



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited and expressed in thousands of US dollars)

		June 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 30,219	\$ 10,924
Restricted cash	Note 3	1,202	1,418
Inventory	Note 4	12,274	12,701
Recoverable taxes	Note 5	5,872	12,658
Other accounts receivable		255	590
Prepaid expenses and advances		1,320	1,602
Derivative assets	Note 19	-	71
Total current assets		51,142	39,964
Non-current assets			
Royalty interests		8,476	8,476
Property, plant and equipment	Note 6	136,624	130,693
Mineral exploration projects		6,687	6,687
Recoverable taxes	Note 5	4,000	5,411
Other accounts receivable		5,000	5,000
Restricted cash	Note 3	749	4,684
Total assets		\$ 212,678	\$ 200,915
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	Note 7	\$ 11,526	\$ 16,141
Notes payable	Note 8	4,276	5,592
Lease liabilities		1,112	2,020
Current tax liability	Note 9	3,932	599
Other taxes payable	Note 10	759	642
Reclamation provisions		221	390
Legal and other provisions	Note 11	3,473	4,041
Derivative liabilities	Note 19	-	1,103
Total current liabilities		25,299	30,528
Non-current liabilities			
Lease liabilities		407	969
Other taxes payable	Note 10	10,773	9,665
Reclamation provision		11,557	15,385
Legal and other provisions	Note 11	4,957	11,543
Other liabilities		95	4,245
Total liabilities		\$ 53,088	\$ 72,335
SHAREHOLDERS' EQUITY			
Common shares	Note 12	\$ 569,396	\$ 570,911
Stock options	Note 12	1,181	961
Deferred share units	Note 12	1,081	1,542
Contributed surplus		22,268	20,955
Deficit		(434,336)	(465,789)
Total shareholders' equity		\$ 159,590	\$ 128,580
Total liabilities and shareholders' equity		\$ 212,678	\$ 200,915

Subsequent events

Note 21

On behalf of the Board:

(signed) "Jeffrey Kennedy"

(signed) "Vernon Baker"

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

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

For the three and six months ended June 30, 2020 and 2019

(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,	
	2020	2019	2020	2019
Revenue	\$ 42,536	\$ 23,923	\$ 73,337	\$ 45,339
Operating costs <i>Note 14</i>	14,638	14,627	28,935	29,246
Depreciation	4,023	3,499	7,648	7,109
Gross profit	23,875	5,797	36,754	8,984
Exploration and evaluation costs	87	50	310	92
Care and maintenance costs (Paciência and Roça Grande mines)	121	224	296	527
Stock-based compensation <i>Note 12(b)(c)</i>	61	215	284	344
General and administrative expenses	1,231	2,172	2,897	4,340
Amortization	29	34	56	68
Legal, recoverable tax and other provisions expenses	366	774	793	1,983
Other operating expenses	(519)	761	(134)	1,219
Operating income	22,499	1,567	32,252	411
Foreign exchange (gain) loss <i>Note 15</i>	(236)	436	(5,863)	303
Financial instruments (gain) loss	(144)	1,997	476	2,042
Finance costs	14	1,118	439	1,966
Other non-operating (recoveries) expenses	(245)	86	(231)	9
Income (loss) before income taxes	23,110	(2,070)	37,431	(3,909)
Current income tax expense <i>Note 9</i>	3,932	67	5,978	67
Net income (loss)	\$ 19,178	\$ (2,137)	\$ 31,453	\$ (3,976)
Total comprehensive (loss)	\$ 19,178	\$ (2,137)	\$ 31,453	\$ (3,976)
Earnings (loss) per share <i>Note 13</i>				
Earnings (loss) per share				
Basic	\$ 0.03	\$ (0.01)	\$ 0.04	\$ (0.01)
Diluted	\$ 0.03	\$ (0.01)	\$ 0.04	\$ (0.01)
Weighted average shares outstanding				
Basic	724,107,272	328,505,674	728,118,205	328,505,674
Diluted	733,083,220	328,505,674	736,429,057	328,505,674

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2020 and 2019

(Unaudited and expressed in thousands of US dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Net income (loss) for the period	\$ 19,178	\$ (2,137)	\$ 31,453	\$ (3,976)
Adjustments and non-cash items				
Depreciation and amortization	4,050	3,533	7,704	7,177
Accretion interest expense	148	328	335	655
Interest expense	(144)	790	96	1,311
Unrealized foreign exchange (gain)	(552)	109	(6,785)	(99)
Current income tax expense	3,932	67	5,978	67
Other tax expense	-	7	-	31
Change in unrealized derivatives	(1,135)	1,761	(1,032)	1,726
Legal and other provisions expense	(685)	1,885	(365)	2,909
Other operating activities (recoveries) expense	407	(348)	745	(336)
Changes in operating working capital	Note 16 2,306	1,510	(1,990)	563
Net cash provided by operating activities	27,505	7,505	36,139	10,028
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(6,937)	(8,053)	(14,532)	(14,926)
Proceeds from disposition of property, plant and equipment	-	53	6	57
Net cash (used in) investing activities	(6,937)	(8,000)	(14,526)	(14,869)
FINANCING ACTIVITIES				
Cash received upon issuance of debt	Note 8 1,939	-	3,481	7,340
Cash received upon issuance of shares via stock options exercised	21	-	21	-
Repayment of debt	(4,119)	(2,134)	(5,920)	(3,391)
Cash paid for purchase and cancellation of shares	Note 12(a) (739)	-	(739)	-
Interest paid	(157)	(368)	(194)	(588)
Restricted cash margin deposits paid	263	-	111	-
Net cash (used in) provided by financing activities	(2,792)	(2,502)	(3,240)	3,361
Effect of exchange rate changes on cash and cash equivalents	318	327	922	402
Net increase in cash and cash equivalents	18,094	(2,670)	19,295	(1,078)
Cash and cash equivalents at the beginning of the period	12,125	7,867	10,924	6,275
Cash and cash equivalents at the end of the period	\$ 30,219	\$ 5,197	\$ 30,219	\$ 5,197

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three and six months ended June 30, 2020 and 2019

(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, 2019	328,505,675	\$ 546,254	2,817,148	\$ 726	5,670,768	\$ 1,577	\$ 20,940	\$ (465,641)	\$ 103,856
Stock options granted	-	-	2,850,000	146	-	-	-	-	146
Deferred share units granted	-	-	-	-	-	198	-	-	198
Net loss	-	-	-	-	-	-	-	(3,976)	(3,976)
Balance as at June 30, 2019	328,505,675	\$ 546,254	5,667,148	\$ 872	5,670,768	\$ 1,775	\$ 20,940	\$ (469,617)	\$ 100,224
Balance as at January 1, 2020	723,933,540	\$ 570,911	5,831,481	\$ 961	6,673,467	\$ 1,542	\$ 20,955	\$ (465,789)	\$ 128,580
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	723,385,109	\$ 569,396	8,011,481	\$ 1,181	4,769,861	\$ 1,081	\$ 22,268	\$ (434,336)	\$ 159,590

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, 2020 and 2019

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

1. Nature of business

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

These condensed interim consolidated financial statements of the Company as at and for the three and six months ended June 30, 2020 and 2019, include the accounts of the Company and its wholly-owned subsidiary Mineração Serras do Oeste Ltda. (“MSOL”). MSOL is the operating subsidiary for the Turmalina complex comprising the Turmalina mine and the Caeté complex comprising the Pilar mine. All significant intercompany accounts and transactions have been eliminated on consolidation.

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

The condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 6, 2020.

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

2. Significant accounting policies and estimates

The accounting policies and estimates applied in these condensed interim consolidated financial statements are consistent with those used in the Company’s audited annual consolidated financial statements for the year ended December 31, 2019, except for the following accounting definition for shares repurchased and cancelled pursuant to normal course issuer bids:

- **Share repurchases under the normal course issuer bid** - the total amount paid to purchase the shares is allocated to Common shares and Contributed surplus in the condensed interim consolidated statement of changes in shareholder’s equity, whereas 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.

The following are recent pronouncements approved by the IASB that are pending adoption:

- **IAS 16, Property, Plant and Equipment** – the IASB issued an amendment to IAS 16, Property, Plant and Equipment, to prohibit the deducting from property, plant and equipment amounts received from selling items produced while preparing an asset for its intended use. Instead, sales proceeds and its related costs must be recognized in profit or loss. The amendment will require companies to distinguish between costs associated with producing and selling items before the item of property, plant and equipment is available for use and costs associated with making the item of property, plant and equipment available for its intended

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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use. The amendment is effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.

The impact of the amendment to IAS 16 on the Company's consolidated financial statements has not yet been determined, but an assessment will be performed prior to the effective date of January 1, 2022.

- **IAS 1, Presentation of Financial Statements** - The IASB issued an amendment to IAS 1, Presentation of Financial Statements, to clarify one of the requirements under the standard for classifying a liability as non-current in nature, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendment includes:
 - Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
 - Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
 - Clarifying how lending conditions affect classification; and
 - Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The impact of the amendment to IAS 16 on the Company's consolidated financial statements has not yet been determined, but an assessment will be performed prior to the effective date of January 1, 2022.

3. Restricted cash

	June 30, 2020	December 31, 2019
Restricted cash - current portion		
Margin deposits ^(a)	\$ 274	\$ 372
Escrow judicial deposits ^(b)	928	1,046
	1,202	1,418
Restricted cash - non-current portion		
Escrow judicial deposits ^(b)	749	4,684
	749	4,684
Total restricted cash	\$ 1,951	\$ 6,102

a) Margin deposits paid in accordance with the Company's notes payable (Note 8).

b) Escrow judicial deposits paid in relation to Other liabilities recognized in association with the Company's ongoing labour, civil and tax litigations (Note 11). In March 2020, the Company signed an agreement with the Turmalina mining right royalty beneficiaries, whereas (i) the parties agreed to discontinue all outstanding royalty entitlement legal claims against each other, (ii) the parties agreed to a reduced royalty charge of 2.5% of net revenue for the two year period from April 2020 to March 2022, and (iii) as a result of the termination of the ongoing lawsuits, the beneficiaries were able to withdraw the total amount that was in an escrow judicial account for royalties paid between May 2017 and January 2020. Upon execution of this agreement, the Company recognized a \$3.3 million decrease to Restricted cash, a \$3.3 million decrease to Other liabilities, and a \$nil impact to the condensed interim consolidated statements of operations and comprehensive loss.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

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

4. Inventory

Inventory is comprised of the following:

	June 30, 2020	December 31, 2019
Raw material and mine operating supplies	\$ 9,156	\$ 8,223
Ore in stockpiles	621	247
Gold in process	968	1,076
Unrefined gold doré	1,529	3,155
Total inventory	\$ 12,274	\$ 12,701

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Depreciation included in cost of sales	\$ 4,023	\$ 3,499	\$ 7,648	\$ 7,109

The inventory amount recognized in direct mining and processing costs for the three and six months ended June 30, 2020 was \$13.3 million and \$26.4 million, respectively (\$13.8 million and \$27.5 million, respectively, during the three and six months ended June 30, 2019). During the three and six months ended June 30, 2020, there were no inventory write downs to net realizable value (\$nil and \$nil, during the three and six months ended June 30, 2019).

5. Recoverable taxes

	December 31, 2019	Additions/ reversals	Write- offs	Sales of credits	Applied to taxes payable	Foreign exchange	June 30, 2020
Value added taxes and other	\$ 13,133	\$ 3,289	\$ (292)	\$ -	\$ (7,055)	\$ (2,996)	\$ 6,079
Provisions for VAT and other	(1,092)	-	-	-	-	288	(804)
Net VAT and other taxes	\$ 12,041	\$ 3,289	\$ (292)	\$ -	\$ (7,055)	\$ (2,708)	\$ 5,275
ICMS	\$ 7,536	\$ 1,245	\$ -	\$ (75)	\$ (443)	\$ (2,125)	\$ 6,138
Provision for ICMS	(1,508)	(449)	-	-	-	416	(1,541)
Net ICMS	\$ 6,028	\$ 796	\$ -	\$ (75)	\$ (443)	\$ (1,709)	\$ 4,597
Total recoverable taxes	\$ 18,069	\$ 4,085	\$ (292)	\$ (75)	\$ (7,498)	\$ (4,417)	\$ 9,872
Less: current portion	12,658						5,872
Non-current portion	\$ 5,411						\$ 4,000

In the six months ended June 30, 2020, the Company applied federal value added taxes and other tax credits to pay R\$15.7 million (\$3.1 million) in INSS tax obligations, to pay R\$6.3 million (\$1.3 million) in goods and service withholding tax obligations, and to pay R\$13.2 million (\$2.6 million) in income tax and social contribution (IRPJ CSLL) tax obligations. As from 2019, the Company adopted a tax regime which again allows for applying Federal VAT tax credits in payment of IPRJ CSLL tax obligations. In the six months ended June 30, 2019, the Company applied federal value added taxes and other tax credits to pay R\$13.5 million (\$3.5 million) in INSS tax obligations, and to pay R\$3.9 million (\$1.0 million) in goods and service withholding tax obligations.

In June 2018, the Company entered into an Administrative Agreement with the Minas Gerais State Tax Authority to pay R\$8.3 million (approximately \$2.2 million) in historical ICMS taxes due. In accordance with the agreement, the Company agreed to pay its ICMS debt due in 60 (sixty) monthly installments using ICMS tax credits (non-cash).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

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

In 2019, two new Minas Gerais state tax laws were ratified which impacted the ICMS installments due under the June 2018 administrative agreement, applicable to all existing and prospective installment plan obligations eligible for payment using ICMS tax credits. First, in September 2019, a new law reduced the maximum installment period from 60 (sixty) months to 36 (thirty-six) months. Second, in December 2019, a new law limited the percentage eligible for payment via ICMS tax credits to 40% (forty percent).

In April 2020, the Company obtained approval from the Minas Gerais State Tax Authority for a revised ICMS installment plan to pay the remaining R\$6.1 million (approximately \$1.2 million) balance due over a 36 (thirty-six) month period ending October 2022. The Company then prepaid the installments due through January 2021, including R\$1.7 million (\$0.4 million) in principal paid in ICMS tax credits and R\$0.6 million (approximately \$0.1 million) in interest paid in cash, using the totality of its limit eligible for payment with ICMS tax credits. The Company will pay the remaining R\$3.6 million (approximately \$0.7 million) in 22 equal monthly cash installments starting in February 2021.

In the six months ended June 30, 2020, the Company started the period with R\$0.6 million (approximately \$0.1 million) in ICMS export tax credits authorized and available for sale. The Company received approval from the state tax authority to sell an additional R\$7.3 million (approximately \$1.3 million), and the Company sold R\$0.4 million (approximately \$0.1 million) in credits. As at June 30, 2020, the Company held R\$6.9 million (approximately \$1.3 million) in ICMS export tax credits authorized for sale but not yet sold (December 31, 2019 – R\$0.6 million, approximately \$0.1 million).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

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

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

	Plant	Vehicles	Equipment ¹	Leasehold ²	CIP ³	Mining properties	Total
Cost							
Balance as at January 1, 2020	\$ 13,578	\$ 11,197	\$ 246,121	\$ 3,412	\$ 3,415	\$ 454,786	\$ 732,509
Additions	-	-	574	-	1,764	11,196	13,534
Disposals	-	(193)	(522)	-	-	-	(715)
Reclassify within PP&E	-	-	1,084	-	(1,084)	-	-
Balance as at June 30, 2020	\$ 13,578	\$ 11,004	\$ 247,257	\$ 3,412	\$ 4,095	\$ 465,982	\$ 745,328
Balance as at January 1, 2019	\$ 13,578	\$ 11,363	\$ 241,662	\$ 2,380	\$ 2,678	\$ 431,412	\$ 703,073
Additions	-	-	3,946	1,032	4,126	25,927	35,031
Disposals	-	(166)	(2,876)	-	-	(2,553)	(5,595)
Reclassify within PP&E	-	-	3,389	-	(3,389)	-	-
Balance as at December 31, 2019	\$ 13,578	\$ 11,197	\$ 246,121	\$ 3,412	\$ 3,415	\$ 454,786	\$ 732,509
Accumulated depreciation and impairment							
Balance as at January 1, 2020	\$ 12,514	\$ 7,395	\$ 221,270	\$ 2,407	\$ 685	\$ 357,545	\$ 601,816
Depreciation for the period	169	122	3,439	466	-	3,371	7,567
Disposals	-	(179)	(500)	-	-	-	(679)
Balance as at June 30, 2020	\$ 12,683	\$ 7,338	\$ 224,209	\$ 2,873	\$ 685	\$ 360,916	\$ 608,704
Balance as at January 1, 2019	\$ 12,196	\$ 8,105	\$ 214,913	\$ 2,227	\$ 685	\$ 354,491	\$ 592,617
Depreciation for the period	318	237	7,400	180	-	6,126	14,261
Disposals	-	(947)	(1,043)	-	-	(3,072)	(5,062)
Balance as at December 31, 2019	\$ 12,514	\$ 7,395	\$ 221,270	\$ 2,407	\$ 685	\$ 357,545	\$ 601,816
Carrying amounts							
As at June 30, 2020	\$ 895	\$ 3,666	\$ 23,048	\$ 539	\$ 3,410	\$ 105,066	\$ 136,624
As at December 31, 2019	\$ 1,064	\$ 3,802	\$ 24,851	\$ 1,005	\$ 2,730	\$ 97,241	\$ 130,693

¹ As at June 30, 2020, the Company had equipment under right-of-use leases at a cost and net book value of \$8.7 million and \$6.2 million, respectively (December 31, 2019 - \$8.3 million and \$6.6 million, respectively).

² Refers to leasehold improvements in corporate office in Brazil.

³ Refers to construction in progress.

The Turmalina project terms include a royalty payable by the Company to an unrelated third party. The royalty is a net revenue interest of 5% of annual net revenue up to \$10.0 million and 3% thereafter. Pursuant to the agreement made in March 2020 as further detailed in Note 3, Turmalina's royalty charge is temporarily reduced to 2.5% of net revenue for the two-year period from April 2020 to March 2022.

7. Accounts payable and accrued liabilities

	June 30, 2020	December 31, 2019
Accounts payable	\$ 6,982	\$ 10,369
Accrued payroll	4,531	5,693
Other	13	79
Total accounts payable and accrued liabilities	\$ 11,526	\$ 16,141

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

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

8. Notes payable

	June 30, 2020	December 31, 2019
Notes payable - current portion		
Bank indebtedness ^(a)	\$ 3,546	\$ 4,477
Vale note	730	1,115
	4,276	5,592
Total notes payable	\$ 4,276	\$ 5,592

a) Bank indebtedness

As at June 30, 2020, bank indebtedness consists of \$3.5 million in unsecured promissory notes, holding maturities from July 2020 through October 2020 and bearing interest rates ranging from 5.7% to 8.7%. As at December 31, 2019, bank indebtedness included \$4.5 million in unsecured promissory notes, holding maturities from March 2020 through May 2020 and bearing interest rates ranging from 6.0% to 7.4%.

9. Income taxes

	June 30, 2020	December 31, 2019
Current income tax expense	\$ 5,979	\$ 871
Total income tax expense	\$ 5,979	\$ 871

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2020 and 2019

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

10. Other taxes payable

	December 31, 2019	Additions (reversals)	Accretion	Payments	Foreign exchange	June 30, 2020
ICMS settlement due	\$ 1,816	276	11	(750)	(483)	\$ 870
INSS ^(a)	321	2,217	13	(169)	(102)	2,280
IRPJ & CSLL settlement and other federal taxes	-	229	2	(16)	(3)	212
Withholding tax provision	8,170	-	-	-	-	8,170
Total Other taxes payable	\$ 10,307	\$ 2,722	\$ 26	\$ (935)	\$ (588)	\$ 11,532
Less: current portion		642				759
Non-current portion	\$ 9,665					\$ 10,773

- a) In April 2020, the Company received a social security tax (INSS – Instituto Nacional do Seguro Social) assessment from Brazil’s Federal Tax Authority with respect to fiscal year 2019, challenging the basis of Federal value added tax credits used in payment of such obligations. The credits used in payment questioned were those recapitalized upon receiving the November 2019 tax injunction as further described in Note 11.

Following discussions with the tax authority and with legal counsel, the tax authority agreed to cancel the R\$14.6 million (approximately \$3.3 million) IRPJ and CSLL tax installment settlement agreement made in March 2020, and the Company agreed to pay a total of R\$12.0 million (approximately \$2.2 million) in INSS taxes in 60 (sixty) equal monthly cash installments starting in April 2020.

As such, in April 2020, the Company recorded a R\$14.3 million (\$3.3 million) reversal of the IRPJ and CSLL tax settlement due and recorded a R\$12.0 million (approximately \$2.2 million) in INSS tax liability.

11. Legal and other provisions

As at June 30, 2020, the Company has recognized a provision of \$8.4 million (December 31, 2019 - \$15.6 million) representing management’s best estimate of expenditures required to settle present obligations, as noted in the table below. The ultimate outcome or actual cost of settlement may vary materially from management estimates due to the inherent uncertainty regarding the Company’s estimates.

	December 31, 2019	Additions	Reversals/ Transfers	Payments	Foreign exchange	June 30, 2020
Labour litigation	\$ 10,274	\$ 664	\$ (309)	\$ (832)	\$ (2,644)	\$ 7,153
Civil litigation	1,587	82	(94)	(25)	(547)	1,003
Tax litigation ^(a)	3,383	-	(3,183)	-	(200)	-
Other provisions	340	29	-	-	(95)	274
Total legal and other provisions	\$ 15,584	\$ 775	\$ (3,586)	\$ (857)	\$ (3,486)	\$ 8,430
Less: current portion		4,041				3,473
Non-current portion	\$ 11,543					\$ 4,957

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

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In 2018, the Company applied R\$13.6 million (approximately \$3.4 million) in federal tax credits to pay quarterly tax installment estimates supported by a 2018 court order received allowing it to do so. However, as the Company's 2018 annual income return had no taxes payable, the credits used were not ultimately needed, and the excess R\$13.6 million (approximately \$3.4 million) paid was claimed by the Company as a federal tax prepayment available for use in the future and recognized within Recoverable taxes.

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

Upon receiving the injunction in November 2019, the Company (i) re-capitalized R\$13.6 million (approximately \$3.4 million) in federal value add tax credits to Recoverable taxes and (ii) recognized a R\$14.3 million (approximately \$3.6 million) tax litigation provision in Legal and other provisions. Upon settlement in March 2020, the R\$14.3 million (\$3.3 million balance) was reclassified from Legal and other provisions to Other taxes payable (Note 10).

12. Capital stock

a) Common shares

The Company is authorized to issue an unlimited number of common shares. All issued shares are fully paid and have no par value. Changes in common shares for the three and six months ended June 30, 2020 and 2019 are as follows:

	Number of shares	Amount
Balance as at December 31, 2019	723,933,540	\$ 570,911
Shares purchased and cancelled in normal course issuer bid ¹	(2,517,037)	(1,983)
Shares issued upon exercise of stock options	Note 12(b) 275,000	21
Shares issued upon redemption of deferred share units	Note 12(c) 1,693,606	447
Balance as at June 30, 2020	723,385,109	\$ 569,396
Balance as at December 31, 2018	328,505,675	\$ 546,254
Balance as at June 30, 2019	328,505,675	\$ 546,254

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 36,232,694 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 will terminate on June 17, 2021, or such earlier time as the bid is completed or terminated at the option of Jaguar.

During the six months ended June 30, 2020, the Company purchased and cancelled 2,517,037 shares for \$739,000 in cash payments (nil shares for \$nil, for the six months ended June 30, 2019). As at June 30, 2020, 33,715,657 shares remained available and subject to purchase for cancellation under the Bid (December 31, 2019: Nil).

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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.

The following table shows the movement of stock options for the six months ended June 30, 2020 and 2019:

	Number of options	Weighted average exercise price (C\$)
Balance as at December 31, 2019	5,831,481	\$ 0.28
Options granted ¹	2,770,000	0.25
Options exercised ²	(275,000)	0.10
Options forfeited ⁴	(315,000)	0.21
Balance as at June 30, 2020	8,011,481	\$ 0.28
Balance as at December 31, 2018	2,817,148	\$ 0.51
Options granted ³	2,850,000	0.10
Options forfeited ⁴	(10,667)	0.18
Balance as at June 30, 2019	5,656,481	\$ 0.30

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

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

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

2) In June 2020, 200,000 stock options were exercised by a former director of the Company at an exercise price of C\$0.10 and 75,000 stock options were exercised by management. Upon exercise, the Company issued 275,000 common shares and received \$21,000 in share issuance proceeds.

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3) On May 31, 2019, 1,250,000 stock options were granted to executives of the Company. The options are exercisable at a price of C\$0.10 and expire on May 31, 2027. The options vest on a quarterly basis, in twelve equal instalments, starting on August 31, 2019 and are exercisable upon vesting. These options had a grant date fair value of C\$0.045 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$0.10, a risk free rate of 1.48%, a volatility factor of 69%, and an expected life of 4.0 years.

On May 31, 2019, 1,600,000 stock options were granted to directors of the Company and are exercisable at a price of C\$0.10 with expiry on May 31, 2027. These options had a grant date fair value of C\$0.045 per option, measured using the Black-Scholes option pricing formula with inputs as follows: an exercise price of C\$0.10, a risk free rate of 1.48%, a volatility factor of 69%, and an expected life of 4.0 years. Of these options, 1,200,000 vested immediately upon resolution approval on May 31, 2019 and 400,000 vest monthly in six equal instalments starting on June 30, 2019. On May 31, 2019, the Company approved an extension of the exercise period applicable to all stock options held by directors, whereas all vested options may be exercised up to one year following the retirement of such directors.

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

The table below shows the outstanding stock options as at June 30, 2020 and 2019:

Weighted average exercise price (C\$)	Grant date	Number of options outstanding	Number of options exercisable	Estimated fair value at grant date (US\$ per option)	Expiry date
\$ 1.35	May 12, 2014	236,841	236,841	\$ 0.38	May 12, 2022
0.74	August 8, 2016	177,363	177,363	0.34	August 8, 2021
0.76	November 7, 2016	322,637	322,637	0.37	November 7, 2021
0.70	January 27, 2017	209,640	209,640	0.36	January 27, 2025
0.33	September 21, 2017	200,000	183,333	0.22	September 21, 2022
0.37	January 23, 2018	570,000	427,500	0.20	January 23, 2026
0.21	August 31, 2018	700,000	627,083	0.11	August 31, 2026
0.19	October 04, 2019	450,000	450,000	0.11	October 04, 2027
0.25	January 15, 2020	2,770,000	1,165,833	0.14	January 15, 2028
0.10	May 31, 2019	2,375,000	1,645,834	0.03	May 31, 2027
\$ 0.28		8,011,481	5,446,064	\$ 0.14	

For the three and six months ended June 30, 2020, the Company recognized \$51,000 and \$263,000, respectively, in stock-based compensation expense for stock options in the condensed interim consolidated statements of operations and comprehensive loss (\$98,000 and \$146,000, respectively, for the three and six months ended June 30, 2019).

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 six months ended June 30, 2020 and 2019:

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	Number of units	Weighted average grant date fair value (US\$)
Balance as at December 31, 2019	6,673,467	\$ 0.22
Units redeemed ¹	(1,693,606)	0.27
Units forfeited ³	(210,000)	0.16
Balance as at June 30, 2020	4,769,861	\$ 0.20
Balance as at December 31, 2018	5,670,768	\$ 0.28
Units granted ²	2,120,000	0.07
Units forfeited ³	(7,083)	0.16
Balance as at June 30, 2019	7,783,685	\$ 0.22

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

In June 2020, officers and directors redeemed a total of 1,499,306 DSUs. The DSUs were settled via issuance of 1,499,306 shares, representing a total grant date fair value of \$418,000.

2) On May 31, 2019 the Company granted a total of 2,120,000 DSUs to directors and executives of the Company in three forms, holding a total grant date fair value of \$141,000, measured at US\$0.07/share, as follows:

- i. 990,000 time-vested DSUs were granted to the Company's non-executive directors, attributing 165,000 to each, all of which vested immediately upon resolution approval. These DSUs are redeemable upon retirement and up to one year following the retirement of such directors.
- ii. 400,000 time-vested DSUs were granted to the director and interim CEO of the Company, 50% of which vested immediately upon resolution approval, and 50% of which vested monthly in six equal instalments starting on June 30, 2019. These DSUs granted are redeemable upon vesting.
- iii. 730,000 time-vested DSUs were granted to officers and executives of the Company, vesting on a quarterly basis, in twelve equal instalments, starting on March 31, 2019. These DSUs granted are redeemable upon vesting.

On May 31, 2019, the Company approved an extension of the redemption period applicable to all DSUs granted to and held by directors, whereas all vested DSUs may be redeemed during the period of up to one year following the retirement of such directors.

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

For the three and six months ended June 30, 2020, the Company recognized \$9,000 and \$21,000, respectively, in stock-based compensation expense for DSUs in the condensed interim consolidated statements of operations and comprehensive income (loss) (\$117,000 and \$198,000, respectively, for the three and six months ended June 30, 2019).

13. Basic and diluted earnings per share

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

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Numerator				
Net income (loss) for the purpose of diluted income (loss) per share	\$ 19,178	\$ (2,137)	\$ 31,453	\$ (3,976)
Denominator				
Weighted average number of common shares outstanding - basic	724,107,272	328,505,674	728,118,205	328,505,674
Stock Options	2,881,765	-	1,989,444	-
Deferred share units	6,094,183	-	6,321,408	-
Weighted average number of common shares outstanding - diluted	733,083,220	328,505,674	736,429,057	328,505,674
Basic income (loss) per share	\$ 0.03	\$ (0.01)	\$ 0.04	\$ (0.01)
Diluted income (loss) per share	\$ 0.03	\$ (0.01)	\$ 0.04	\$ (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:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Stock options	5,612,848	4,716,921	6,605,830	3,772,283
Deferred share units	-	7,084,784	-	6,381,682
Anti-dilutive instruments	5,612,848	11,801,705	6,605,830	10,153,965

14. Operating costs

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Direct mining and processing costs	Note 4 \$ 13,310	\$ 13,778	\$ 26,426	\$ 27,452
Royalty expense and CFEM taxes ¹	1,243	753	2,460	1,691
Other costs (recoveries)	85	96	49	103
Operating costs	\$ 14,638	\$ 14,627	\$ 28,935	\$ 29,246

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

15. Foreign exchange (gain) loss

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Loss (gain) on recoverable taxes	Note 5 \$ 716	\$ (228)	\$ 4,417	\$ (166)
(Gain) loss on reclamation provision	(624)	243	(4,179)	170
(Gain) loss on legal and other provisions	Note 11 (464)	214	(3,486)	111
Loss (gain) on other foreign exchange	136	207	(2,615)	188
Total foreign exchange (gain) loss	\$ (236)	\$ 436	\$ (5,863)	\$ 303

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16. Cash flow – changes in operating working capital

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Restricted cash	\$ (105)	\$ 249	\$ (565)	\$ 35
Inventory	31	(517)	288	294
Recoverable taxes	(432)	2,336	686	3,424
Other accounts receivable	3,396	3	335	(30)
Prepaid expenses and other assets	490	109	282	(14)
Accounts payable and accrued liabilities	(268)	165	(261)	(2,126)
Other taxes payable	Note 10 (271)	(20)	(935)	(28)
Reclamation provisions	(45)	(5)	(91)	(42)
Legal and other provisions	Note 11 (365)	(1,165)	(857)	(1,790)
Other liabilities	(125)	355	(872)	840
Changes in operating working capital	\$ 2,306	\$ 1,510	\$ (1,990)	\$ 563

17. 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, 2020	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
Financial Liabilities					
Accounts payable and accrued liabilities	\$ 11,526	\$ -	\$ -	\$ -	\$ 11,526
Other Taxes Payable					
ICMS Settlement Due	232	610	28	-	870
INSS	480	961	839	-	2,280
IRPJ & CSLL Settlement Due	45	88	79	-	212
Notes payable					
Principal					
Bank indebtedness ^(a)	3,546	-	-	-	3,546
Vale note	730	-	-	-	730
Interest	14	4	-	-	18
Lease liabilities	1,189	458	67	-	1,714
Reclamation provisions ^(b)	204	6,003	7,215	7,644	21,066
Current tax liability	3,932	-	-	-	3,932
Other liabilities	-	95	-	-	95
Total financial liabilities	\$ 21,898	\$ 8,219	\$ 8,228	\$ 7,644	\$ 45,989
Other Commitments					
Suppliers' agreements ^(c)	113	-	-	-	113
Total other commitments	\$ 113	\$ -	\$ -	\$ -	\$ 113
Total	\$ 22,011	\$ 8,219	\$ 8,228	\$ 7,644	\$ 46,102

^(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.

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18. 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, 2020, the Company's capital structure is comprised of \$4.3 million in notes payable and \$159.6 million in shareholders' equity (December 31, 2019: \$5.6 million and \$103.9 million, respectively).

At June 30, 2020, the Company is not subject to externally imposed capital requirements other than those stipulated by Brazil bank indebtedness (Note 3).

19. 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 11). The Company's financial liabilities and other commitments are listed in Note 17.

Due to the worldwide corona virus ("COVID-19") outbreak, uncertainties may come into existence that could influence the business of the Company although no effects have been identified up to June 30, 2020. The Company cannot accurately predict the future impact COVID-19 may have on the business of mining, such as:

- the ability to refine and transport the produced gold;
- the effect on labour availability, mining materials and plant consumables, due to the severity and the length of potential measures taken by various governments to manage the spread of the disease;
- the impacts in the purchasing power of Brazilian Reais (local currency); or
- availability of external funding sources, during this period, if required.

At the date of the approval of these condensed interim consolidated financial statements, the government of Minas Gerais has declared mining as an essential service. The Company continues to work to maintain normal production and mitigate any liquidity risks which may arise from COVID-19.

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b) Derivative financial instruments

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

1) Price risk

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

Included in the revenue line of the condensed interim consolidated statement of statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2020 are realized losses of \$nil and \$1.9 million, respectively (\$0.4 million loss, and \$0.9 million loss, respectively, for the three and six months ended June 30, 2019) related to the Company's gold price hedge contracts executed.

i. Gold forward contracts

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

As at June 30, 2020, the Company held no gold forward contracts outstanding (December 31, 2019 – 1,700 ounces hedged at a weighted average price of US\$1,400/oz) and no open gold forward contract derivative asset or liability position (December 31, 2019 – \$209,000 open derivative liability loss position).

ii. Gold call options

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

During the three and six months ended June 30, 2020, nil ounces and 5,000 ounces, respectively, in call options were exercised by Auramet at a weighted average strike price of US\$1,350 (nil and nil, respectively, exercised during the three and six months ended June 30, 2019). As at June 30, 2020, the Company had no gold call options outstanding and no open gold call option derivative asset or liability position (December 31, 2019 – 5,000 ounces in options outstanding and a \$894,000 derivative liability).

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2) Currency risk

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

i. Foreign exchange call and put options

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

As at June 30, 2020, the Company held no outstanding foreign exchange call and put option hedge contracts.

Included in the condensed interim consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2020 are (i) realized losses of \$1.0 million and \$1.5 million, respectively, (\$237,000 loss and \$316,000 loss, respectively, for the three and six months ended June 30, 2019), and (ii) a \$1.1 million gain and \$0.1 million loss on changes in unrealized foreign exchange derivatives (gains in changes in unrealized foreign exchange derivatives of \$409,000 and \$248,000, respectively, for the three and six months ended June 30, 2019). As at June 30, 2020, the Company held no open loss position due to third-party foreign exchange hedge counterparties (December 31, 2019 – \$71,000 derivative asset).

c) Interest rate risk

The Company is potentially exposed to interest rate risk on its outstanding borrowings and short-term investments. The Company managed its risk by entering into agreements with fixed interest rates on all of its debt with interest rates ranging from 0% to 9.64% per annum.

d) Changes in liabilities arising from financing activities

	Changes from financing cash flows				Other changes				Balance as at June 30, 2020
	Balance as at December 31, 2019	Proceeds from debt issuance	Debt repayments	Interest paid	Interest expense	Right-of-use lease obligations	Foreign exchange (gain) loss	Other non- cash changes	
Notes payable	\$ 5,592	\$ 3,481	\$ (4,807)	\$ (149)	\$ 156	\$ -	\$ (4)	\$ 7	\$ 4,276
Lease liabilities	2,989	-	(1,113)	-	-	161	(573)	55	1,519
	\$ 8,581	\$ 3,481	\$ (5,920)	\$ (149)	\$ 156	\$ 161	\$ (577)	\$ 62	\$ 5,795

20. Related party transactions

The Company incurred legal fees from Azevedo Sette Advogados ("ASA"), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount, representing the amount agreed to by the parties and included in general and administrative expenses in the condensed interim consolidated statements of operations and comprehensive income (loss). Legal fees paid to ASA were \$3,000 and \$6,000 for

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the three and six months ended June 30, 2020 (\$nil and \$19,000, for the three and six months ended June 30, 2019).

21. Subsequent events

a) Option agreement to sell the Pedra Branca project

On July 29, 2020, the Company entered into a definitive option agreement (the "Option Agreement") with Jiulian Resources Inc. ("Jiulian") to sell up to a 100% interest in the Pedra Branca project, an exploration project located in the Ceará State, Northeastern Brazil.

According to the agreement:

- Jiulian can acquire a 75% interest by incurring US\$1 million in earn-in exploration expenditures, and can increase its interest to 100% by (i) delivering a technical report compliant with National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101") and (ii) granting a 0.5% net smelter royalty (an "NSR") to Jaguar. Jiulian can purchase half of the NSR for US\$1 million.
- Jaguar shall retain a back-in-right to buy back a 24% interest in the project (the "Back-In-Right") wherein upon completion of the earn-in exploration expenditures by Jiulian (the "Earn-In Vesting Date") Jaguar shall have 45 days from the Earn-In Vesting Date to exercise its Back-In Right by paying the Company 2.5 times the Earn-In Expenditures incurred by the Company. In the event Jaguar exercises its Back-in-Right, Jiulian foregoes its right to increase ownership to 100% upon delivery of a technical report compliant with NI 43-101 and the parties shall form a joint venture (the "JV") owned 49% by Jaguar and 51% by Jiulian. In the event any party dilutes their interest below 10%, such interest shall revert to a 0.5% NSR (the "JV NSR") of which 0.25% of the JV NSR may be purchased for US\$1 million by the non-diluting party.
- The Pedra Branca project remains subject to underlying royalties to the original vendors as follows:
 - (i) Base Metal – 1.0% on gross revenues over any production, and
 - (ii) Gold Deposit – In the case of Measured and Indicated Resources of up to 200,000 gold ounces, the original vendors will be entitled to a 0.5% royalty on gross revenues and a US\$500,000 payment due within 3 months after commercial production. In the case of Measured and Indicated Resources in excess of 200,000 gold ounces, the original vendors will be entitled to a 1.0% royalty on gross revenues and in this scenario 0.5% of the royalty may be purchased for US\$750,000.

b) Amendment to the DSU plan to increase the maximum number of shares reserved for issuance

On July 30, 2020, the maximum number of shares reserved for issuance under the DSU Plan, at any time, was amended from 11,111,111 to 36,232,694, as authorized by vote in the Company's annual general and special meeting of shareholders.