Non-current portion	$ 17,513					**$ 14,977**

	December 31, 2016	Additions (Recovery)	Accretion	Payments	Foreign exchange	December 31, 2017
Reclamation provision	$ 20,707	$ (3,382)	$ 1,379	$ (369)	$ (294)	**$ 18,041**
Less: current portion	1,251					**528**
Non-current portion	$ 19,456					**$ 17,513**

The reclamation provisions relate to the cost to reclaim land that has been disturbed as a result of mining activity. The estimated future cash flows have been discounted using a rate of 6.50% and the inflation rate used to determine future expected cost ranges from 3.8% to 4.0% per annum (December 31, 2017 – 6.50% discount rate and inflation rate ranging from 3.8% to 4.0% per annum).

The Company expects to spend approximately $19.0 million (amount not discounted or adjusted for inflation) which will be incurred between 2019 and 2029 to reclaim the areas explored (December 31, 2017 – $22.2 million).

17. Contingent liabilities

Various legal, environmental, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. For its matters outstanding, Management, in conjunction with its internal and external legal 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 consolidated financial statements on the date such changes occur.

As at December 31, 2018, the Company has recognized a provision of $11.5 million (December 31, 2017 - $11.4 million) representing management's best estimate of expenditures required to settle present obligations, as noted in the table below. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company's estimates.

	December 31, 2017	Additions	Reversals	Payments	Foreign exchange	December 31, 2018
Labour litigation	$ 9,430	$ 6,618	$ (2,509)	$ (2,411)	$ (1,372)	**$ 9,756**
Civil litigation	1,659	280	(85)	(152)	(270)	**1,432**
Other provisions	276	63	-	-	(46)	**293**
Total contingent liabilities	$ 11,365	$ 6,961	$ (2,594)	$ (2,563)	$ (1,688)	**$ 11,481**
Less: current portion	4,069					**3,871**
Non-current portion	$ 7,296					**$ 7,610**

	December 31, 2016	Additions	Reversals	Payments	Foreign exchange	December 31, 2017
Labour litigation	$ 11,181	$ 4,239	$ (2,667)	$ (3,172)	$ (152)	**$ 9,430**
Civil litigation	1,652	426	(389)	-	(30)	**1,659**
Other provisions	501	78	(270)	(24)	(9)	**276**
	$ 13,334	$ 4,744	$ (3,326)	$ (3,196)	$ (191)	**$ 11,365**
Less: current portion	4,869					**4,069**
Non-current portion	$ 8,465					**$ 7,296**

18. Capital stock

a) Common shares

The Company is authorized to issue an unlimited number of common shares. All issued shares are fully paid and have no par value. Changes in common shares for the years ended December 31, 2018 and 2017 are as follows:

		Number of shares	Amount
Balance as at December 31, 2017		325,115,403	$ 545,693
Shares issued upon conversion of warrants	Note 18(b)	3,073,411	446
Shares issued upon redemption of deferred share units	Note 18(d)	316,861	115
Balance as at December 31, 2018		**328,505,675**	**$ 546,254**
Balance as at December 31, 2016		307,115,675	$ 539,802
Shares issued from private placement[1]		17,624,728	5,775
Shares issued to Sprott Lending	Note 12(d)	375,000	116
Balance as at December 31, 2017		**325,115,403**	**$ 545,693**

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

b) Warrants

As part of the 2015 Senior Secured Convertible Debentures financing, the Company issued finder warrants ("Finder Warrants"). The Finder Warrants have an exercise price of C$0.15 per common share and expired on October 27, 2018.

As at December 31, 2017, the Company had 3,073,411 Finder Warrants outstanding. During the year ended December 31, 2018, 3,073,411 Finder Warrants were exercised at C$0.15 per common share and 3,073,411 common shares were issued by the Company, resulting in C$461,000 (approximately $352,000) share issuance proceeds to the Company (2017 – no warrants exercised and $nil proceeds generated). This amount plus $94,000

in contributed surplus related to these warrants was transferred to common shares. As at December 31, 2018, no Finder Warrants were outstanding.

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.

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

The following table shows the movement of stock options for the years ended December 31, 2018 and 2017:

	Number of options		Weighted average exercise price (C$)
Balance as at December 31, 2017	9,445,581	$	0.36
Options granted[1]	2,717,000		0.27
Options forfeited[3]	(9,345,433)		0.15
Balance as at December 31, 2018	**2,817,148**	**$**	**0.97**
Balance as at December 31, 2016	8,311,841	$	0.33
Options granted[2]	1,133,740		0.57
Balance as at December 31, 2017	**9,445,581**	**$**	**0.36**

1) On January 23, 2018, 1,574,000 stock options were granted to executives of the Company. The options are exercisable at a price of C$0.37 and expire on January 23, 2026. The options vest on a quarterly basis, in twelve equal instalments, starting on April 23, 2018 and are exercisable upon vesting. These options had a grant date fair value of C$0.23 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C$0.37, a risk free rate of 1.88%, a volatility factor of 110%, and an expected life of 3.0 years.

On August 31, 2018, 1,143,000 stock options were granted to executives of the Company. The options are exercisable at a price of C$0.21 and expire on August 31, 2026. The options vest on a quarterly basis, in twelve equal instalments, starting on November 30, 2018 and are exercisable upon vesting. These options had a grant date fair value of C$0.14 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C$0.21, a risk free rate of 1.02%, a volatility factor of 98%, and an expected life of 4.0 years.

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

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

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

The table below shows the outstanding stock options as at December 31, 2018 and 2017:

		Outstanding		Vested	
December 31,	Exercise price (C$)	Number of options	Weighted average remaining contractual life	Number of options	Weighted average remaining contractual life
2018	**$1.35**	**236,841**	**3.36**	**236,841**	**3.36**
2018	**$1.35**	**75,000**	**0.77**	**75,000**	**0.77**
2018	**$0.76**	**322,637**	**2.85**	**241,978**	**2.85**
2018	**$0.74**	**177,363**	**2.61**	**147,803**	**2.61**
2018	**$0.70**	**209,640**	**6.08**	**122,290**	**6.08**
2018	**$0.37**	**570,000**	**7.07**	**142,500**	**7.07**
2018	**$0.33**	**200,000**	**6.08**	**83,333**	**6.08**
2018	**$0.22**	**-**	**1.96**	**-**	**1.96**
2018	**$0.21**	**1,025,667**	**7.67**	**226,500**	**7.67**
2017	$1.35	311,841	3.74	311,841	3.74
2017	$0.76	645,274	3.85	215,091	3.85
2017	$0.74	354,726	3.61	147,803	3.61
2017	$0.70	733,740	7.08	61,145	7.08
2017	$0.33	400,000	4.73	33,333	4.73
2017	$0.22	7,000,000	2.96	4,666,667	2.96

The following table is a summary of stock options outstanding during the years ended December 31, 2018 and 2017, 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 2018	**2,817,148**	**$ 0.51**	**-**	**1.00%**	**0%**	**3.49**	**107%**	**$ 0.22**
Stock options 2017	9,445,581	$ 0.36	-	1.00%	0%	3.77	75%	$ 0.12

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. For the year ended December 31, 2018, the Company recognized $296,000 in stock based compensation expense for stock options in the consolidated statements of operations and comprehensive loss (2017 – $458,000).

d) 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 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 December 31, 2018 and 2017:

	Number of units		Weighted average fair value
Balance as at December 31, 2017	2,793,964	$	0.42
Units granted[1]	4,476,000		0.23
Units redeemed[3]	(316,861)		0.45
Units forfeited[4]	(1,282,335)		0.39
Balance as at December 31, 2018	**5,670,768**	**$**	**0.28**
Balance as at December 31, 2016	1,583,804	$	0.37
Units granted[2]	1,210,160		0.47
Balance as at December 31, 2017	**2,793,964**	**$**	**0.42**

1) On January 23, 2018, the Company granted 191,000 deferred shared units ('DSUs') to each of the non-executive directors, totalling a grant of 1,337,000 DSUs, 50% of which vested immediately, with the remaining 50% vesting July 28, 2018. The DSUs are exercisable upon the retirement of such directors. In addition, the Company granted executives of the Company 563,000 time-vested DSUs, that vest on a quarterly basis, in twelve equal instalments, starting on April 23, 2018, and 563,000 performance-vested DSUs, that shall vest if the Company's stock price reaches C$1.00 measured on a 5-day VWAP basis, and is maintained at that level for at least 20 consecutive trading days. The DSUs granted to executives of the Company are exercisable upon vesting. The DSUs granted in January 2018 had a total grant date fair value of $714,000, measured at US$0.29/share.

On August 31, 2018 the Company granted a total of 2,013,000 DSUs to directors and executives of the Company in four forms, holding a total grant date fair value of $186,000, measured at US$0.16/share.

i. 858,000 DSUs were granted to the Company's non-executive directors, attributing 143,000 to each, 50% of which vested immediately, with the remaining 50% vesting February 28, 2019. The DSUs are exercisable upon the retirement of such directors.
ii. 360,000 time-vested DSUs were granted to officers of the Company, 50% of which vest monthly in six equal instalments starting on September 30, 2018, with the remaining 50% vesting monthly in twelve equal instalments, also starting on September 30, 2018. These DSUs granted are exercisable upon vesting.
iii. 415,000 time-vested DSUs were granted to officers and executives of the Company, vesting on a quarterly basis, in twelve equal instalments, starting on November 30, 2018. These DSUs granted are exercisable upon vesting.
iv. 380,000 DSUs in-lieu-of-compensation to officers of the Company, vesting on a monthly basis in six equal instalments starting on September 30, 2018. These DSUs granted are exercisable upon vesting.

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

On December 8, 2017, 33,000 DSUs were granted to a new non-executive director of the Board, which vested 50% immediately upon grant and 50% on June 30, 2018. The DSUs are exercisable upon retirement or under special circumstances according to the DSU Plan.

3) On August 15, 2018, an officer and director redeemed 316,861 DSUs. The DSUs were settled via issuance of 316,861 shares, representing a settlement date fair value of $115,000.

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

For the year ended December 31, 2018, the Company recognized $791,000 in stock based compensation expense for DSUs in the consolidated statements of operations and comprehensive loss (2017 – $532,000, respectively).

19. Basic and diluted earnings per share

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

	Year Ended December 31, 2018	2017
Numerator		
Net income (loss) - basic and diluted	**$ (15,968)**	$ (2,830)
Net income (loss) for the purpose of diluted income (loss) per share	**$ (15,968)**	$ (2,830)
Denominator		
Weighted average number of common shares outstanding - basic and diluted	**326,006,386**	316,935,390
Basic and diluted income (loss) per share	**$ (0.05)**	$ (0.01)

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:

	Year Ended December 31, 2018	2017
Stock options	**9,316,152**	9,103,085
Deferred share units	**5,211,809**	2,676,690
Warrants	**2,298,743**	3,073,411
Anti-dilutive instruments	**16,826,704**	14,853,186

20. Operating costs

		Year Ended December 31, 2018	2017
Direct mining and processing costs	*Note 6*	**$ 51,738**	$ 65,026
Royalty expense and CFEM taxes		**3,204**	3,169
Inventory write-down	*Note 6*	**-**	929
Other		**(361)**	16
Operating costs		**$ 54,581**	$ 69,140

21. Change in other provisions and VAT taxes

		Year Ended December 31,	
		2018	2017
Change in legal provisions	*Note 17*	**$ 4,367**	$ 1,418
(Reversals)/Additions to provision against recoverability of VAT and other taxes	*Note 7*	**(2,141)**	2,235
Total change in other provisions and VAT taxes		**$ 2,226**	$ 3,653

22. Impairment charge (reversal)

	Year Ended December 31,	
	2018	2017
Impairment reversal on PP&E	**$ (3,855)**	(13,477)
Impairment reversal on mineral exploration projects	**(387)**	(1,353)
Impairment charge on PP&E	**12,603**	-
Impairment charge on mineral exploration projects	**668**	-
Total impairment charges	**$ 9,029**	$ (14,830)

23. Other operating expenses

	Year Ended December 31,	
	2018	2017
Other expenses[1]	**$ 4,258**	$ 620
Loss on sale of ICMS credits	**1,129**	$ 1,515
Taxes due upon settlement with tax authorities[2]	**1,024**	$ -
Other taxes	**394**	1,127
Restructuring costs[3]	**555**	-
Total other operating expenses	**$ 7,360**	$ 3,262

[1] Includes $2.2 million in realized losses, in 2018, for legal claims decided in favor of former employees and contractors of the Company.

[2] Includes $1.0 million in ICMS principal and associated costs, in 2018, due on the ICMS tax historical debt due, as further explained in Note 14.

[3] Refers to restructuring costs, including relocation costs, personnel costs, and other costs, incurred in association with the Company's suspension of the Roça Grande mine.

24. Foreign exchange (gain) loss

		Year Ended	
		2018	2017
Loss on recoverable taxes	*Note 7*	**$ 3,349**	$ 278
(Gain) on reclamation provision	*Note 16*	**(2,687)**	(294)
(Gain) on contingent liabilities and other provisions	*Note 17*	**(1,688)**	(191)
(Gain) on other foreign exchange		**(161)**	(271)
Total foreign exchange (gain)		**$ (1,187)**	$ (478)

25. Financial instruments loss (gain)

		Year Ended December 31, 2018	2017
Changes in unrealized loss/(gain) on derivatives	*Note 32(c)(d)*	**$ 276**	$ (327)
Realized loss on derivatives	*Note 32(c)(d)*	**2,165**	-
Total financial instruments loss (gain)		**$ 2,441**	$ (327)

26. Finance costs

	Year Ended December 31, 2018	2017
Interest expense	**$ 2,526**	$ 3,989
Accretion expense[1]	**1,164**	1,604
Total finance costs	**$ 3,690**	$ 5,593

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

27. Other non-operating expenses (recoveries)

	Year Ended December 31, 2018	2017
Interest income	**$ (513)**	$ (757)
Loss on disposition of property	**157**	667
Other non-operating expenses (recoveries)	**687**	(58)
Total other non-operating expenses (recoveries)	**$ 331**	$ (148)

28. Cash flow – other operating activities

		Year Ended December 31,	
		2018	2017
Stock-based compensation	*Note 18(c)(d)*	**$ 1,086**	$ 991
Non-cash other operating expense		**-**	(406)
Loss on disposition of PP&E		**157**	667
Provision for other accounts receivable		**-**	352
(Reversals)/Additions to provision against recoverability of VAT and other taxes	*Note 21*	**(2,141)**	2,235
Other operating activities (recovery) expense		**$ (898)**	$ 3,839

29. Cash flow – changes in working capital

		Year Ended December 31,	
		2018	2017
Restricted cash		**$ (992)**	$ 999
Inventory		**107**	(1,344)
Recoverable taxes		**3,058**	971
Other accounts receivable		**(490)**	261
Prepaid expenses and other assets		**(679)**	(2,918)
Accounts payable and accrued liabilities		**2,284**	(2,899)
Reclamation provisions	*Note 16*	**(159)**	(369)
Other taxes payable	*Note 15*	**(565)**	-
Contingent liabilities	*Note 17*	**(2,563)**	(3,196)
Changes in working capital		**$ 1**	$ (8,495)

30. Financial liabilities and other commitments

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

As at December 31, 2018	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities[1]	$ 17,506	$ -	$ -	$ -	**$ 17,506**
Other Taxes Payable					
ICMS Settlement Due	419	837	384	-	**1,640**
INSS	83	166	83	-	**332**
Withholding taxes	178	8,170	-	-	**8,348**
Notes payable					
Principal					
Bank indebtedness[2]	7,270	-	-	-	**7,270**
Capital leasing obligations	1,451	12	-	-	**1,463**
Vale note	875	250	-	-	**1,125**
Interest	159	-	-	-	**159**
Reclamation provisions[4]	1,909	5,486	4,920	6,663	**18,978**
Contingent liabilities	3,871	7,610	-	-	**11,481**
Derivatives payable	607	-	-	-	**607**
Other liabilities	-	2,910	-	-	**2,910**
Total financial liabilities	$ 34,328	$ 25,441	$ 5,387	$ 6,663	**$ 71,819**
Other Commitments					
Customer advances					
Principal					
Auramet advance	$ 7,000	$ -	$ -	$ -	**$ 7,000**
Interest	651	-	-	-	**651**
Operating lease agreements	46	-	-	-	**46**
Suppliers' agreements[3]	425	-	-	-	**425**
Total other commitments	$ 8,122	$ -	$ -	$ -	**$ 8,122**
Total	**$ 42,450**	**$ 25,441**	**$ 5,387**	**$ 6,663**	**$ 79,941**

[1] Amounts payable as at December 31, 2018.

[2] Bank indebtedness represents the principal on Brazilian short-term bank loans which are renewed in 180 day periods.

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

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

31. 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 December 31, 2018, the Company's capital structure is comprised of $9.7 million in notes payable (Note 12), $7.0 million in customer advances (Note 13), and $103.9 million in shareholders' equity (December 31, 2017: $17.5 million, $nil, and $118.4 million, respectively).

At December 31, 2018, the Company is not subject to externally imposed capital requirements other than those stipulated by the Auramet advance (Note 13) and the Votorantim bank indebtedness (Note 5).

32. Financial risk management and financial instruments

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

a) Credit risk

Credit risk associated with financial assets and royalty interests arises from cash held with banks, derivative financial instruments with positive fair values, recoverable taxes refundable from tax authorities, credit exposure to customers and counterparties to sales agreements. The credit risk is limited to the carrying amount on the statement of financial position.

The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments, recoverable tax claims, and sales agreements, but does not expect any counterparties to fail to meet their obligations. The Company's cash and cash equivalents are held through large financial institutions in Brazil, Canada, and the United States of America. The Company manages its credit risk by entering into transactions with high-credit quality counterparties, limiting the amount of exposure to each counterparty where possible, and monitoring the financial condition of the counterparties.

b) Liquidity risk

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

As at December 31, 2018, the Company had a working capital deficit of $2.4 million and an accumulated deficit of $465.6 million. The Company realized a net loss for the year ended December 31, 2018 amounting to $16.0 million. The Company's financial liabilities and other commitments are listed in Note 30.

The Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. The main factor is the realized price of gold received for gold produced from the Company's operating mines and the operating and capital costs of those mines. Other key factors include the Company's ability to continue to renew its Brazilian facilities and manage the payment process relating to its Brazilian labour provisions (refer to Note 17).

c) Derivative financial instruments

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

The Company entered into 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 consolidated statements of operations and comprehensive income (loss) as detailed in Note 25. The contracts 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 consolidated statement of operations. The Company does not apply hedge accounting for these hedge instruments.

As at December 31, 2018, the Company's outstanding gold forward contracts covered 8,801 ounces hedged at a weighted average price of US$1,260/oz (December 31, 2017 – zero ounces) and a $186,000 open loss position (December 31, 2017 – $nil). Included in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018 is $186,000 in unrealized losses and $nil in realized losses (2017 – $nil in unrealized losses and $327,000 in realized gains).

The Company also entered into a European style gold call options agreement with Auramet providing Auramet an option to purchase up to 7,000 ounces of gold (1,000 ounces per month) at a strike price of US$1,450 per ounce on expiration dates maturing monthly between May 2019 and November 2019, as further detailed in Note 13. Included in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018 is $188,000 in unrealized gains and $nil in realized gains (2017 – $nil in unrealized losses/(gains) and $nil in realized losses/(gains)).

d) Currency risk

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

The Company entered into European style foreign exchange call and put option contracts with Western Union, 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 consolidated statement of operations. The Company does not apply hedge accounting for these hedge instruments.

As at December 31, 2018, the Company´s outstanding foreign exchange hedge contracts hosted $7.5 million in total options outstanding, and the Company held a $278,000 open loss position due to Western Union. The call options outstanding held strike prices between R$3.7100/USD and R$3.7625/USD and expiry dates from January 2019 through May 2019. The put options outstanding held strike prices of R$3.6500/USD and expiry dates from January 2019 through May 2019. Included in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2018 is a realized loss of $2.2 million, and an unrealized loss of $278,000 (2017 - $nil in realized loss and $nil in unrealized loss).

The exposure of the Company's financial assets and liabilities (and certain other assets and liabilities) to currency risk is as follows, as at December 31, 2018:

	Denominated in Brazilian reais	Denominated in Canadian dollars	Denominated in European euros
Financial assets			
Cash and cash equivalents	$ 5,715	$ 51	$ -
Recoverable taxes	19,029	42	-
Other accounts receivable	566	-	-
Prepaid expenses and advances	1,332	10	-
Restricted cash	6,051	-	-
Total financial assets	$ 32,693	$ 103	$ -
Financial liabilities			
Accounts payable and accrued liabilities	$ 16,181	$ 103	$ -
Other taxes payable	10,252	-	-
Capital lease obligation	724	-	658
Reclamation provision	15,312	-	-
Contingent liabilities	11,481	-	-
Other liabilities	2,913	-	-
Total financial liabilities	56,863	103	658
Net financial assets/(liabilities)	$ (24,170)	$ -	$ (658)

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments (and certain other assets and liabilities) as at December 31, 2018 and 2017 with all other variables held constant. It shows how income before taxes would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

Exchange Rates	Change for Sensitivity	Gain/(loss) of change to 2018	Gain/(loss) of change to 2017
USD per Brazilian real	10% increase	**$ 2,197**	**$ 1,402**
USD per Brazilian real	10% decrease	**(2,197)**	**(1,402)**
USD per Canadian dollar	10% increase	**-**	**(158)**
USD per Canadian dollar	10% decrease	**-**	**158**
USD per European euro	10% increase	**60**	**139**
USD per European euro	10% decrease	**(60)**	**(139)**

e) Interest rate risk

The Company is potentially exposed to interest rate risk on its outstanding borrowings and short-term investments. The Company managed its risk by entering into agreements with fixed interest rates on all of its debt with interest rates ranging from 0% to 9.6% per annum (2017 – 0% to 9.6% per annum), with the exceptions being (i) one capital lease obligation bearing interest at a fixed rate of 22.85% per annum and (ii) the customer advance with Auramet at a rate of 7.5% plus the 12-month US dollar LIBOR rate.

f) Price risk

The Company is exposed to price risk with respect to gold prices on gold production. The Company periodically enters into hedge contracts to manage this risk and to secure future sales terms with customers. As at December 31, 2018, the Company's outstanding gold forward contracts covered 8,801 ounces hedged at a weighted average price of US$1,260/oz (December 31, 2017 – zero ounces) and a $186,000 open loss position (December 31, 2017 –$nil), as further described in Note 32(c).

g) Financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts its valuation models to incorporate a measure of credit risk. The fair value of the following financial assets and liabilities approximate their carrying amount due to the limited term of these instruments:

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

Fair value estimation:

The Company categorizes each of its fair value measurements in accordance with a fair value hierarchy. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques used to measure fair value.

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

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

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

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

The fair value of the Company's financial assets and liabilities approximate their carrying values at December 31, 2018 and 2017.

h) Changes in liabilities arising from financing activities

		Changes from financing cash flows			Other changes				
	Balance as at January 1, 2018	Proceeds from debt issuance	Debt repayments	Interest paid	Interest expense	Capital lease obligations	Foreign exchange (gain) loss	Other non-cash changes	**Balance as at December 31, 2018**
Notes payable	$ 17,525	$ 5,083	$ (14,112)	$ -	$ -	$ 1,046	$ (179)	$ 380	**$ 9,743**
Accrued interest payable[1]	77	-	-	(1,042)	1,195	-	-	-	**230**
Customer advances[2]	-	7,000	-	-	-	-	-	-	**7,000**
	$ 17,602	$ 12,083	$ (14,112)	$ (1,042)	$ 1,195	$ 1,046	$ (179)	$ 380	**$ 16,973**

	Changes from financing cash flows				Other changes				
	Balance as at January 1, 2017	Proceeds from debt issuance	Debt repayments	Interest paid	Interest expense	Capital lease obligations	Foreign exchange (gain) loss	Other non-cash changes	**Balance as at December 31, 2017**
Notes payable	$ 22,590	$ 4,870	$ (11,710)	$ -	$ -	$ 1,091	$ 263	$ 421	**$ 17,525**
Accrued interest payable[1]	154	-	-	(1,571)	1,494	-	-	-	**77**
	$ 22,744	$ 4,870	$ (11,710)	$ (1,571)	$ 1,494	$ 1,091	$ 263	$ 421	**$ 17,602**

(1) Included in Accounts payable and accrued liabilities

(2) Refers to the customer advance from Auramet as further described in Note 13.

33. Related party transactions

a) Transactions with directors and key management

The Company transacts with key individuals from management and with its directors who have authority and responsibility to plan, direct and control the activities of the Company. The nature of these dealings were in the form of payments for services rendered in their capacity as director (director fees, including share-based payments) and as employees of the Company (salaries, benefits, and share-based payments).

Key management personnel are defined as the executive officers of the Company including the President and Chief Executive Officer, Chief Financial Officer, Vice President of Operations, and Vice President of Investor Relations.

During the years ended December 31, 2018 and 2017, remuneration to directors and key management personnel were as follows:

	Year Ended December 31,	
	2018	2017
Fees earned and other compensation[1]	**$ 1,246**	$ 1,412
Share based compensation	**1,086**	991
Total compensation of directors and key management	**$ 2,332**	$ 2,403

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

b) Other related party transactions

The Company incurred legal fees from Azevedo Sette Advogados ("ASA"), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount, representing the amount agreed to by the parties and included in general and administrative expenses in the consolidated statements of operations and comprehensive loss. Legal fees paid to ASA were $42,000 for the year ended December 31, 2018 ($131,000 for the year ended December 31, 2017).

On November 7, 2016 and on June 9, 2017, the Company entered into two secured loan facilities with Sprott Private Resource Lending (Collector) LP, which 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 21.9% of the common shares of the Company as at December 31, 2018 (December 31, 2017 – 21.9%). On June 28, 2018, the Company fully repaid both secured loan facilities, and the Company had no amount payable to Sprott Private Resource Lending (Collector) LP at December 31, 2018. Refer to Note 12(d) for further information regarding the facilities.

34. Subsequent events

Subsequent to December 31, 2018, the Company entered into a senior secured loan facility ("Auramet loan facility") agreement with lender Auramet International LLC totaling $7.9 million to fund working capital, executed on March 15, 2019. The Auramet loan facility was provided by security agreements comprising the Company's and MSOL's present and future assets, the shares of MSOL, and a loan guarantee by MSOL. As per the agreement, interest shall be prepaid and non-reimbursable in the amount of $350,000, and principal is due at maturity on July 15, 2019. The Auramet loan facility holds a covenant which requires the Company to maintain a minimum net cash balance of $3 million. To obtain the Auramet loan facility, the Company incurred transaction costs, totaling $79,000, as an upfront fee due to Auramet and awarded Auramet a set of European style gold call options whereby Auramet holds an option to purchase up to 5,000 ounces of gold at a strike price of US$1,350 per ounce, expiring January 2020.

Subsequent to December 31, 2018, the Company engaged an additional $11.8 million in foreign exchange hedge contracts, including $11.8 million in put options with strike prices ranging between R$3.70/USD and R$3.75/USD and expiry dates between March 2019 and August 2019, and $11.8 million in call options with strike prices ranging between R$3.76/USD and R$4.03/USD also holding expiry dates from March 2019 to August 2019.

In 2019, the Company also entered into gold forward contracts with Auramet to sell 17,200 ounces at a weighted average price of US$1,300/oz, whereas 6,797 ounces were already fulfilled prior to the date of issuance of these consolidated financial statements. These contracts 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.