



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(UNAUDITED)**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

		June 30, 2021		December 31, 2020
ASSETS				
Current assets				
Cash and cash equivalents		\$ 34,393	\$	38,908
Restricted cash	Note 4	1,088		1,091
Inventory	Note 5	15,696		12,529
Recoverable taxes	Note 6	4,783		4,944
Other accounts receivable		113		61
Prepaid expenses and advances		2,527		2,912
Total current assets		58,600		60,445
Non-current assets				
Royalty interests	Note 7	-		8,476
Property, plant and equipment	Note 8	155,759		147,641
Mineral exploration projects		23,279		22,837
Recoverable taxes	Note 6	5,833		4,718
Other accounts receivable		5,000		5,000
Restricted cash		651		649
Total assets		\$ 249,122	\$	249,766
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	Note 9	\$ 17,215	\$	18,851
Notes payable	Note 10	3,037		3,058
Lease liabilities	Note 11	1,004		1,530
Current tax liability	Note 12	2,592		3,213
Other taxes payable		1,264		1,153
Reclamation provisions		591		623
Legal and other provisions	Note 13	3,038		2,827
Total current liabilities		28,741		31,255
Non-current liabilities				
Lease liabilities	Note 11	1,973		1,193
Other taxes payable		10,469		10,922
Reclamation provision		12,143		11,539
Legal and other provisions	Note 13	5,228		5,157
Total liabilities		\$ 58,554	\$	60,066
SHAREHOLDERS' EQUITY				
Common shares	Note 14	\$ 566,959	\$	565,734
Stock options	Note 14	1,159		1,374
Deferred share units	Note 14	1,581		1,453
Contributed surplus		23,528		23,528
Deficit		(402,659)		(402,389)
Total shareholders' equity		\$ 190,568	\$	189,700
Total liabilities and shareholders' equity		\$ 249,122	\$	249,766

Subsequent events

Note 25

On behalf of the Board:

(signed) "Jeffrey Kennedy"

(signed) "Vernon Baker"

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

For the three and six months ended June 30, 2021 and 2020

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 36,330	\$ 42,536	\$ 68,015	\$ 73,337
Operating costs <i>Note 16</i>	17,365	14,638	32,126	28,935
Depreciation	5,636	4,023	10,396	7,648
Gross profit	13,329	23,875	25,493	36,754
Exploration and evaluation costs	1,309	87	2,546	310
Care and maintenance costs (Paciência and Roça Grande mines)	283	121	614	296
Stock-based compensation <i>Note 14(b)(c)</i>	115	61	582	284
General and administrative expenses	1,555	1,231	2,959	2,897
Amortization	15	29	33	56
Legal, recoverable tax and other provisions expenses	225	366	926	793
Other operating expenses	191	(519)	457	(134)
Operating income	9,636	22,499	17,376	32,252
Foreign exchange (gain)	3,281	(236)	988	(5,863)
Financial instruments loss <i>Note 17</i>	-	(144)	-	476
Finance costs	285	14	579	439
Other non-operating expenses <i>Note 18</i>	538	(245)	2,273	(231)
Income before income taxes	5,532	23,110	13,536	37,431
Income tax expense <i>Note 12</i>	2,552	3,932	4,448	5,978
Net income	\$ 2,980	\$ 19,178	\$ 9,088	\$ 31,453
Total comprehensive income	\$ 2,980	\$ 19,178	\$ 9,088	\$ 31,453
Earnings per share <i>Note 15</i>				
Earnings per share				
Basic	\$ 0.04	\$ 0.03	\$ 0.13	\$ 0.04
Diluted	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.04
Weighted average shares outstanding				
Basic	72,416,216	72,410,727	72,352,328	72,811,821
Diluted	73,507,991	73,308,322	73,508,095	73,642,906

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2021 and 2020
(Unaudited and expressed in thousands of US dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 2,980	\$ 19,178	\$ 9,088	\$ 31,453
Adjustments and non-cash items				
Depreciation and amortization	5,654	4,050	10,429	7,704
Accretion interest expense	109	148	215	335
Interest expense	168	(144)	256	96
Unrealized foreign exchange (gain)	3,547	(552)	1,285	(6,785)
Current income tax expense	Note 12 2,554	3,932	4,448	5,978
Change in unrealized derivatives	-	(1,135)	-	(1,032)
Legal and other provisions expense	12	(685)	423	(365)
Other operating activities expense	Note 19 803	407	3,274	745
Changes in operating working capital	Note 20 (1,409)	2,306	(5,249)	(1,990)
Income taxes paid	(1,784)	-	(5,069)	-
Net cash provided by operating activities	12,634	27,505	19,100	36,139
INVESTING ACTIVITIES				
Investment in mineral exploration projects	-	-	(442)	-
Purchase of property, plant and equipment	(9,679)	(6,937)	(19,084)	(14,532)
Proceeds from disposition of royalty interests	Note 7 -	-	6,950	-
Proceeds from disposition of property, plant and equipment	4	-	4	6
Net cash (used in) investing activities	(9,675)	(6,937)	(12,572)	(14,526)
FINANCING ACTIVITIES				
Cash received upon issuance of debt	-	1,939	2,975	3,481
Cash received upon issuance of shares via stock options exercised	1	21	556	21
Cash received upon redemption of restricted cash margin deposits	(37)	-	(11)	-
Repayment of debt	(1,114)	(4,119)	(4,816)	(5,920)
Cash paid for purchase and cancellation of shares	-	(739)	-	(739)
Interest paid	(9)	(157)	(92)	(194)
Restricted cash margin deposits paid	-	263	-	111
Cash dividends paid	(4,742)	-	(9,358)	-
Net cash (used in) provided by financing activities	(5,901)	(2,792)	(10,746)	(3,240)
Effect of exchange rate changes on cash and cash equivalents	(267)	318	(297)	922
Net increase in cash and cash equivalents	(3,209)	18,094	(4,515)	19,295
Cash and cash equivalents at the beginning of the period	37,602	12,125	38,908	10,924
Cash and cash equivalents at the end of the period	\$ 34,393	\$ 30,219	\$ 34,393	\$ 30,219

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2021 and 2020

(Unaudited and expressed in thousands of US dollars)

	Common Shares		Stock Options		Deferred Share Units		Contributed Surplus	Deficit	Total Equity
	Shares	Amount	Options	Amount	Units	Amount			
Balance as at January 1, 2020	72,393,354	\$ 570,911	583,148	\$ 961	667,347	\$ 1,542	\$ 20,955	\$ (465,789)	\$ 128,580
Shares purchased and cancelled in normal course issuer bid	(2,517,037)	(1,983)	-	-	-	-	1,244	-	(739)
Stock options granted	-	-	2,770,000	262	-	-	-	-	262
Stock options forfeited	-	-	(315,000)	(34)	-	-	34	-	-
Stock options redeemed	275,000	21	(275,000)	(8)	-	-	-	-	13
Deferred share units granted	-	-	-	-	-	21	-	-	21
Deferred share units forfeited	-	-	-	-	(210,000)	(35)	35	-	-
Deferred share units redeemed	1,693,606	447	-	-	(1,693,606)	(447)	-	-	-
Net loss	-	-	-	-	-	-	-	31,453	31,453
Balance as at June 30, 2020	71,844,923	\$ 569,396	2,763,148	\$ 1,181	(1,236,260)	\$ 1,081	\$ 22,268	\$ (434,336)	\$ 159,590
Balance as at January 1, 2021	72,118,620	\$ 565,734	1,075,876	\$ 1,374	534,048	\$ 1,453	\$ 23,528	\$ (402,389)	\$ 189,700
Stock options granted	-	-	58,056	134	-	-	-	-	134
Stock options exercised	135,425	905	(153,198)	(349)	-	-	-	-	556
Deferred share units granted	-	-	-	-	137,404	448	-	-	448
Deferred share units redeemed	162,171	320	-	-	(162,171)	(320)	-	-	-
Dividends	-	-	-	-	-	-	-	(9,358)	(9,358)
Net income	-	-	-	-	-	-	-	9,088	9,088
Balance as at June 30, 2021	72,416,216	\$ 566,959	980,734	\$ 1,159	509,281	\$ 1,581	\$ 23,528	\$ (402,659)	\$ 190,568

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

1. Nature of business

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

These condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2021 and 2020, include the accounts of the Company and its wholly-owned subsidiary Mineração Serras do Oeste Ltda. (“MSOL”). MSOL is the operating subsidiary for the Turmalina complex comprising the Turmalina mine and the Caeté complex comprising the Pilar mine. All significant intercompany accounts and transactions have been eliminated on consolidation.

The Company’s condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements do not include all annual disclosures as required by International Financial Reporting Standards (“IFRS”), and should be read in connection with the Company’s December 31, 2020 audited annual consolidated financial statements.

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 9, 2021.

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

2. Significant accounting policies and estimates

The accounting policies and estimates applied in these condensed interim consolidated financial statements are consistent with those used in the Company’s audited annual consolidated financial statements for the year ended December 31, 2020, complemented by the following estimates and judgements applied:

- **Variable consideration**

The Company recognizes revenue or income on a given sales transaction when it has fulfilled its performance obligations to a given sales agreement. When sales transactions give rise to potential variable consideration, such as seen in the CentroGold Project net smelter return royalty sale (Note 7), the variable consideration is recognized to the extent it can be estimated reliably and it is highly probable that a significant reversal of the amount will not occur in the future.

The Company computes the transaction price to a given sales transaction using one of the following methods:

- i. the expected value method: identifies a range of possible consideration amounts, weights the possible consideration amounts by their respective probabilities, and then sums probability-weighted amounts to generate the expected value of consideration to be received from the customer.
- ii. the most likely value method: the amount determined most likely to be received.

Significant judgments are exercised in assessing the probability of occurrence and these judgments exercised are subject to risks and uncertainties.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

3. Share Consolidation

On August 27, 2020, the Company completed a share consolidation (the "Share Consolidation") of its outstanding common shares (the "Shares") on the basis of one (1) post-Consolidation Share for every ten (10) pre-Consolidation Shares. As a result of the Share Consolidation, the 723,502,108 common shares issued and outstanding as at that date were consolidated to 72,350,197 common shares on a non-diluted basis. The Share Consolidation was previously approved by shareholders at a meeting held on June 5, 2017. All information in these condensed interim consolidated financial statements with respect to prior periods has been restated to be presented on a post-Share Consolidation basis

4. Restricted cash

	June 30, 2021	December 31, 2020
Restricted cash - current portion		
Margin deposits ^(a)	\$ 300	\$ 289
Escrow judicial deposits ^(b)	788	802
	1,088	1,091
Restricted cash - non-current portion		
Escrow judicial deposits ^(b)	651	649
	651	649
Total restricted cash	\$ 1,739	\$ 1,740

a) Margin deposits paid in accordance with the Company's notes payable (Note 10).

b) Escrow judicial deposits paid in relation to Other liabilities recognized in association with the Company's ongoing labour, civil and tax litigations (Note 13).

5. Inventory

Inventory is comprised of the following:

	June 30, 2021	December 31, 2020
Raw material and mine operating supplies	\$ 10,730	\$ 8,763
Ore in stockpiles	475	426
Gold in process	1,020	1,103
Unrefined gold doré	3,471	2,237
Total inventory	\$ 15,696	\$ 12,529

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Depreciation included in gross profit	\$ 5,636	\$ 4,023	\$ 10,396	\$ 7,648

The inventory amount recognized in direct mining and processing costs for the three and six months ended June 30, 2021 was \$16.3 million and \$30.3 million, respectively (\$13.3 million and \$26.4 million, respectively, during the three and six months ended June 30, 2020). During the three and six months ended June 30, 2021, there were

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

no inventory write downs to net realizable value (\$nil and \$nil, during the three and six months ended June 30, 2020).

6. Recoverable taxes

	December 31, 2020	Additions/ reversals	Write- offs	Sales of credits	Applied to taxes payable	Foreign exchange	June 30, 2021
Value added taxes and other ^(a)	\$ 6,237	\$ 3,028	\$ -	\$ -	\$ (3,199)	\$ 181	\$ 6,247
Provision for VAT and other	(847)	-	-	-	-	(33)	(880)
Net VAT and other taxes	\$ 5,390	\$ 3,028	\$ -	\$ -	\$ (3,199)	\$ 148	\$ 5,367
ICMS ^(b)	\$ 6,057	\$ 1,333	\$ -	\$ -	\$ (39)	\$ 336	\$ 7,687
Provision for ICMS	(1,785)	(503)	-	-	-	(150)	(2,438)
Net ICMS	\$ 4,272	\$ 830	\$ -	\$ -	\$ (39)	\$ 186	\$ 5,249
Total recoverable taxes	\$ 9,662	\$ 3,858	\$ -	\$ -	\$ (3,238)	\$ 334	\$ 10,616
Less: current portion	4,944						4,783
Non-current portion	\$ 4,718						\$ 5,833

a) In the six months ended June 30, 2021, the Company applied R\$10.5 million (\$2.0 million) in federal value added taxes and other tax credits to pay INSS tax obligations and R\$6.7 million (\$1.2 million) to pay goods and service withholding tax obligation. In the six months ended June 30, 2020, the Company applied R\$15.7 million (\$3.1 million) in federal value added taxes and other tax credits to pay INSS tax obligations, R\$6.3 million (\$1.3 million) to pay goods and service withholding tax obligations, and R\$13.2 million (\$2.6 million) to pay income tax and social contribution tax obligations.

b) As at June 30, 2021, the Company held R\$7.7 million (approximately \$1.4 million) in ICMS export tax credits authorized and available for sale but not yet sold (December 31, 2020 – R\$5.2 million, approximately \$1.0 million).

7. Royalty interests

	June 30, 2021	December 31, 2020
Oz Minerals Ltd. - CentroGold Project royalty interest ^(a)	\$ -	\$ 8,476
Total royalty interests	\$ -	\$ 8,476

a) On March 15, 2021, Jaguar Mining Inc. ("Jaguar" or the "Company") executed a Definitive Agreement with Metalla Royalty & Streaming Ltd. (MTA) ("Metalla") for the sale of the Company's Net Smelter Return ("NSR") royalty from gold production at the CentroGold Project (also referred to as the Gurupi Project) located in Maranhão State, Brazil and 100% owned by Oz Minerals Ltd. The NSR is comprised of a 1% net smelter return on the first 500,000 ounces of gold sold, a 2% net smelter return from 500,001 to 1,500,000 ounces of gold, and a 1% net smelter return on gold sales exceeding 1,500,000 ounces of gold.

The NSR was sold for an aggregate consideration valued at up to US\$18,000,000 receivable as follows:

- Immediate: \$7.0 million in cash upon executing the Definitive Agreement (received);
- Milestone 1: \$7.0 million in Metalla common shares upon grant of all project licenses, the lifting or extinguishment of the injunction imposed on the CentoGold Project with no pending appeals and, if necessary, the completion of any and all community relocations; and
- Milestone 2: \$4.0 million payment to Jaguar in cash upon the CentroGold Project achieving commercial production.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

The Company recognized \$7.0 million as consideration received from the sale of the NSR. The amounts noted above relating to Milestone 1 and Milestone 2 were not recognized, given that the completion of these milestones is dependent on the performance of an unrelated third party. As a result of the sale, the Company (i) transferred its NSR title to Metalla and derecognized the \$8.5 million CentroGold project royalty, (ii) received and recorded \$7.0 million in Cash, (iii) recorded \$0.2 million in legal and consulting costs associated with the transaction, and (iv) recognized a \$1.7 million loss on sale of the CentroGold royalty interest to Other non-operating expenses in its condensed interim consolidated statement of operations and comprehensive income (Note 18).

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

	Plant	Vehicles	Equipment ¹	Leasehold ²	CIP ³	Mining properties	Total
Cost							
Balance as at January 1, 2021	\$ 13,587	\$ 4,989	\$ 200,087	\$ 4,418	\$ 9,223	\$ 479,976	\$ 712,280
Additions	85	80	1,251	184	5,785	12,286	19,671
Disposals	-	(21)	-	-	(505)	-	(526)
Reclassify within PP&E	1,412	-	2,103	-	(3,515)	-	-
Balance as at June 30, 2021	\$ 15,084	\$ 5,048	\$ 203,441	\$ 4,602	\$ 10,988	\$ 492,262	\$ 731,425
Balance as at January 1, 2020	\$ 13,578	\$ 6,197	\$ 199,121	\$ 3,412	\$ 3,415	\$ 454,786	\$ 680,509
Additions	9	-	1,880	1,006	7,439	25,570	35,904
Disposals	-	(1,370)	(2,383)	-	-	(380)	(4,133)
Reclassify within PP&E	-	162	1,469	-	(1,631)	-	-
Balance as at December 31, 2020	\$ 13,587	\$ 4,989	\$ 200,087	\$ 4,418	\$ 9,223	\$ 479,976	\$ 712,280
Accumulated depreciation and impairment							
Balance as at January 1, 2021	\$ 13,428	\$ 1,663	\$ 174,150	\$ 3,397	\$ 566	\$ 371,435	\$ 564,639
Depreciation for the period	976	67	3,754	595	-	5,656	11,048
Disposals	-	(21)	-	-	-	-	(21)
Balance as at June 30, 2021	\$ 14,404	\$ 1,709	\$ 177,904	\$ 3,992	\$ 566	\$ 377,091	\$ 575,666
Balance as at January 1, 2020	\$ 12,514	\$ 2,395	\$ 174,270	\$ 2,407	\$ 685	\$ 370,208	\$ 562,479
Depreciation for the period	940	205	6,046	996	-	7,020	15,207
Impairment (reversal)	(26)	(21)	(4,616)	(6)	(119)	(5,793)	(10,581)
Disposals	-	(916)	(1,550)	-	-	-	(2,466)
Balance as at December 31, 2020	\$ 13,428	\$ 1,663	\$ 174,150	\$ 3,397	\$ 566	\$ 371,435	\$ 564,639
Carrying amounts							
As at June 30, 2021	\$ 680	\$ 3,339	\$ 25,537	\$ 610	\$ 10,422	\$ 115,171	\$ 155,759
As at December 31, 2020	\$ 159	\$ 3,326	\$ 25,937	\$ 1,021	\$ 8,657	\$ 108,542	\$ 147,641

¹ As at June 30, 2021, the Company had equipment under right-of-use leases at a cost and net book value of \$12.1 million and \$7.7 million, respectively (December 31, 2020 - \$10.1 million and \$6.7 million, respectively).

² Refers to leasehold improvements in corporate office in Brazil.

³ Refers to construction in progress.

9. Accounts payable and accrued liabilities

	June 30, 2021	December 31, 2020
Accounts payable	\$ 11,587	\$ 11,639
Accrued payroll	5,626	7,138
Other	2	74
Total accounts payable and accrued liabilities	\$ 17,215	\$ 18,851

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

10. Notes payable

	June 30, 2021	December 31, 2020
Notes payable - current portion		
Bank indebtedness ^(a)	\$ 3,037	\$ 3,058
	3,037	3,058
Total notes payable	\$ 3,037	\$ 3,058

a) Bank indebtedness

As at June 30, 2021, bank indebtedness consists of \$3.0 million in unsecured promissory notes, with maturities in September 2021 and bearing interest rates of 4.9% per annum. As at December 31, 2020, bank indebtedness included \$3.1 million in unsecured promissory notes, holding maturities through March 2021 and bearing interest rates ranging from 4.9% to 6.2%.

11. Lease liabilities

The Company has acquired certain equipment through the assumption of lease obligations. These obligations are secured by promissory notes. When measuring the value of the lease liabilities, the Company discounted lease payments using its 8.03% weighted average incremental borrowing rate at June 30, 2021 (December 31, 2020 – 8.75%). The following table outlines the total minimum loan payments due for lease obligations over their remaining terms as at June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Less than 1 year	823	1,561
1 - 3 years	1,905	1,201
3 - 5 years	1,405	311
Total minimum loan payments	4,133	3,073
Less: Future finance charges	(1,156)	(350)
Present value of minimum loan payments	\$ 2,977	\$ 2,723
Less: current portion	1,004	1,530
Non-current portion	\$ 1,973	\$ 1,193

For the three and six months ended June 30, 2021, the Company recognized accretion expense of \$35,000 and \$71,000, respectively, and foreign exchange losses of \$161,000 and \$114,000, respectively, in the condensed interim consolidated statement of operations and comprehensive income (\$28,000 and \$55,000, respectively, in accretion expense, and \$62,000 and \$573,000, respectively, in foreign exchange gains for the three and six months ended June 30, 2020). For the three and six months ended June 30, 2021, the Company presented \$1.2 million and \$1.9 million, respectively, in lease liability debt repayments in its statement of cash flows, as further detailed in Note 24(d) (\$0.5 million and \$1.1 million in lease repayments for the three and six months ended June 30, 2020).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

12. Income taxes

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Current income tax expense	2,552	3,932	4,448	5,978
Total income tax expense	\$ 2,552	\$ 3,932	\$ 4,448	\$ 5,978

The current income tax relates to taxable income in Brazil. At the beginning of the year, the Brazil entity had significant tax loss carry-forwards, however, under Brazil tax rules, only 30% of taxable income can be applied against tax loss carry-forwards in a given year.

The income tax provision is subject to a number of factors, including the allocation of income between different countries, different tax rates in various jurisdictions, the non-recognition of tax assets, foreign currency exchange rate movements, changes in tax laws and the impact of specific transactions and assessments. Due to the number of factors that can potentially impact the effective tax rate and the sensitivity of the tax provision to these factors, it is expected that the Company's effective tax rate will fluctuate in future periods.

13. Legal and other provisions

As at June 30, 2021, the Company has recognized a provision of \$8.3 million (December 31, 2020 - \$8.0 million) representing management's best estimate of expenditures required to settle present obligations, as noted in the table below. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the outcome of the resolution of these matters.

	December 31, 2020	Additions	Reversals/ Transfers	Payments	Foreign exchange	June 30, 2021
Labour litigation	\$ 6,652	\$ 818	\$ (569)	\$ (505)	\$ 252	\$ 6,648
Civil litigation	981	156	(13)	-	152	1,276
Tax litigation	51	16	-	-	(53)	14
Other provisions	300	15	-	-	13	328
Total legal and other provisions	\$ 7,984	\$ 1,005	\$ (582)	\$ (505)	\$ 364	\$ 8,266
Less: current portion		2,827				3,038
Non-current portion	\$ 5,157					\$ 5,228

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

14. 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 six months ended June 30, 2021 and 2020 are as follows:

		Number of shares	Amount
Balance as at December 31, 2020		72,118,620	\$ 565,734
Shares issued upon exercise of stock options	Note 14(b)	135,425	905
Shares issued upon redemption of deferred share units	Note 14(c)	162,171	320
Balance as at June 30, 2021		72,416,216	\$ 566,959
Balance as at December 31, 2019		72,393,354	\$ 570,911
Shares purchased and cancelled in normal course issuer bid ¹		(251,704)	(1,983)
Shares issued upon exercise of stock options	Note 14(b)	27,500	21
Shares issued upon redemption of deferred share units	Note 14(c)	169,361	447
Balance as at June 30, 2020		72,338,511	\$ 569,396

1) On June 16, 2020, the Toronto Stock Exchange accepted Jaguar's notice to make a normal course issuer bid (the "Bid") to purchase for cancellation up to 3,623,269 common shares in the capital of the Company ("Common Shares") in total, being 5% of the issued and outstanding Common Shares as at the date of Jaguar's notice to the TSX. According to the terms of the Bid, the Company's daily purchases are subject to a daily limit, the Company reserves the right to not purchase shares and may elect to suspend or discontinue the Bid at any time. The Bid commenced on June 18, 2020 and terminated on June 17, 2021.

During the six months ended June 30, 2021, the Company purchased and cancelled nil shares for \$nil in cash payments (251,704 shares for \$739,000, for the six months ended June 30, 2020). As at June 30, 2021, nil shares remained available and subject to purchase for cancellation under the Bid (December 31, 2020: 2,870,143 shares).

The total amount paid to purchase the shares is allocated to Common shares and Contributed surplus in the Company's condensed interim consolidated financial statements. The amount allocated to Common shares is based on the average cost per common share and amounts paid above or below the average cost are allocated to Contributed surplus.

b) Stock options

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

The following table shows the movement of stock options for the six months ended June 30, 2021 and 2020:

	Number of options	Weighted average exercise price (C\$)
Balance as at December 31, 2020	1,075,876	\$ 2.84
Options granted ¹	58,056	8.25
Options exercised ²	(153,198)	4.54
Balance as at June 30, 2021	980,734	\$ 2.90
Balance as at December 31, 2019	583,148	\$ 2.86
Options granted ³	277,000	2.50
Options exercised	(27,500)	1.00
Options forfeited ⁴	(31,500)	2.10
Balance as at June 30, 2020	801,148	\$ 2.83

1) On January 19, 2021, the Company granted 58,056 stock options to executives of the Company. The options are exercisable at a price of C\$8.25 and expire on January 19, 2029. 54,770 options vest on a quarterly basis, in twelve equal instalments, starting on April 1, 2021 and are exercisable upon vesting. 3,285 options vest if and when the 20 day VWAP of the Company's shares is C\$10.00 per share and are also exercisable upon vesting.

2) In the six months ended June 30, 2021, officers and directors of the Company exercised a total 153,198 options with exercise prices ranging between C\$1.00 and C\$7.60. The exercises were paid for with \$556,000 in cash proceeds to the Company and \$85,000 via a cashless exercise using 17,773 fully vested stock options. As a result of the options exercised, the Company issued 135,425 common shares.

3) On January 15, 2020, 175,000 stock options were granted to executives of the Company. The options are exercisable at a price of C\$2.50 and expire on January 15, 2028. The options vest on a quarterly basis, in twelve equal instalments, starting on January 31, 2020 and are exercisable upon vesting. These options had a grant date fair value of C\$1.77 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$2.50, a risk free rate of 1.69%, a volatility factor of 100%, and an expected life of 8.0 years.

On January 15, 2020, 102,000 stock options were granted to directors of the Company and are exercisable at a price of C\$2.50 with expiry on January 15, 2028. These options vested immediately upon grant and had a grant date fair value of C\$1.77 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$2.50, a risk free rate of 1.69%, a volatility factor of 100%, and an expected life of 8.0 years.

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

The table below shows the outstanding stock options as at June 30, 2021 and 2020:

Weighted average exercise price (C\$)	Grant date	Number of options outstanding	Number of options exercisable	Estimated fair value at grant date (US\$ per option)	Expiry date
\$ 13.50	May 12, 2014	15,790	15,790	\$ 3.81	May 12, 2022
13.50	October 8, 2014	7,500	7,500	1.92	October 8, 2022
7.40	August 8, 2016	36	36	3.43	August 8, 2021
7.60	November 7, 2016	1	1	3.74	November 7, 2021
3.30	September 21, 2017	20,000	20,000	2.20	September 21, 2022
3.70	January 23, 2018	15,000	15,000	1.99	January 23, 2026
2.10	August 31, 2018	4,374	1,458	1.10	August 31, 2026
1.00	May 31, 2019	60,313	20,000	0.33	May 31, 2027
2.20	August 5, 2019	600,000	450,000	0.99	August 5, 2027
1.90	October 4, 2019	22,500	22,500	1.13	October 4, 2027
2.50	January 15, 2020	168,664	52,004	1.36	January 15, 2028
8.70	August 19, 2020	8,500	8,500	5.11	August 19, 2028
8.25	January 19, 2021	58,056	-	3.87	January 19, 2029
\$ 2.90		980,734	612,789	\$ 1.32	

For the three and six months ended June 30, 2021, the Company recognized \$60,000 and \$134,000, respectively, in stock-based compensation expense for stock options in the condensed interim consolidated statements of operations and comprehensive loss (\$51,000 and \$263,000, respectively, for the three and six months ended June 30, 2020).

c) 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 June 30, 2021 and 2020:

	Number of units	Weighted average grant date fair value (US\$)
Balance as at December 31, 2020	534,048	\$ 2.63
Units granted ¹	137,404	6.25
Units redeemed ²	(162,171)	1.97
Balance as at June 30, 2021	509,281	\$ 3.82
Balance as at December 31, 2019	667,347	\$ 2.16
Units redeemed ³	(169,361)	2.65
Units forfeited ⁴	(21,000)	1.61
Balance as at June 30, 2020	476,986	\$ 2.01

1) On January 19, 2021 the Company granted a total of 124,650 DSUs to directors and executives of the Company in two forms, holding a total grant date fair value of \$794,000, measured at US\$6.37/share, as follows:

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

- i. 18,252 time-vested DSUs to executives of the Company, that vest on a quarterly basis, in twelve equal instalments, starting on April 1, 2021. These DSUs granted are redeemable upon vesting.
- ii. 18,252 performance-vested DSUs to executives of the Company, that shall vest if the Company's stock price reaches C\$10.00 measured on a 20-day VWAP basis, and is maintained at that level for at least 20 consecutive trading days. These DSUs granted are redeemable upon vesting.
- iii. 44,073 immediately-vested DSUs were granted to the Company's non-executive directors, all of which vested immediately upon resolution approval on January 19, 2021. These DSUs are redeemable upon retirement and up to one year following the retirement of such directors.
- iv. 44,073 time-vested DSUs to non-executive directors, that shall vest on the earlier of the date of the 2021 Annual General Meeting or June 30, 2021. These DSUs are redeemable upon retirement and up to one year following the retirement of such directors.

In the six months ended June 30, 2021, the Company granted a total of 12,754 DSUs to officers and directors of the Company as a result of the dividend paid to shareholders, holding a total grant date fair value of \$65,000, measured at a weighted average US\$5.08/share. These DSUs granted to officers are redeemable upon vesting, and the DSUs granted to directors are redeemable upon retirement and up to three months following retirement.

2) In the six months ended June 30, 2021, officers and directors redeemed a total of 162,171 DSUs. The DSUs were settled via issuance of 162,171 shares.

3) In the six months ended June 30, 2020, officers and directors redeemed a total of 169,361 DSUs. The DSUs were settled via issuance of 169,361 shares, representing a total grant date fair value of \$448,000.

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

For the three and six months ended June 30, 2021, the Company recognized \$55,000 and \$448,000, respectively, in stock-based compensation expense for DSUs in the condensed interim consolidated statements of operations and comprehensive income (loss) (\$9,000 and \$21,000, respectively, for the three and six months ended June 30, 2020).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

15. Basic and diluted earnings per share

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator				
Net income for the purpose of basic and diluted income per share	\$ 2,980	\$ 19,178	\$ 9,088	\$ 31,453
Denominator				
Weighted average number of common shares outstanding - basic	72,416,216	72,410,727	72,352,328	72,811,821
Stock Options	584,586	288,177	620,617	198,944
Deferred share units	507,189	609,418	535,150	632,141
Weighted average number of common shares outstanding - diluted	73,507,991	73,308,322	73,508,095	73,642,906
Basic income per share	\$ 0.04	\$ 0.03	\$ 0.13	\$ 0.04
Diluted income per share	\$ 0.04	\$ 0.03	\$ 0.12	\$ 0.04

The determination of the weighted average number of common shares outstanding for the calculation of diluted earnings (loss) per share does not include the following effect of options and deferred shares units which were anti-dilutive to earnings (loss) per share in the period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock options	396,148	561,285	375,660	660,583
Anti-dilutive instruments	396,148	561,285	375,660	660,583

16. Operating costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Direct mining and processing costs	Note 5 \$ 16,314	\$ 13,310	\$ 30,309	\$ 26,426
Royalty expense and CFEM taxes ¹	1,099	1,243	2,060	2,460
Other (recoveries)	(48)	85	(243)	49
Operating costs	\$ 17,365	\$ 14,638	\$ 32,126	\$ 28,935

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

17. Financial instruments (gain) loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Changes in unrealized (gain)/loss on derivatives	\$ -	\$ (1,135)	\$ -	\$ (1,032)
Realized loss on derivatives	-	991	-	1,508
Total financial instruments (gain) loss	\$ -	\$ (144)	\$ -	\$ 476

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

18. Other non-operating expenses

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Interest income	\$ (17)	\$ (26)	\$ (33)	\$ (65)
Loss on disposition of property	611	21	611	29
Loss on disposal of ICMS and other recoverable taxes	-	292	-	292
Loss on disposition of royalty interests ^(a)	-	-	1,686	-
Other non-operating expenses	(56)	(532)	9	(487)
Total other non-operating expenses	\$ 538	\$ (245)	\$ 2,273	\$ (231)

^(a) Refers to the loss on sale of the CentroGold Project royalty interest to Metalla as further described in Note 7.

19. Cash flow – other operating activities expense

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock-based compensation	\$ 115	\$ 44	\$ 582	\$ 267
Loss on disposition of PP&E	503	21	503	29
Loss on disposition of royalty interests	-	-	1,686	-
Additions to provision against recoverability of VAT and other taxes	185	342	503	449
Other operating activities expense	\$ 803	\$ 407	\$ 3,274	\$ 745

20. Cash flow – changes in operating working capital

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Restricted cash	\$ 19	\$ (105)	\$ 66	\$ (565)
Inventory	(1,210)	31	(2,548)	288
Recoverable taxes	(684)	(432)	(1,123)	686
Other accounts receivable	20	3,396	(52)	335
Prepaid expenses and other assets	753	490	385	282
Accounts payable and accrued liabilities	157	(268)	(929)	(261)
Other taxes payable	(258)	(271)	(491)	(935)
Reclamation provisions	(28)	(45)	(52)	(91)
Legal and other provisions	(178)	(365)	(505)	(857)
Other liabilities	-	(125)	-	(872)
Changes in operating working capital	\$ (1,409)	\$ 2,306	\$ (5,249)	\$ (1,990)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

21. 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 June 30, 2021	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities	\$ 17,215	\$ -	\$ -	\$ -	\$ 17,215
Other Taxes Payable					
ICMS Settlement Due	546	245	-	-	791
INSS	538	1,074	401	-	2,013
IRPJ & CSLL Settlement Due	182	363	214	-	759
Notes payable					
Principal					
Bank indebtedness ^(a)	3,037	-	-	-	3,037
Interest	58	56	-	-	114
Lease liabilities	823	1,905	1,405	-	4,133
Reclamation provisions ^(b)	591	2,073	6,587	6,721	15,972
Current tax liability	2,592	-	-	-	2,592
Total financial liabilities	\$ 25,582	\$ 5,716	\$ 8,607	\$ 6,721	\$ 46,626
Other Commitments					
Suppliers' agreements ^(c)	145	-	-	-	145
Total other commitments	\$ 145	\$ -	\$ -	\$ -	\$ 145
Total	\$ 25,727	\$ 5,716	\$ 8,607	\$ 6,721	\$ 46,771

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

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

^(c) 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.

22. 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 June 30, 2021, the Company's capital structure is comprised of \$3.0 million in notes payable and \$190.6 million in shareholders' equity (December 31, 2020: \$3.1 million and \$189.7 million, respectively).

As at June 30, 2021, the Company is not subject to externally imposed capital requirements other than those stipulated by Brazil bank indebtedness (Note 4).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

23. Financial risk management and financial instruments

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

a) Liquidity risk

To manage its liquidity risk, the Company undergoes an in-depth budgeting process each year which is supplemented by a continuous detailed cash forecasting process. Future financing requirements, if any, will depend on a number of factors that are difficult to predict and are often beyond the control of the Company. The main factors are the realized price of gold received for gold produced from the Company's operating mines and the operating and capital costs of those mines. Other key factors include the Company's ability to continue to renew its Brazilian loan facilities and manage the payment process relating to its Brazilian labour provisions (refer to Note 13).

b) Derivative financial instruments

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

1) Price risk

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

In the three and six months ended June 30, 2021, the Company did not engage in any price hedge derivative instruments (\$nil and \$1.9 million realized losses, respectively, for the three and six months ended June 30, 2020) and held no open price hedge derivative positions outstanding at June 30, 2021 (December 31, 2020 – Nil price hedge derivative positions outstanding).

2) Currency risk

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

In the three and six months ended June 30, 2021, the Company did not engage in any foreign exchange derivative instruments (for the three and six months ended June 30, 2020, the Company recorded realized losses of \$1.0 million and \$1.5 million, respectively, and a \$1.1 million gain and \$0.1 million loss, respectively, on changes in unrealized foreign exchange derivatives) and held no open foreign exchange derivative position as at June 30, 2021 (December 31, 2020 – no foreign exchange derivative positions outstanding).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2021 and 2020

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

c) Interest rate risk

The Company is potentially exposed to interest rate risk on its outstanding borrowings and short-term investments. The Company managed its risk by entering into agreements with fixed interest rates on all of its debt with interest rates ranging from 0% to 4.9% per annum.

d) Changes in liabilities arising from financing activities

	Changes from financing cash flows				Other changes				Balance as at June 30, 2021
	Balance as at December 31, 2020	Proceeds from debt issuance	Debt repayments	Interest paid	Interest expense	Right-of-use lease obligations	Foreign exchange (gain) loss	Other non- cash changes	
Notes payable	\$ 3,058	\$ 2,975	\$ (2,962)	\$ (83)	\$ 49	\$ -	\$ -	\$ -	\$ 3,037
Lease liabilities	2,723	-	(1,854)	-	-	1,923	114	71	2,977
	\$ 5,781	\$ 2,975	\$ (4,816)	\$ (83)	\$ 49	\$ 1,923	\$ 114	\$ 71	\$ 6,014

24. 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 income (loss). Legal fees paid to ASA were \$7,000 and \$25,000 for the three and six months ended June 30, 2021 (\$3,000 and \$6,000, for the three and six months ended June 30, 2020).

25. Subsequent events

On August 9, 2021, the Board of Directors of Jaguar Mining approved a cash dividend of C\$0.04 per common share of the Company, to be paid on August 31, 2021 to shareholders of record as of the close of business on August 23, 2021. The dividend qualifies as an eligible dividend for Canadian income tax purposes.