

Jaguar Mining Inc  
Form 20-F  
May 01, 2015

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF  
THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report .....

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33548

JAGUAR MINING INC.  
(Exact name of Registrant as specified in its charter)

Ontario, Canada  
(Jurisdiction of incorporation or organization)

67 Yonge Street, Suite 1203  
Toronto, Ontario M5E 1J8 Canada  
(416) 628-9601  
(Address of principal executive offices)  
Derrick Weyrauch  
(416) 628-9601 (telephone)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
None	N/A

Securities registered or to be registered pursuant to Section 12(g) of the Act.

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Common Shares, No Par Value  
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

111,111,038

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes  No (not required)

As a foreign private issuer that prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), the Registrant is required to submit to the SEC and post on its corporate website Interactive Data Files (as defined by Item 11 of Regulation S-T) pursuant to Rule 405 of Regulation S-T.

However, it is the view of the SEC's Division of Corporation Finance and Office of the Chief Accountant that the Registrant is not required to submit to the SEC and post on its corporate website Interactive Data Files until the SEC specifies on its website an IFRS taxonomy for use by foreign private issuers in preparing their Interactive Data Files.

As of the submission date of this Annual Report on Form 20-F, the SEC has not specified an IFRS taxonomy for the Registrant to use in preparing its Interactive Data Files.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

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Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board (X)

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

N/A  Yes  No

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CAUTIONARY NOTE TO U.S. INVESTORS REGARDING MINERAL RESOURCE AND  
MINERAL RESERVE ESTIMATES

As used in this Annual Report on Form 20-F, the terms “Mineral Reserve”, “Proven Mineral Reserve” and “Probable Mineral Reserve” are Canadian mining terms defined in accordance with National Instrument 43-101 (Standards of Disclosure for Mineral Projects) (“NI 43-101”) and the Canadian Institute of Mining, Metallurgy and Petroleum (the “CIM”) standards. These definitions differ from the definitions in SEC Industry Guide 7 under the U.S. Securities Act. Under SEC Industry Guide 7, a Mineral Reserve is defined as that part of a mineral deposit which could be economically and legally extracted or produced at the time the reserve determination is made. The terms “Mineral Resource,” “Measured Mineral Resource”, “Indicated Mineral Resource” and “Inferred Mineral Resource” are defined in and required to be used by NI 43-101. However, these terms are not defined terms under SEC Industry Guide 7. Investors are cautioned not to assume that any all, or any part of a mineral deposit in these Mineral Resources categories will ever be converted into Mineral Reserves. “Measured Mineral Resources”, “Indicated, Mineral Resources” and “Inferred Mineral Resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all, or any part, of a Measured, Indicated Mineral or an Inferred Mineral Resource will ever be upgraded to a Proven or Probable Reserve Category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or preliminary feasibility studies, except in rare cases. Investors are cautioned not to assume that all or any part of an Inferred Mineral Resource exists or is economically or legally mineable. Disclosure of “contained ounces” in a resource is permitted disclosure under Canadian regulations. However, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information contained in this Annual Report on Form 20-F and the exhibits filed herewith or incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under U.S. federal securities laws and the rules and regulations promulgated thereunder. Further, the term “mineralized material” as used in this Annual Report on Form 20-F does not indicate “reserves” by SEC standards. We cannot be certain that mineralized material will ever be confirmed or converted into SEC Industry Guide 7 compliant “reserves”. Investors are cautioned not to assume that mineralized material will ever be confirmed or converted into reserves or that mineralized material can be economically or legally extracted, please see “United States and Canadian Reporting Definition Differences For Mineral Properties”.

UNITED STATES AND CANADIAN REPORTING DEFINITION DIFFERENCES FOR MINERAL PROPERTIES

The mineral reserve and mineral resource estimates contained in this Annual Report on 20-F have been prepared in accordance with NI 43-101. NI 43-101 follows guidelines set out in the CIM standards on mineral resources and mineral reserves definitions and guidelines adopted by the CIM council. However, the definitions in NI 43-101 differ in certain material respects from those under SEC Industry Guide 7 (some of such differences are provided below). Accordingly, mineral reserve information contained or incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

SEC Industry Guide 7

Reserve

That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

Proven (Measured) Reserves

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Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes, grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.

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### Probable (Indicated) Reserves

Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

There are no Mineral Resource categories under SEC Industry Guideline 7.

### CIM Definition Standards

For the CIM definition standards, please see Item 4 – Information on the Company.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements within the meaning of Section 27A of the United States Securities Act of 1933, as amended and Section 21E of the United States Exchange Act of 1934, as amended and forward-looking information as defined under applicable Canadian securities legislation (collectively, “forward-looking statements”). These forward-looking statements relate to, among other things, the objectives, goals, strategies, beliefs, intentions, plans, estimates and outlook of Jaguar Mining Inc. (“Jaguar” or the “Company”).

Forward-looking statements can generally be identified by the use of words such as “believe”, “anticipate”, “expect”, “intend”, “plan”, “goal”, “will”, “may”, “target”, “potential” and other similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Forward-looking statements are based on estimates and assumptions made by Jaguar in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors Jaguar believes are appropriate in the circumstances. These estimates and assumptions are inherently subject to significant business, economic, competitive and other uncertainties and contingencies, many of which, with respect to future events, are subject to change. Although Jaguar believes that the expectations reflected in such forward-looking statements are reasonable, undue reliance should not be placed on such statements.

In making the forward-looking statements in this Annual Report on Form 20-F, Jaguar has made assumptions, including, but not limited to assumptions concerning: the Company will be able to meet its obligations as they become due and continue as a going concern, production costs; the geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis that are involved in the calculation of Mineral Reserves and Mineral Resources; that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign currency exchange rates; that the supply and demand for, deliveries of, and the level and volatility of prices of gold as well as oil and petroleum products develop as expected; that Jaguar receives regulatory and governmental approvals for its development projects and other operations on a timely basis; that Jaguar is able to obtain financing for its development projects on reasonable terms; that there is no unforeseen deterioration in Jaguar’s costs of production or Jaguar’s production and productivity levels; that Jaguar is able to procure mining equipment and operating supplies in sufficient quantities and on a timely basis; that engineering and construction timetables and capital costs for Jaguar’s development and expansion projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that unforeseen changes to the political stability or government regulation in the country in which Jaguar operates do not occur; that there are no unanticipated changes to market competition, that Jaguar’s mineral reserve estimates are within reasonable bounds of accuracy (including with respect to size, grade and recoverability) and that the geological, operational and price assumptions on which these are based are reasonable; that Jaguar realizes expected premiums over London Metal Exchange cash and other benchmark prices; and that

Jaguar maintains its ongoing relations with its employees, affected communities, business partners and joint venturers.

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Actual results may differ materially from those expressed or implied in the forward-looking statements contained in this Annual Report on Form 20-F. The Company anticipates that subsequent events and developments may cause the Company's views to change. Factors which could cause results or events to differ from current expectations include, among other things: Jaguar's ability to meet its obligations as they become due and continue as a going concern, to maintain a listing of its common shares on a stock exchange; actions taken by the Company's lenders, creditors, shareholders, and other stakeholders to enforce their rights; actions taken against the Company by governmental agencies and securities and other regulators; actions taken by the reconstituted board and senior management of the Company and other factors not currently viewed as material that could cause actual results to differ materially from those described in the forward-looking statements. Important factors that could cause actual results to differ materially from these expectations are discussed in greater detail under the heading "Risk Factors" in this Annual Report on Form 20-F. When relying on forward-looking statements to make decisions with respect to Jaguar, carefully consider these risk factors and other uncertainties and potential events. Jaguar undertakes no obligation to update or revise any forward-looking statement, except as required by law.

Please consult the Company's public filings at [www.sec.gov](http://www.sec.gov) for further, more detailed information concerning these matters.

## PART I

### Item 1. Identity of Directors, Senior Management and Advisors

#### A. Directors and Senior Management

Not applicable.

#### B. Advisers

Not applicable.

#### C. Auditors

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

#### A. Offer Statistics

Not applicable.

#### B. Method and Expected Timetable

Not applicable.

### Item 3. Key Information

#### A. Selected Financial Data

Financial information provided throughout this Annual Report on 20-F is referenced in United States dollars unless stated otherwise.

The following selected financial data of the Company for Fiscal 2014, Fiscal 2013 and Fiscal 2012 ended December 31st was derived from the consolidated financial statements of the Company included elsewhere in this Annual Report on Form 20-F. The selected financial data set forth for Fiscal 2011 and Fiscal 2010 ended December 31st are derived from the Company's audited consolidated financial statements, not included herein. The selected financial data should be read in conjunction with the consolidated financial statements and other information included immediately following the text of this Annual Report on 20-F.

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Pursuant to SEC Release No. 33-8879 “Acceptance from Foreign Private Issuers of Financial Statements Prepared in Accordance with International Reporting Standards Without Reconciliation to U.S. GAAP”, the Company includes selected financial data prepared in compliance with IFRS as issued by IASB without reconciliation to U.S. GAAP.

The basis of preparation is described in detail in Note 3 to our consolidated financial statements.

Selected Financial Data

International Financial Reporting Standards (“IFRS”)  
(expressed in thousands of US dollars, except share and per share data)

Table of selected financials (as at and for the fiscal year ended December 31st)

	2014	2013	2012	2011	2010
(\$ in ‘000’s)					
Gold sales	116,362	134,140	172,430	243,137	170,788
Gross profit (loss)	(4,590)	12,786	6,143	43,352	12,605
Net income (loss)	130,863	(249,307)	(84,537)	(65,623)	22,177
Weighted average shares	77,323,349	992,118	977,004	976,738	974,033
Basic income (loss) per share	1.69	(251.29)	(86.53)	(67.19)	22.77
Diluted income (loss) per share	1.64	(251.29)	(86.53)	(67.19)	22.77
Net assets	101,588	(93,559)	153,803	237,809	300,470
Total assets	195,264	294,788	503,875	660,666	569,378
Capital stock	434,465	371,077	370,043	370,043	369,747
Dividends declared per share	-	-	-	-	-

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

I. Risks Relating to Jaguar’s Business



Jaguar's operations involve exploration and development and there is no guarantee that any such activity will result in commercial production of mineral deposits.

The proposed programs on certain properties in which Jaguar holds an interest are exploratory in nature and such properties do not host known bodies of commercial ore. Development of these mineral properties is contingent upon, among other things, obtaining satisfactory exploration results. Mineral exploration and development involves substantial expenses related to locating and establishing mineral reserves, developing metallurgical processes and constructing mining and processing facilities at a particular site. It also involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to adequately mitigate. Few properties which are explored are ultimately developed into producing mines, and there is no assurance that commercial quantities of ore will be discovered on any of Jaguar's exploration properties. There is also no assurance that, even if commercial quantities of ore are discovered, a mineral property will be brought into commercial production, or if brought into production, that it will be profitable. The discovery of mineral deposits is dependent upon a number of factors including the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon, among a number of other factors, its size, grade and proximity to infrastructure, current metal prices, and government regulations, including regulations relating to required permits, royalties, allowable production, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one of these factors or the combination of any of these factors may prevent Jaguar from receiving an adequate return on invested capital. In addition, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced. Some ore reserves may become unprofitable to develop if there are unfavorable long-term market price fluctuations in gold, or if there are significant increases in operating or capital costs. Most of the above factors are beyond Jaguar's control, and it is difficult to ensure that the exploration or development programs proposed by Jaguar will result in a profitable commercial mining operation.

The results of Jaguar's Gurupi feasibility study remain subject to many risks relating both to that project and mining operations generally.

Jaguar's decision to develop a mineral property is typically based on the results of a feasibility study. Jaguar has completed feasibility study work which outlines Mineral Reserves for the Gurupi Project in accordance with NI 43-101. Feasibility studies estimate the anticipated project economic returns. These estimates are based on assumptions regarding, among other things:

- o future gold prices;
- o future foreign currency exchange rates;
- o anticipated tonnages, grades and metallurgical characteristics of ore to be mined and processed;
- o anticipated recovery rates of gold extracted from the ore; and
- o anticipated capital expenditure and cash operating costs.

Actual cash operating costs, production and economic returns may differ significantly from those estimated by such studies. Operating costs and capital expenditure are driven to a significant extent by the costs of the commodity inputs, including the cost of fuel and chemical reagents, consumed in mining activities. In addition, there are a number of uncertainties inherent in the development and construction of any new mine, including the timing and cost of the construction of mining and processing facilities (which can be considerable), the availability and cost of skilled labor,

power, water and transportation facilities, and the availability and cost of appropriate smelting and refining arrangements, the ability to obtain necessary environmental and other governmental permits and the time to obtain such permits, and the availability of funds to finance construction and development activities.

These estimates used in Jaguar's feasibility studies depend upon the data available and the assumptions made at the time the relevant estimate is made. Ore reserve estimates are not precise calculations and depend on the interpretation of limited information on the location, shape and continuity of the occurrence and on the available sampling results. Further exploration and feasibility studies can result in new data becoming available that may change previous ore reserve estimates which will impact upon both the technical and economic viability of production from the relevant mining project. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of mineral reserves resulting in revisions to previous ore reserve estimates. These revisions could impact depreciation and amortization rates, asset-carrying values provisions for closedown, restoration and environmental clean-up costs.



Fluctuations in currency exchange rates may adversely affect Jaguar's financial position and results of operations.

Fluctuations in currency exchange rates, particularly operating costs denominated in currencies other than U.S. dollars, may significantly impact Jaguar's financial position and results of operations. Jaguar generally sells its gold based on a U.S. dollar price, but a major portion of Jaguar's operating expenses are incurred in non-U.S. dollar currencies. In addition, the devaluation of the Brazilian Real against the U.S. dollar has and could further decrease the dollar costs of gold production at Jaguar's mining operations in Brazil, which could materially affect Jaguar's earnings and financial condition.

Competition for new mining properties may prevent Jaguar from acquiring interests in additional properties or mining operations.

The gold mining industry is intensely competitive. Significant and increasing competition exists for gold and other mineral acquisition opportunities throughout the world. Some of the competitors are large, more established mining companies with substantial capabilities and greater financial resources, operational experience and technical capabilities than Jaguar. As a result of this competition, Jaguar may be unable to acquire rights to additional attractive mining properties on terms it considers acceptable. Increased competition could adversely affect Jaguar's ability to attract necessary capital funding or acquire an interest in additional operations that would yield reserves or result in commercial mining operations.

Jaguar relies on new management team and key personnel, and there is no assurance that such persons will fully transition into their respective new positions, remain at Jaguar, or that it will be able to recruit skilled individuals.

In connection with the implementation of the CCAA Plan on April 22, 2014, Jaguar has reconstituted its Board with three new directors and appointed a new chief executive officer and chief financial officer. Jaguar will be relying heavily on its new management team. If these new management members are unable to successfully transition into their respective positions, our operations will be adversely affected. Jaguar does not maintain "key man" insurance. Recruiting and retaining qualified personnel is critical to Jaguar's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for the services of such persons is intense. In addition, as Jaguar's business activity grows, it may require additional key financial, administrative, technical and mining personnel. The failure to attract and/or retain such personnel to manage growth effectively could have a material adverse effect on Jaguar's business, prospects, financial condition and results of operations.

Actual capital costs, operating costs, production and economic returns may differ significantly from those estimated by Jaguar and there can be no assurance that any future development activities will result in profitable mining operations.

Capital and operating costs, production and economic returns, and other estimates contained in the feasibility studies for Jaguar's projects may differ significantly from those anticipated by Jaguar's current studies and estimates, and there can be no assurance that Jaguar's actual capital and operating costs will not be higher than currently anticipated. In addition, delays to construction schedules may negatively impact the net present value and internal rates of return of Jaguar's mineral properties as set forth in the applicable feasibility studies.

Increases in energy costs or the interruption of Jaguar's energy supply may adversely affect Jaguar's results of operations.



Jaguar's operations are energy intensive and rely upon third parties for the supply of the energy resources consumed in its operations. The prices for and availability of energy resources may be subject to change or curtailment, respectively, due to, among other things, new laws or regulations, imposition of new taxes or tariffs, interruptions in production by suppliers, worldwide price levels and market conditions. In addition, in recent years, the price of oil has been extremely volatile due to a variety of factors. Disruptions in supply or changes in costs of energy resources could have a material adverse impact on Jaguar's financial condition and the results of operations.

There can be no assurance that the interests held by Jaguar in its properties are free from defects.

Jaguar's properties may be subject to prior recorded and unrecorded agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Title insurance is generally not available for mineral properties, and Jaguar's ability to ensure that it has obtained a secure claim to individual mining properties or mining concessions may be severely constrained. Jaguar has not conducted surveys of all of the claims in which it holds direct or indirect interests. A successful challenge to the precise area and location of these claims could result in Jaguar being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties. No assurance can be given that Jaguar's rights will not be revoked or significantly altered to its detriment. There can also be no assurance that its rights will not be challenged or impugned by third parties.

Jaguar is exposed to risks of changing political stability and government regulation in the country in which it operates.

Jaguar holds mineral interests in Brazil that may be affected in varying degrees by political instability, government regulations relating to the mining industry and foreign investment therein, and the policies of other nations in respect of Brazil. Any changes in regulations or shifts in political conditions are beyond Jaguar's control and may adversely affect its business. Jaguar's operations may be affected in varying degrees by government regulations, including those with respect to restrictions on production, price controls, export controls, various taxes (including income, mining, withholding, and indirect taxes), expropriation of property, employment, land use, water use, environmental legislation and mine safety. The regulatory environment is in a state of continuing change, and new laws, regulations and requirements may be retroactive in their effect and implementation. Jaguar's operations may also be adversely affected in varying degrees by political and economic instability, economic or other sanctions imposed by other nations, terrorism, military repression, crime, extreme fluctuations in currency exchange rates and high inflation.

Jaguar is subject to significant governmental regulations.

Jaguar's mining and exploration activities are subject to extensive local laws and regulations. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities, who may require operations to cease or be curtailed, or corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation of such requirements, could have a material adverse impact on Jaguar and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Jaguar's operations are subject to numerous governmental permits, which are difficult to obtain, and it may not be able to obtain or renew all of the permits it requires, or such permits may not be timely obtained or renewed.

Government approvals and permits are sometimes required in connection with Jaguar's operations. Although Jaguar believes it has all of the material approvals and permits to carry on its operations, Jaguar may require additional approvals or permits or may be required to renew existing approvals or permits from time to time. Obtaining or renewing approvals or permits can be a complex and time-consuming process. There can be no assurance that Jaguar will be able to obtain or renew the necessary approvals and permits on acceptable terms, in a timely manner, or at all. To the extent such approvals are required and not obtained, Jaguar may be delayed or prohibited from proceeding with planned exploration, development or mining of mineral properties.

Under current regulations, all exploration activities that the Company undertakes through its subsidiaries must be carried out on valid exploration licenses or prospecting permits issued by the DNPM, a department of the Brazilian federal government. The DNPM is responsible for the administration of all mining and exploration licenses, and prospecting permits. According to local regulations, Jaguar must submit a final exploration report before the expiry date of any license or permit, which is usually three years from the date of grant. However, Brazilian mining laws and regulations are currently undergoing a restructuring, and draft legislation to this effect has been submitted to the federal legislature for review and approval. The effects of this restructuring will, if adopted, be far-reaching in the ways that mining rights can be acquired and maintained in the country.

Current proposals include an auction process for new licenses, minimum expenditures designed to eliminate the “warehousing” of mining permits and licenses as well as new fee schedules. They also provide for land owner participation where applicable. It is the Company’s understanding, based on consultations with local counsel, that licenses currently held in good standing will be grandfathered and not subject to certain requirements of the proposed new regime. Production from the Company’s mines results in a 1% royalty fee payment to the Brazilian government (the “CFEM”), on the value of the ore produced, in the amount of US\$1.1 million for the financial year ended December 31, 2014. However, and as mentioned above, the Brazilian government is currently considering the adoption of new mining legislation which would include increases in the CFEM royalties.

Environmental permits are granted for one to two year periods and all local agencies have the right to monitor and evaluate compliance with the issued permits. Any changes to the exploration activities that result in a greater environmental impact require approval.

The work the Company carries out on its exploration licenses is largely restricted to drilling and ancillary activities associated with the drilling programs (i.e., low impact road construction, drilling stations). As such, the reclamation costs in respect of drilling activities are not material to the Company and are factored into the budget for exploration programs.

Jaguar is subject to substantial environmental laws and regulations that may increase its costs and restrict its operations.

All phases of Jaguar’s operations are subject to environmental regulations in the jurisdictions in which it operates. These laws address emissions into the air, discharges into water, management of waste and hazardous substances, protection of natural resources and reclamation of lands disturbed by mining operations. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays and may cause material changes or delays in, or the cancellation of, Jaguar’s intended activities. There can be no assurance that future changes in environmental regulation, if any, will not be materially adverse to Jaguar’s operations.

The properties in which Jaguar holds interests may contain environmental hazards, which are presently unknown to it and which have been caused by previous or existing owners or operators of the properties. If Jaguar’s properties do contain such hazards, this could lead to Jaguar being unable to use the properties or may cause Jaguar to incur costs to clean up such hazards. In addition, Jaguar could become subject to litigation should such hazards result in injury to any persons.

Land reclamation requirements for Jaguar’s mining and exploration properties may be burdensome.

Land reclamation requirements are generally imposed on companies engaged in mining operations and mineral exploration activities in order to minimize long-term effects of land disturbance. Reclamation may include requirements to control dispersion of potentially deleterious effluents and reasonably re-establish pre-disturbance land forms and vegetation. In order to carry out reclamation obligations imposed on Jaguar in connection with its mining and exploration activities, Jaguar must allocate financial resources that might otherwise be spent on further exploration and development programs. If Jaguar is required to carry out unanticipated reclamation work, its financial position could be adversely affected.

Jaguar will need to obtain additional financing in order to meet its near term operating cash requirements, debt payments and sustaining capital expenditures and there can be no assurance that financing will be available on terms acceptable to Jaguar, or at all.

The Company has reported an operating loss for the year ended December 31, 2014. The Company considers that the near term economic outlook presents challenges in terms of commodity prices. Whilst the Company has instituted measures to preserve cash, improve operations and is seeking to secure additional financing, these circumstances create uncertainties over future results and cash flows. The Company had a working capital deficiency of \$23.2 million as at December 31, 2014. The Company will need to obtain additional financing in order to meet its near term operating cash requirements, debt payments and sustaining capital expenditures. There is no assurance that the Company's financing initiatives will be successful or sufficient. Failure to obtain sufficient financing, or financing on terms acceptable to Jaguar, may result in a delay or indefinite postponement of exploration, development or production on any or all of Jaguar's properties or even a loss of an interest in a property, or even a loss of an interest in a property, or an inability to pay any of Jaguar's non-operating expenses which could also lead to late fees or penalties, depending on the nature of the expense. The only source of funds now available to Jaguar is through production at Turmalina and Caeté, the sale of debt or equity capital, properties, royalty interests or the entering into of joint ventures or other strategic alliances in which the funding sources could become entitled to an interest in Jaguar's properties or projects. Additional financing may not be available when needed, especially in light of the current slowdown in lending resulting from global financial conditions. If funding is available, the terms of such financing might not be favorable to Jaguar and might involve substantial dilution to existing shareholders. If financing involves the issuance of debt, the terms of the agreement governing such debt could impose restrictions on Jaguar's operation of its business. Failure to raise capital when needed could have a material adverse effect on Jaguar's business, financial condition and results of operations.

Jaguar is exposed to risks of labor disruptions and changing labor and employment regulations.

Employees of Jaguar's principal projects are unionized, and the collective bargaining agreements between Jaguar and the unions which represent these employees must be renegotiated on an annual basis. Although Jaguar believes it has good relations with its employees and with their unions, production at Jaguar's mining operations is dependent upon the continuous efforts of Jaguar's employees. In addition, relations between Jaguar and its employees may be affected by changes in the scheme of labor relations that may be introduced by the relevant governmental authorities in whose jurisdictions Jaguar carries on business. Labor disruptions or any changes in labor or employment legislation or in the relationship between Jaguar and its employees may have a material adverse effect on Jaguar's business, results of operations and financial condition.

Substantially all of Jaguar's assets are held by foreign subsidiaries that are subject to the laws of the Republic of Brazil.

Jaguar conducts operations through its wholly-owned foreign subsidiaries, MSOL, MTL and MCT and substantially all of Jaguar's assets are held through such entities. Accordingly, any governmental limitation on the transfer of cash or other assets between Jaguar, MSOL, MTL and MCT could restrict Jaguar's ability to fund its operations efficiently. Any such limitations or the perception that such limitations may exist now or in the future could have an adverse impact on Jaguar's prospects, financial condition and results of operations.

Jaguar is subject to litigation.

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company is currently involved in litigation and may become involved in additional legal disputes in the future. Defense and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a

material effect on the Company's financial position or results of operations.



Investors may not be able to enforce civil liabilities in the United States.

Jaguar is incorporated under the laws of the Province of Ontario, Canada. Some of its directors and officers are residents of Canada. Also, almost all of Jaguar's assets and the assets of these persons are located outside of the United States. As a result, it may be difficult for shareholders to initiate a lawsuit within the United States against these non-United States residents, or to enforce judgments in the United States against Jaguar or these persons which are obtained in a United States court and that are predicated upon civil liabilities under United States federal securities laws or the securities or "blue sky" laws of any state within the United States.

Jaguar has no record of paying dividends.

Jaguar has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the board of directors of the Company (the "Board" or the "Board of Directors") after taking into account many factors, including operating results, financial condition, capital requirements, business opportunities and restrictions contained in any financing agreements.

Global financial conditions may negatively impact its operations and share pricing.

Current global financial conditions have been characterized by increased volatility (particularly the markets for commodities, including gold) and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by several factors including efforts by financial institutions to de-lever their balance sheets in the face of current economic conditions. These factors may impact the ability of Jaguar to obtain equity or debt financing in the future on terms favorable to Jaguar. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such increased levels of volatility and market turmoil continue, Jaguar's operations could be adversely impacted and the trading price of its common shares may be adversely affected.

The trading price for Jaguar's common shares is volatile and has been, and may continue to be, greatly affected by the ongoing market volatility.

Securities of mineral exploration and early stage base metal production companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Jaguar's common share price is also likely to be significantly affected by short-term changes in gold prices or in its financial condition or results of operations as reflected in its quarterly earnings reports. Other factors unrelated to Jaguar's performance that may have an effect on the price of its common shares include the following: the extent of analytical coverage available to investors concerning Jaguar's business may be limited if investment banks with research capabilities do not continue to follow Jaguar's securities; the lessening in trading volume and general market interest in Jaguar's securities may affect an investor's ability to trade significant numbers of Jaguar's common shares; and the size of Jaguar's public float may limit the ability of some institutions to invest in Jaguar's securities.

Jaguar's shares are no longer listed in the US, with the result that shareholders may face reduced liquidity.

The common shares of the Company were delisted from the NYSE on June 7, 2013 and from the TSX on April 30, 2014, when the Company announced that TSX-V has accepted its listing application. Trading in the common shares of Jaguar at the TSX-V began on May 1, 2014. On May 1, 2014, the common shares of the Company commenced trading on the TSX-V. As a result of these changes, shares of the Company are no longer traded on any exchange in

the US and the Company may face difficulty accessing additional capital via the capital markets. Furthermore, US shareholders of the Company may face limited liquidity as a result of the delisting.

Jaguar's reporting status in the United States has changed and it may lose its foreign private issuer status in the future, which could result in significant additional costs and expenses.

Jaguar's reporting status changed from a Canadian foreign private issuer eligible to use the Multijurisdictional Disclosure System ("MJDS") to a foreign private issuer. In order to maintain Jaguar's current status as a foreign private issuer, a majority of its common shares must be either directly or indirectly owned by non-residents of the United States, unless Jaguar also satisfies one of the additional requirements necessary to preserve this status. Jaguar may in the future lose its foreign private issuer status if a majority of its common shares are held in the United States and it fails to meet the additional requirements necessary to avoid loss of foreign private issuer status. The Company may also decide to deregister its existing registration statements. The regulatory and compliance costs under U.S. federal securities laws as a U.S. domestic issuer may be significantly more than the costs incurred as a foreign private issuer. We expect our change to a foreign private issuer status and any future change to U.S. domestic issuer status to increase our legal compliance and financial reporting costs. This could also make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur higher costs to obtain coverage. In addition, this could make it more difficult for us to attract and retain qualified members of our board of directors, or qualified executive officers.

Even though Jaguar has implemented the CCAA Plan, it will continue to face risks.

Even though the CCAA Plan was consummated, Jaguar continues to face a number of risks, including certain risks that are beyond its control, such as the price of gold, changes in economic conditions, changes in our industry and regulatory changes. As a result of these risks and others, there is no guarantee that the CCAA Plan will achieve Jaguar's stated goals.

Such belief is based on certain assumptions, including, without limitation, that Jaguar's relationships with suppliers, customers and competitors will not be materially adversely affected by the CCAA Plan, that general economic conditions and the markets for Jaguar's products or for the products of its partners will remain stable or improve, as well as Jaguar's continued ability to manage costs. Should any of those assumptions prove false, the financial position of Jaguar may be materially adversely affected and Jaguar may not be able to pay its debts as they become due.

As a foreign private issuer, the Company's shareholders may have less complete and timely data.

The Company is a "foreign private issuer" as defined in Rule 3b-4 under the Exchange Act. Equity securities of the Company are accordingly exempt from Sections 14(a), 14(b), 14(c), 14(f) and 16 of the Exchange Act pursuant to Rule 3a12-3 of the Exchange Act. Therefore, the Company is not required to file a Schedule 14A proxy statement in relation to the annual meeting of shareholders. The submission of proxy and annual meeting of shareholder information on Form 6-K may result in shareholders having less complete and timely information in connection with shareholder actions. The exemption from Section 16 rules regarding reports of beneficial ownership and purchases and sales of common shares by insiders and restrictions on insider trading in the Company's securities may result in shareholders having less data and there being fewer restrictions on insiders' activities in its securities. The Company does, and its insiders do, make all necessary filings in Canada to provide timely, factual and transparent disclosure.

Gold prices are volatile and there can be no assurance that a profitable market for gold will exist.

Gold prices are volatile and subject to changes resulting from a variety of factors including international economic and political trends, expectations of inflation, global and regional supply and demand and consumption patterns, stock levels maintained by producers and others, currency exchange fluctuations, inflation rates, interest rates, hedging activities and increased production due to improved mining and production methods. While the price of gold has recently been stable, there can be no assurance that gold prices will remain at such levels or be such that Jaguar's

properties can be mined at a profit.

Mining is inherently risky and subject to conditions and events beyond Jaguar's control.

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Mining involves various types of risks and hazards, including:

- o environmental hazards;

- o unusual or unexpected geological operating conditions, such as rock bursts, structural cave-ins or slides;

- o flooding, earthquakes and fires;

- o labor disruptions;

- o industrial accidents;

- o unexpected mining dilution;

- o metallurgical and other processing problems; and

- o metal losses and periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Jaguar may not be able to obtain insurance to cover these risks at affordable premiums or at all. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to Jaguar or to other companies within the mining industry. Jaguar may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by its insurance policies.

Calculation of Mineral Reserves and Mineral Resources and metal recovery is only an estimate, and there can be no assurance about the quantity and grade of minerals until mineral resources are actually mined.

The calculation of mineral reserves, mineral resources and corresponding grades being mined or dedicated to future production are imprecise and depend on geological interpretation and statistical inferences or assumptions drawn from drilling and sampling analysis, which might prove to be unpredictable. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Until mineral reserves or mineral resources are actually mined and processed, the quantity of mineral reserves or mineral resources and grades must be considered as estimates. Any material change in mineral reserves, mineral resources, grade or stripping ratio at Jaguar's properties may affect the economic viability of Jaguar's properties. In addition, there can be no assurance that metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The mineral reserve estimates contained in this Annual Report on Form 20-F are based upon estimates or reports published by Jaguar's personnel and independent geologists and mining engineers, who use assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate depends on the quantity and quality of available data and on the assumptions made and judgments used in interpreting geological data. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources and metal recovery, many of which are beyond Jaguar's control, and as a result, no assurance can be given as to the accuracy of such estimates or reports. Extended declines in the market price for gold may render portions of Jaguar's mineralization uneconomic and result in reduced reported mineral reserves. A material reduction in Jaguar's estimates of mineral reserves, or of Jaguar's ability to extract this mineralization, could have a material adverse effect on Jaguar's financial condition and results of operations.

Definitional standards for reporting mineralized material differ between U.S. reporting standards and the Canadian standards used in this Annual Report on Form 20-F.

We use the terms “measured mineral resources,” “indicated mineral resources” and “inferred mineral resources” in this Annual Report on Form 20-F and in the documents incorporated by reference herein to comply with reporting standards in Canada. We advise U.S. investors that while those terms are recognized and required by Canadian regulations, the SEC does not recognize them. U.S. investors are cautioned not to assume that any part or all of the additional mineral deposits in these Mineral Resource categories will ever be converted into mineral reserves. These terms have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of measured mineral resources, indicated mineral resources, or inferred mineral resource will ever be upgraded to a higher Mineral Resource and Reserve category. In accordance with Canadian rules, estimates of inferred mineral resources cannot form the basis of a feasibility study or other economic evaluations. Investors are cautioned not to assume that any part of the reported measured mineral resource, indicated mineral resource, or inferred mineral resource in this Annual Report on Form 20-F or in the documents incorporated by reference herein is economically or legally mineable. See “Cautionary Note to U.S. Investors Regarding Mineral Reporting Standards” above.

#### Item 4. Information on the Company

##### A. History and Development of the Company

The legal name of the Company is Jaguar Mining Inc. The commercial names of the Company are “Jaguar Mining” and “Jaguar”.

Jaguar was incorporated on March 1, 2002 pursuant to the Business Corporations Act (New Brunswick). On March 30, 2002, Jaguar issued initial common shares to Brazilian Resources, Inc. (“Brazilian”) and IMS Empreendimentos Ltda. (“IMS”) in exchange for property. In that transaction, Brazilian contributed to Jaguar all of the issued and outstanding shares in Mineração Serras do Oeste Ltda. (“MSOL”), a Brazilian mining company that controlled the mineral rights, concessions and licenses to certain property located near the community of Sabará, east of Belo Horizonte in the state of Minas Gerais, Brazil (the “Sabará Property”), and IMS contributed to Jaguar a 1,000-ton per day production facility also located east of Belo Horizonte near the community of Caeté and the mineral rights to a nearby property related to National Department of Mineral Production (“DNPM”) Mineral Exploration Request no. 831.264/87 and DNPM Mineral Exploration Request nos. 830.590/83 and 830.592/83 (the “Rio de Peixe Property”). Jaguar was continued into Ontario in October 2003 pursuant to the Business Corporations Act (Ontario) (the “OBCA”) and is a corporation existing under the laws of Ontario.

On October 9, 2003, pursuant to an amalgamation agreement dated July 16, 2003, Jaguar amalgamated with Rainbow Gold Ltd. (“Rainbow”), a New Brunswick corporation and a then inactive reporting issuer listed on the TSX Venture Exchange (the “TSX-V”), through a reverse take-over. The amalgamated entity adopted the name “Jaguar Mining Inc.” Jaguar was approved for listing on the TSX-V on October 14, 2003 and began trading on October 16, 2003. Jaguar subsequently graduated from the TSX-V to the Toronto Stock Exchange (the “TSX”) and began trading on the TSX on February 17, 2004 under the symbol “JAG”. On July 23, 2007, trading of Jaguar’s common shares commenced on the NYSE Arca Exchange (“NYSE Arca”) under the symbol “JAG”. In July 2009, Jaguar received approval from the New York Stock Exchange (“NYSE”) to transfer the trading of its common shares from the NYSE Arca to the NYSE. Trading on the NYSE began on July 6, 2009, also under the symbol “JAG”. The common shares of the Company were delisted from the NYSE on June 7, 2013 and were delisted from the TSX on April 30, 2014. On May 1, 2014, the common shares of the Company commenced trading on the TSX-V.

Jaguar’s registered office is located at 67 Yonge Street, Suite 1203, Toronto, Ontario M5E 1J8, Canada, and its telephone number is 416-628-9601. Jaguar also has an administrative office located at Rua Levindo Lopes 323, Funcionários, Belo Horizonte, Minas Gerais, CEP 30140-170, Brazil and its telephone number is 55 31 3232-7100.

On November 13, 2013, the Company and its subsidiaries entered into a support agreement (as amended, the “Support Agreement”) with holders (the “Noteholders”) of approximately 81% of its \$165.0 million 4.5% Senior Unsecured Convertible Notes due November 1, 2014 (“4.5% Convertible Notes”) and 82% of its \$103.5 million 5.5% Senior Unsecured Convertible Notes due March 31, 2016 (the 5.5% Senior Convertible Notes together with the 4.5% Convertible Notes, the “Notes”) to effect a recapitalization and financing transaction that would eliminate approximately \$268.5 million of the Company’s outstanding indebtedness by exchanging the Notes for common shares of Jaguar and inject approximately \$50 million into the Company by way of a backstopped share offering (the “Share Offering”) by Noteholders pursuant to a backstop agreement dated November 13, 2013 (as amended, the “Backstop Agreement”) between the Company, its subsidiaries and certain Noteholders. Additional Noteholders signed consent agreements to the Support Agreement such that as of November 26, 2013, holders of approximately 93% of the Notes had signed the Support Agreement or a consent agreement thereto.



On December 23, 2013, the Company filed for creditor protection (the “CCAA Proceedings”) under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”) in the Ontario Superior Court of Justice (Commercial List) (the “Court”). The CCAA Proceedings were commenced in order to implement a recapitalization transaction as contemplated in the Support Agreement through a plan of compromise and arrangement (as amended, supplemented or restated from time to time, the “CCAA Plan”). On April 23, 2014, the Company announced that it had successfully implemented the CCAA Plan with an effective date of April 22, 2014. For a full description of the CCAA Proceedings, please see Item 13.

### Capital Expenditures

Capital expenditures were primarily used for underground development, equipment improvement and replacement throughout the Company’s operations in Minas Gerais. The table below summarizes the actual capital spending by unit for the financial years ended December 31, 2014, 2013 and 2012:

	2014	2013	2012
(\$ in ‘000s)			
Turmalina	10,079	10,608	15,197
Paciência	-	-	12,525
Caeté	11,452	11,949	20,808
Gurupi Project	506	807	6,683
Other spending	384	481	1,786
Total capital spending	22,421	23,845	56,999

## B. Business Overview

### Business of the Company

#### General

Jaguar is a gold mining company engaged in gold production and in the acquisition, exploration, development and operation of gold mineral properties in Brazil.

Jaguar’s operating mining complexes, Turmalina and Caeté, and the Paciência Mine Complex currently on care and maintenance are located in or adjacent to the Iron Quadrangle region of Brazil, a greenstone belt located east of the city of Belo Horizonte in the state of Minas Gerais. Jaguar’s portfolio also includes the Gurupi Project in the state of Maranhão and the Pedra Branca Project in the state of Ceará.

Through its wholly-owned subsidiaries, MSOL, MTL and MCT, Jaguar has interests in, and controls the mineral rights, concessions and licenses to the mineral resources and mineral reserves presented under the section entitled “Mineral Resources and Mineral Reserves”.

All of Jaguar's production facilities are, or will be, near Jaguar's mineral concessions and are accessible via existing roads. Jaguar believes it has an advantage over other gold mine operators due to the clustered nature of its mineral resource concessions and the proximity of its concessions to its processing facilities and existing infrastructure.

#### Gold Production and Sales

Gold production in 2014 totaled 92,057 ounces, compared to 95,595 ounces in 2013 and to 102,823 ounces during 2012.

Gold sales in 2014 totaled 92,264 ounces at an average price of US\$1,261 per ounce compared to 94,850 ounces at an average price of US\$1,414 per ounce in 2013, and to 103,676 ounces sold at an average price of US\$1,633 per ounce in 2012.

#### Competitive Conditions

The gold exploration and mining business is an intensely competitive business. Jaguar competes with numerous companies and individuals in the search for, and the acquisition of, mineral licenses, permits and other mineral interests, as well as for the acquisition of equipment and the recruitment and retention of qualified personnel. There is also significant competition for the limited number of gold property acquisition opportunities. The ability of Jaguar to acquire gold mineral properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable producing properties or prospects for gold development or mineral exploration.

#### Employees

As at December 31, 2014, Jaguar had 1,217 employees, 1,211 of whom are based in Brazil.

#### Foreign Operations

All of Jaguar's mineral projects are owned and operated through its wholly-owned Brazilian subsidiaries, MSOL, MTL and MCT. Jaguar's wholly-owned properties are located in the states of Minas Gerais, Maranhão and Ceará in Brazil. Jaguar is entirely dependent on its foreign operations for the exploration and development of gold properties and for production of gold.

#### Health, Safety and Environmental

Jaguar has safety as a core value and places high priority on the welfare of its employees. Jaguar recognizes that employees are its most valuable asset. The new management team is reinforcing safety as a core value in all of its decisions. Management believes that ongoing focus on safety is key to improved performance. Jaguar's training program for new employees includes the participation of experienced professionals who act as mentors, providing hands-on guidance and conducting periodical reviews. Jaguar wants its employees to grow with the company, so it encourages them to further their education and provides them with information to understand Jaguar's corporate culture and objectives.

Jaguar has an integrated management system in place that promotes open communication at all levels. This system includes tools such as the "Daily Safety Dialogue" to go over health and safety procedures before every shift, "Easy Talk" to encourage employees to report inadequate conditions or behavior, and the "Accident Analysis and Prevention Tool" which reviews every accident and allows employees to propose new measures to avoid reoccurrences.



Jaguar promotes and supports programs for environmental stewardship, sustainable development and social responsibility in the communities where it operates.

Nothing is more important to Jaguar than the safety and health of its employees and their families. Although the Company is pleased with the overall improvements in safety statistics, this performance was overshadowed by a tragic fatality in November 2014 in the underground area of Turmalina Mine. The Company and the local authorities investigated the circumstances and the causes of the incident. The accident was caused due to a rock fall and the response of the Company's emergency team was timely. Unfortunately the facilities at the local rural hospital were not comprehensive enough to provide the necessary medical care. The Company has hired extra medical staff at the site to enhance the quality of emergency response and is conducting ongoing investigations into ways to improve emergency preparedness.

During the year ended December 31, 2014, the cumulative Lost Time Incidents ('LTIs') have reduced to 7 as compared to 11 incidents during the financial year 2013. For each incident, management identifies the likely causes and develops remediation plans to prevent future recurrences. The overall LTI frequency rate (number of lost-time injuries per million hours worked) has seen a steady drop since 2011.

In 2015 Jaguar plans to initiate the process of being accredited for OHSAS 18001, which the Company hopes to achieve in 2016. The Loss Control Management ('LCM') system already in place has many of the key elements required. LCM main elements are based on checking of procedures, facilities and equipment, human behavior and response to accidental scenarios whereas OHSAS as a management system, considers other key prevention elements like objectives/goals, legal and regulatory requirements, operational controls, personnel competence, training & awareness and internal audits.

#### Technical Information

The estimated Mineral Reserves and Mineral Resources for Jaguar's mines and mineral projects set forth in this Form 20-F have been calculated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Council – Definitions adopted by the CIM Council on November 27, 2010 (the "CIM Standards"). The following definitions are reproduced from the CIM Standards:

The term "Mineral Resource" means a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

The term "Inferred Mineral Resource" means that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

The term "Indicated Mineral Resources" means that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.



The term “Measured Mineral Resource” means that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

The term “Mineral Reserve” means the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

The term “Probable Mineral Reserve” means the economically mineable part of an Indicated and, in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

The term “Proven Mineral Reserve” means the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

The scientific and technical information contained in this Form 20-F relating to the Corporation’s Turmalina Mining Complex is derived from the technical report titled “Technical Report on the Turmalina Mine, Minas Gerais State, Brazil”, filed on Sedar on April 7, 2015 (with an effective date of March 27, 2015), (the “Turmalina Technical Report”). The Turmalina Technical Report was prepared by Jason Cox, P. Eng. and Reno Pressacco, P. Geo, both from Roscoe Postle Associates Inc., each of whom is a “qualified person” as that term is defined in NI 43-101. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Turmalina Technical Report.

The scientific and technical information contained in this Form 20-F relating to the Corporation’s Caeté Mining Complex up to October 29, 2010 is derived from the technical report titled “Caeté Gold Project Pilar and Roça Grande Properties Technical Report”, filed on Sedar on March 21, 2011 (with an effective date of October 29, 2010), (the “Caeté Technical Report”). The Caeté Technical Report was prepared by Ivan C. Machado, MSc. P.E., P. Eng. of TechnoMine Service LLC (“Technomine”) who is a “qualified person” as that term is defined in NI 43-101. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Caeté Technical Report. All scientific or technical information relating to the Caeté Mining Complex subsequent to October 29, 2010 has been prepared by or under the supervision of Marcos Dias Alvim who is a “qualified person” for the purposes of NI 43-101 and Marcos Dias Alvim has approved the disclosure of scientific and technical information contained in this Form 20-F relating to the Caeté Mining Complex subsequent to October 29, 2010.

The scientific and technical information contained in this Form 20-F relating to the Corporation’s Gurupi Project up to January 31, 2011 is derived from the technical report titled “Gurupi Gold Project Cipoeiro e Chega Tudo Properties Feasibility Study”, filed on Sedar on January 31, 2011 (with an effective date of January 31, 2011), (the “Gurupi Feasibility Study”). The Gurupi Feasibility Study was prepared by Ivan C. Machado, MSc. P.E., P. Eng. of TechnoMine, who is a “qualified person” as that term is defined in NI 43-101. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made

to the full text of the Gurupi Feasibility Study.

Information on Measured and Indicated Resources dated July 30, 2012 has been prepared by or under the supervision of Leah Mach from SRK Consulting who is a “qualified person” for the purposes of NI 43-101 and Leah Mach has approved the disclosure of updated Measured and Indicated Resources dated July 30, 2012 contained in this Form 20-F relating to the Gurupi Project. Scientific or technical information relating to the Gurupi Project subsequent to January 31, 2011 has been prepared by or under the supervision of Wilson Miola who is a “qualified person” for the purposes of NI 43-101 and Wilson Miola has approved the disclosure of scientific and technical information contained in this Form 20-F relating to the Gurupi Project subsequent to January 31, 2011.

#### Mineral Properties

#### Material Mineral Properties

Turmalina, Caeté and Gurupi are material properties of Jaguar.

#### Mineral Resource and Mineral Reserve Estimates

Unless otherwise indicated, the responsible qualified persons, who have reviewed and approved the scientific and technical information contained in this Form 20-F are (i) in respect of the estimated Mineral Reserves and the Life of Mine Plan (LOMP) for Turmalina mine, Jason Cox, P.Eng., of Roscoe Postle Associates Inc. ("RPA"); (ii) in respect of the estimated Mineral Resources for Turmalina mine, Reno Pressacco, P.Geo., of RPA; (iii) in respect of the Caeté Mining Complex, Marcos Dias Alvim, P. Eng, and (iv) in respect of the Gurupi Project, (a) information up to January 31, 2011 is derived from the technical report titled “Gurupi Gold Project Cipoeiro e Chega Tudo Properties Feasibility Study”, filed on Sedar on January 31, 2011 (with an effective date of January 31, 2011), (the “Gurupi Feasibility Study”). The Gurupi Feasibility Study was prepared by Ivan C. Machado, MSc. P.E., P. Eng. of TechnoMine; (b) information on updated Measured and Indicated Resources dated July 30, 2012 for the Gurupi Project has been prepared by or under the supervision of Leah Mach; and (c) Mr. Walter Miola has approved the reconciliation of Mineral Reserves and Mineral Resources.

Based on the reconciliation, as of December 31 2014, Jaguar’s Mineral Resources are (i) Measured and Indicated Mineral resources of 157,862,373 tonnes with an average grade of 1.10 grams per tonne containing 5,606,404 ounces of gold and (ii) Inferred Mineral resources of 15,336,547 tonnes with an average grade of 2.98 grams per tonne containing 1,470,786 ounces of gold. Jaguar’s Proven and Probable Mineral Reserves, which are included in the Measured and Indicated Mineral Resource figure above, are 65,628,068 tonnes with an average grade of 1.23 grams per tonne containing 2,594,750 ounces of gold.

The tables below set forth Mineral Resource and Mineral Reserve estimates for the Turmalina and Caeté operations and the Gurupi Project as indicated on the Notes below.

Table 1 - Summary of Mineral Resources December 31, 2014

	Measured		Indicated		Measured & Indicated		Inferred		Gold ounces ('000's)	
	Tonnes	(000's) g/t	Tonnes	(000's) g/t	Tonnes	(000's) g/t	Tonnes	(000's) g/t	Measured & Indicated	Inferred
Southern Brazil										
Caeté Project										
Pilar	893	5.97	925	5.32	1,817	5.64	1,011	5.65	329	184
Roça Grande	3,708	3.02	4,713	3.83	8,421	3.47	2,335	3.90	940	293
Other5	529	5.48	530	5.83	1,059	5.66	330	6.04	193	64



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Other <sup>6</sup>	190	7.19	887	4.05	1,077	4.60	673	4.26	159	92
Total Caeté	5,319	3.91	7,055	4.20	12,374	4.08	4,349	4.52	1,621	632
Turmalina										
Faina	72	7.39	189	6.66	261	6.87	1,542	7.26	58	360
Pontal	251	5.00	159	4.28	410	4.72	130	5.03	62	21
Ore Body A	412	6.93	491	8.35	904	7.70	389	11.38	224	142
Ore Body B	514	3.11	67	3.12	581	3.11	16	2.83	58	1
Ore Body C	40	2.48	657	2.88	697	2.86	1,191	3.88	64	148
Total Turmalina	1,289	4.92	1,563	5.21	2,853	5.08	3,268	6.40	466	673
Total Southern Brazil	6,608	4.1	8,618	4.4	15,227	4.3	7,617	5.3	2,087	1,302
Northern Brazil										
Gurupi										
Cipoeiro	25,734	0.78	58,494	0.87	84,229	0.84	7,041	0.67	2,273	152
Chega Tudo	20,923	0.66	37,484	0.67	58,408	0.66	678	0.62	1,246	13
Total Northern Brazil	46,657	0.7	95,979	0.8	142,636	0.8	7,719	0.7	3,519	165
TOTAL IN SITU	53,266	1.14	104,597	1.09	157,863	1.10	15,337	2.98	5,606	1,470

RESOURCES

Notes to Table

1:

1. CIM definitions are followed for Mineral Resources. Mineral Resources are inclusive of Mineral Reserves and are stated as of December 31, 2014.

2. Turmalina

(a) Mineral Resources were estimated using a cut-off grade of 2.5 g/t Au (Turmalina), 3.8 g/t Au (Faina) and 2.9 g/t Au (Pontal).

(b) Gold grades for Turmalina were estimated by the Inverse Distance, Cubed interpolation algorithm using capped composite samples.

3. Caeté - Roça Grande

(a) Mineral Resources were estimated using a cut-off grade of 2.00 g/t Au for RG1 and RG7.

(b) RG1 and RG7 were estimated using residual block model, depleting the ore mined until December 31, 2014. RG2, RG3 and RG6 resources were as per TechnoMine NI 43-101 Technical Report dated December 23, 2004, depleting ore mined until December 31, 2013.

4. Caeté - Pilar

(a) Mineral Resources were estimated using a cut-off grade of 2.5 g/t Au for Pilar.

(b) Resources were estimated using residual block model, depleting the ore mined until December 31, 2014.

5. Other - include Juca Vieira / Catita / Morro do Adão Resources are based on TechnoMine NI 43-101 Technical Report dated December 23, 2004.

6. Other - include Boa Vista / Fernandes / Camará II / Camará I / Serra Paraíso Resources were based on TechnoMine NI 43-101 Technical Report filed on SEDAR on June 21, 2011, depleting the ore mined until December 31, 2013.

7. Gurupi Resources were approved by Leah Mach (SRK) as Qualified Person, as disclosed in the press release dated July 30, 2012 filed on SEDAR.

8. Mineral Resources for Turmalina, Pilar, RG1 and RG7 are estimated using an average long-term foreign exchange rate of 2.5 Brazilian Reals: 1 US Dollar and average long term gold price of \$1,400 per ounce.

9. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

10. Numbers may not add due to rounding.



Table 2 - Summary of Diluted Mineral Reserves in December 31, 2014

	Proven		Probable		Proven & Probable Gold					
	Tonnes	(000's)	g/t	Tonnes	(000's)	g/t	Tonnes	(000's)	g/t	Ounces
Southern Brazil										
Caeté Project										
Pilar	259		2.84	229		2.54	488		2.70	42
Roça Grande	80		1.92	37		1.90	117		1.91	7
Total Caeté	339		2.62	266		2.45	606		2.55	50
Turmalina										
Ore Body A	333		5.00	566		6.96	899		6.23	180
Ore Body B	0		0.00	0		0.00	0		0.00	0
Ore Body C	0		0.00	367		3.14	367		3.14	37
Total Turmalina	333		5.00	933		5.46	1,266		5.33	217
Total Southern Brazil	672		3.80	1,199		4.79	1,871		4.43	267
Northern Brazil										
Gurupi Project										
Cipoeiro	-		-	45,044		1.20	45,044		1.20	1,735
Chega Tudo	-		-	18,713		0.99	18,713		0.99	593
Total Northern Brazil	-		-	63,757		1.14	63,757		1.14	2,328
<b>TOTAL RESERVES</b>	<b>672</b>		<b>3.80</b>	<b>64,956</b>		<b>1.20</b>	<b>65,628</b>		<b>1.23</b>	<b>2,595</b>

Notes to Table 2:

1. CIM definitions are followed for Mineral Reserves.

2. Turmalina

(a) Mineral Reserves were estimated using a cut-off grade of 2.9 g/t Au. Some stopes were included using an incremental cut-off grade of 1.5 g/t Au.

(c) For more information, refer to the Turmalina Technical Report filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on April 07, 2015.

3. Caeté - Roça Grande

(a) Mineral Reserves for RG1 and RG7 are estimated using a cut-off grade of 2.0 g/t Au.

(b) RG1 and RG7 Mineral Reserves estimation considered 15% unplanned dilution based on historical data.

(c) RG2, RG3 and RG6 were not included in the reserves estimation.

4. Caeté - Pilar

(a) Mineral Reserves was estimated using a cut-off grade of 2.5 g/t Au.

(b) Mineral Reserves estimation considered 20% unplanned dilution based on historical data.

(c) Pilar Ore body SW was not included in the Reserves estimation.

5. Gurupi Mineral Reserves are based on Technomine Feasibility Study Technical Report filed on SEDAR on January 31, 2011.

6. Mineral Reserves for Turmalina, Pilar, RG1 and RG7 were estimated using a long-term foreign exchange rate of 2.5 Brazilian Reais: 1 US Dollar and long term gold price of \$1,200 per ounce. Mineral Reserves for Gurupi were based on exchange rate of 1.9 Brazilian Reais: 1 US Dollar and long term gold price of \$1,066 per ounce.

7. Numbers may not add due to rounding.

Notes to Tables 1 and 2

Although Jaguar has carefully prepared and verified the Mineral Resource and Mineral Reserve figures presented herein, such figures are estimates, which are, in part, based on forward-looking information and no assurance can be

given that the indicated amounts of gold will be produced. Estimated Mineral Reserves may have to be recalculated based on actual production experience. Market price fluctuations of gold as well as increased production costs or reduced recovery rates and other factors may render the present Proven and Probable Mineral Reserves unprofitable to develop at a particular site or sites for periods of time. See “Risk Factors” and “Cautionary Note Regarding Forward-Looking Statements”.

## Mining Concessions and Environmental Licenses

All of Jaguar's mineral rights and mining concessions in connection with its operations in the state of Minas Gerais and mineral rights and exploration licenses in connection with its Pedra Branca project located in the state of Ceará are in good standing. Through its wholly-owned subsidiaries, Jaguar has all the necessary environmental licenses that are material to the operation of its mines and processing plants in Minas Gerais. At this time, Gurupi remains in a stalled process awaiting a solution to the suspension of the environmental license. On October 14, 2013, the Company became aware that the Federal Public Prosecutor in São Luis, Maranhão, Brazil, filed a lawsuit against MCT, the subsidiary of the Company that holds the Gurupi project. See "Environmental Licensing" below.

## Material Mineral Properties

### Turmalina Mining Complex

The information below is derived from the "Technical Report on the Turmalina Mine, Minas Gerais State, Brazil", filed on Sedar on April 7, 2015 (with an effective date of March 27, 2015), (the "Turmalina Technical Report"). The Turmalina Technical Report was prepared by Jason Cox, P. Eng. and Reno Pressacco, P. Geo, both from Roscoe Postle Associates Inc., each of whom is a "qualified person" as that term is defined in NI 43-101.

### Property Description and Location

The Turmalina Mine is located in the Conceição do Pará municipality in the state of Minas Gerais, approximately 120 km northwest of Belo Horizonte and six kilometres south of Pitangui, the nearest important town.

The property comprises seven contiguous mineral rights concessions granted by the National Department of Mineral Production (DNPM) that cover an area of 4,907.60 ha. The mine is centred at approximately 19°44'36" south latitude and 44°52'36" west longitude.

Jaguar has 100% ownership subject to a 5% net revenue interest up to \$10 million and 3% thereafter, to an unrelated third party. In addition, there is a 0.5% net revenue interest payable to the surface landowner.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Turmalina Mining Complex is accessed from Belo Horizonte by 120 km of paved highways (BR-262 and MG-423) to the town of Pitangui. The Turmalina deposits are six kilometres south of Pitangui and less than one kilometre from highway MG-423.

Belo Horizonte is the commercial centre for Brazil's mining industries and has excellent infrastructure to support world-class mining operations. This mining region has historically produced significant quantities of gold and iron from open pit and large-scale underground mining operations operated by AngloGold, VALE, CSN, and Eldorado. The city is a well-developed urban metropolis of almost four million residents and has substantial infrastructure including two airports, an extensive network of paved highways, a fully developed and reliable power grid, and ready access to process and potable water.

Pitangui is a town of approximately 25,000 people. The local economy is based on agriculture, cattle breeding, and a small pig iron plant. Manpower, energy, and water are readily available.

The Turmalina mining complex lies approximately 700 MASL. The Pitangui area terrain is rugged in places, with numerous rolling hills incised by deep gullies along drainage channels. Farming and ranching activities are carried out in approximately 50% of the region.

The area experiences six months of warm dry weather (April to November) with the mean temperature slightly above 20°C, followed by six months of tropical rainfall. Annual precipitation ranges from 1,300 mm to 2,500 mm and is most intense in December and January. The climate is suitable for year-round operations.

Belo Horizonte is one of the world's mining capitals with a regional population in the range of 4 million people. Automobile manufacturing and mining services dominate the economy. General Electric has a major locomotive plant which produces engines for all of South America and Africa. Mining activities in Belo Horizonte and the surrounding area have been carried out in a relatively consistent manner for over 300 years. The Turmalina Mine site is within commuting distance of Belo Horizonte.

The Turmalina Mining Complex includes a nominal 2,000 tpd processing plant and tailings disposal area. Electrical power is obtained from the national grid.

All ancillary buildings are located near the mine entrance: gate house including a reception area and waiting room, administration building, maintenance shops, cafeteria, warehouse, change room, first aid, and compressor room. The explosives warehouse is located 1.2 km away from the mine area, in compliance with the regulations set forth by the Brazilian Army.

Other ancillary buildings are located near the processing plant and include an office building, a laboratory, warehousing, and a small maintenance shop.

There is no infrastructure related to the Faina and Pontal historic open pit operations.

## History

Gold was first discovered in the area in the 17th century, and through the 19th century, intermittent small-scale production took place from alluvial terraces and outcropping quartz veins. Gold production exploited alluvium or weathered material, including saprolite and saprolite-hosted quartz veins. Records from this historical period are few and incomplete.

AngloGold controlled the mineral rights from 1978 to 2004 through a number of Brazilian subsidiaries. AngloGold explored the Project area extensively between 1979 and 1988 using geochemistry, ground geophysics, and trenching, which led to the discovery of the Turmalina, Satinoco (Orebody C), Faina, Pontal, and other mineralized zones. Exploration work at these mineralized bodies included 22 diamond drill holes totalling 5,439 m drilled from the surface to test the downward extension of the sulphide mineralized body. At the Satinoco target (Orebody C), a total of 1,523 m were completed in nine holes.

In 1992 and 1993, AngloGold mined 373,000 t of oxide ore from open pits at the Turmalina, Satinoco (now referred to as Orebody C), Pontal, and Faina zones. It recovered 35,500 oz of gold using heap leach technology. Subsequently, AngloGold drove a ramp beneath the pit and carried out drifting on two levels in the mineralized zone at approximately 50 m and 75 m below the pit floor to explore the downward extension of the sulphide mineralized body.

Jaguar acquired the AngloGold Turmalina properties in 2004 and continued operation of the underground mine. The mine is accessed from a 5 m by 5 m primary decline located in the footwall of the main deposit. The decline has reached Level 8, a vertical depth of approximately 650 m. A new level (Level 9) is currently being prepared.

## Geological Setting

The Turmalina deposits are located in the western part of the Iron Quadrangle, which has been the largest and most important mineral province in Brazil for centuries until the early 1980s, when the Carajás mineral province, in the state of Pará, attained equal status. Many commodities are mined in the Iron Quadrangle, the most important being gold, iron, manganese, bauxite, imperial topaz, and limestone. The Iron Quadrangle was the principal region for the Brazilian hard rock gold mining until 1983 and accounted for about 40% of Brazil's total gold production. Gold was produced from numerous deposits, primarily in the northern and southeastern parts of the Iron Quadrangle, most hosted by Archean or Early Proterozoic-aged banded iron formations (BIF) contained within greenstone belt supracrustal sequences.



In the Brumal region, outcrops belonging to the granitic gneiss basement of the Nova Lima and Quebra sub-groups of the Rio das Velhas Supergroup occur. The granitic gneiss basement consists of leucocratic and homogeneous gneisses and migmatites, making up a complex of an initial tonalitic composition intruded by Archean rocks of granitic composition. The upper contact of the sequence is discordant and tectonically induced by reverse faulting. The Rio das Velhas is regionally represented by schists of the Nova Lima and meta-ultramafic rocks of the Quebra Group including serpentinites, talc schists, and metabasalts.

Iron formations occur as the only meta-sedimentary rocks in layers with thicknesses up to 10 m. The Nova Lima Group can be sub-divided into two units: a unit consisting of talc chlorites and intercalations of iron formation, fuschite schist, quartz sericite schist, and carbonaceous phyllite; and a unit hosting sulphidized gold bearing iron formation and quartz sericite schists.

The Pitangui area, where the Turmalina Mine is located, is underlain by rocks of Archean and Proterozoic age. Archean units include a granitic basement, overlain by the Pitangui Group, a sequence of ultramafic to intermediate volcanic flows and pyroclastics and associated sediments. The Turmalina deposit is hosted by chlorite-amphibole schist and biotite schist units within the Pitangui Group. A sequence of sheared, banded, sulphide iron formation and chert lies within the stratigraphic sequence. The stratigraphy locally strikes azimuth 135°.

Proterozoic units include the Minas Supergroup and the Bambui Group. The former includes basal quartzites and conglomerates as well as phyllites. Some phyllites, stratigraphically higher in the sequence, are hematitic. The Bambui is composed of calcareous sediments.

The local geology in the Turmalina and adjacent exploration areas was defined by AngloGold, specifically by UNIGEO geologists during the initial exploration field work. At that time, the mapped lithologies were defined and classified as a greenstone sequence, within a possible western extension of the Iron Quadrangle.

The stratigraphic column defined by UNIGEO in the region, from bottom to the top was:

#### Basement

The basement is composed of foliated, leucocratic granite and gneisses. Locally, it has been defined as migmatite portions with porphyry crystals of quartz and K- feldspars. Granitic intrusions with fine to medium texture and diabase dikes are common.

#### Pitangui Group

The Pitangui Group is defined as a greenstone belt sequence, of Archean age. It shows the following sequence:

- Meta-Ultramafic and Meta-Mafic Volcanic Unit (Basal Unit): constituted by interlayered igneous ultramafic and mafic flows represented by serpentinite, chlorite-actinolite schist and amphibolite with layers of talc schist, oxide BIF and carbonaceous schist;
- Meta-Mafic and Meta-Sediment Unit (Middle Unit): constituted by interlayered meta-mafic (chlorite-actinolite schist with dacitic intrusion at the top);
- Meta-sediment: cummingtonite BIF and metachert-rich horizons interlayered with carbonaceous and chlorite schist, locally, layers of meta-arkose can be observed);
- Meta-mafic: alternation of amphibolite and chlorite-actinolite layers;



- Pyroclastic and meta-pelites: volcanic meta-conglomerates at the bottom, transitioning to or alternating with foliated meta-lapilli tuffs and metatuffs at the top of the sequence, where the meta-tuffs are predominant;
- Meta-sediments (Upper Unit): narrow and numerous interlayered layers of quartz-sericite schist, quartz-chlorite schist, quartz-sericite-chlorite schist, and carbonate-rich schist.

### Minas Supergroup

The Minas Supergroup is defined as clastic and chemical sediments in a Proterozoic sequence composed by thin to coarse quartzites with layers of the basal conglomerates. The quartzite is covered by grey carbonate phyllites and white sericite phyllites which present hematite increasing to the top of the sequence.

### Intrusive Rocks

The intrusive rocks are defined as granitic and mafic to ultramafic rocks

The general stratigraphic sequence strikes towards azimuth 320° and dips moderately to steeply to the east. The sequence consists the Pitangui Group of bedded metasediments of volcanic origin including quartz-sericite schists and sericite-chlorite-biotite schists grading stratigraphically upwards into a metachert, banded iron formation (BIF) and graphitic schist. Overlying these sediments is a thicker sequence of tuffaceous metasediments and quartz-chlorite schists. All units have been metamorphosed to the amphibolite grade.

### Exploration

#### Geochemistry

AngloGold performed a regional geochemistry survey covering an area of 430 km<sup>2</sup> in the Turmalina region. A total of 875 stream sediments and 446 pan concentrate samples were collected. Stream sediment samples were assayed for Au, Cu, Zn, Pb, Cr, Sb, and As. Pan concentrate samples were assayed for Au only.

Soil geochemistry sampling was executed by AngloGold in both the Faina and Pontal areas with grids varying from 100 m x 20 m to 10 m x 10 m. At Faina, 1,272 soil samples were collected and 16,900 m of lines were opened. At Pontal, 1,698 soil samples were collected and 28,000 m of lines were opened.

Several samples returned gold grades superior to 300 ppb. A significant portion of the soil samples collected from these targets were also assayed for As and Sb. There is a strong relation between gold and As/Sb since gold is associated directly with quartz veins with arsenopyrite and/or berthierite in the region.

Initial exploration efforts by Jaguar in 2004 focused on the re-interpretation of the AngloGold data (trenches, soil geochemistry, and drilling) to better understand the local geology. These efforts were concentrated on the targets previously identified by AngloGold: Main, NE and Satinoco.

An exploration program was carried out at the Satinoco (Orebody C) target by Jaguar from March 2006 to April 2008 in order to collect sufficient information to prepare an estimate of the Mineral Resources in accordance with NI 43-101. This Satinoco (Orebody C) program included the opening of about 700 m of trenches and the collection of 146 channel samples crossing the mineralized zone and a complementary diamond drill program.

### Geophysical Surveys

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In the 1980s, AngloGold contracted the Instituto de Pesquisas Tecnológicas (IPT) to execute a ground geophysics survey at the Faina and Pontal areas. At Faina, a 50 m x 100 m grid was made composed of 11 lines covering about 31.5 ha. At Pontal, the grid was 40 m x 100 m, with 24 lines covering about 130 ha. Part of this area (approximately 56 ha) was surveyed by ground magnetics in a 5 m x 25 m grid.

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Several geophysical anomalies were defined by both methods and most of them showed a strong relation with the geochemical anomalies. This information was used for the planning of trench locations.

In 2004, the Minas Gerais Government Mining Agency (COMIG) completed a supplementary airborne geophysical survey, covering all the Iron Quadrangle and the adjacent areas, totaling approximately 36,400 km<sup>2</sup>. This survey was performed by LASA SA on a 250 m grid using magnetic and gamma ray methods. All Jaguar targets, including the Turmalina Mine, were covered with these geophysical surveys.

## Drilling

Following the trenching and channel sampling program between March 2006 and April 2008, Jaguar completed a three-phase drilling campaign in the Turmalina Mine area:

Phase 1: 5,501 m drilled in 35 holes. This program tested the continuity of the mineralized bodies between the weathered zone and up to 200 m below the surface.

Phase 2: 3,338 m drilled in 24 complementary in-fill holes to create a 25 m x 60 m grid between the surface and 100 m below and to test the lateral continuity of the mineralized bodies.

Phase 3: An additional drill hole campaign was carried out in 2007, which consisted of 12,763 m drilled in 48 holes. Results from holes FSN 10 to 68 from this campaign were included in the mineral resource estimate contained in the original TechnoMine technical report, dated October 22, 2007. Results from the remaining drill holes FSN 69 to 113 were included in the second TechnoMine technical report dated February 5, 2008.

During the three Satinoco/Orebody C drilling phases, 2,338 core samples from holes FSN 10 to 113 were collected. The drill program was carried out by Mata Nativa Comércio e Serviços Ltda. (Mata Nativa), a local drilling company, using Longyear drill machines.

Drill hole lengths ranged from 32 m to 453 m. Core diameters were consistently HQ from surface through the weathered rock to bedrock. At approximately three metres into bedrock, the holes were reduced to NQ diameter to the final depth.

Collar locations for the holes were established by theodolite surveys. All holes were drilled within three metres of the planned location. Azimuth and inclination for angle holes were set by Brunton compass, deemed accurate to within 2° azimuth and <1° inclination.

Following completion of the holes, the collars were resurveyed with theodolite and cement markers emplaced. Downhole surveys were completed in all holes with length greater than 100 m, using Sperry-Sun or Maxibore equipment.

The average core recovery was greater than 90%. Core samples were collected during these phases and sent to laboratories for gold assays (discussed in the next section).

Jaguar has continued to carry out drilling and channel sampling programs on the Orebodies. The drilling has been carried out from surface locations which provide general information as to the location of the mineralized zones. Further detailed drill hole information is gathered for the three Orebodies from underground locations. Final detailed information of the location and distribution of the gold mineralization is collected by means of channel sampling. A summary of the drilling and channel sample information that has been gathered as at June 30, 2014 is provided in Table 3.

Surface diamond drilling was carried out by the drilling contractor Mata Nativa using HQ and NQ tools. HQ-sized equipment is used for the portion of the hole that traverses the saprolite horizon and the hole diameter is then reduced to NQ when the fresh rock is reached. The diamond drill core procedures adopted by Jaguar are described below:

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- Only drill holes with more than 90% core recovery from the mineralized zone were accepted.
- Drill hole deviations (surveys) were measured by Sperry-Sun or DDI/Maxibore equipment.
- The cores were stored in wooden boxes of one metre length with three metres of core per box (HQ diameter) or four metres of core per box (NQ diameter). The hole's number, depth, and location were identified in the boxes by an aluminum plate on the front of the box and by a water-resistant ink mark on its side. The progress interval and core recovery are identified inside the boxes by small wooden or aluminum plates.

The results of on-going drilling programs that targeted the immediate down-plunge areas of Orebody A were released in the fall 2014. It is to be noted that the intersection lengths represent core lengths and do not represent true thicknesses. The holes have been completed from drilling platforms located in the hangingwall of the mineralized zone and are designed to intersect the projected plunge and dip of the mineralization as closely as perpendicularly as possible.

Table 3 In-fill and Extension Drilling Results, Orebody A

Jaguar Mining Inc. –Turmalina Mine					
Hole ID	Year	From	To	Core Length (m)	Average Grade (g/t Au)
Intersections Within 2013 Mineral Resource					
FTS1022	2013	116.9	121.0	4.1	8.16
FTS1070	2013	75.0	90.0	15.0	12.60
FTS1072	2014	97.5	116.5	19.0	15.32
FTS1074	2014	111.7	127.5	15.8	9.09
FTS1081	2014	88.5	93.3	4.8	9.13
FTS1082	2014	100.0	103.7	3.7	13.71
FTS1083	2014	111.7	114.9	3.2	14.72
FTS1089	2014	122.3	138.5	16.2	9.32
FTS1108	2014	162.1	163.9	1.8	8.07
FTS1109	2014	116.4	130.7	14.3	6.36
Intersections Below 2013 Mineral Resource					
FTS1076	2014	141.2	151.5	10.3	9.99
FTS1088	2014	116.6	123.2	6.6	9.08
and		145.3	146.7	1.4	27.17
FTS1092	2014	153.7	161.6	7.9	8.36
FTS1097	2014	166.8	171.8	5.0	24.71
FTS1103	2014	165.0	169.6	4.6	13.21
FTS1104	2014	129.3	143.3	14.1	10.99
FTS1105	2014	141.6	143.3	1.7	16.78

#### Sampling Method and Approach

##### Sampling

The sampling and sample preparation procedures used by Jaguar are as follows.

##### Surface/Exploration Channel Sampling





- Channel samples are regularly collected from outcrops and trenches.
- The sites to be sampled are cleaned with a hoe, exposing the material by scraping it.
- Structures are mapped and the lithologic contacts defined, and samples marked so that no sample has more than one lithology.
  - Samples have a maximum length of one metre and are from one kilogram to two kilograms in weight.
- Each sample is collected manually in channels with average widths between five and ten centimetres, and about three centimetres deep, using a hammer and a chisel.
  - Either an aluminum tray or a thick plastic canvas drop sheet is used to collect the material.
- The samples are then stored in a thick plastic bag and identified by a numbered label, which is protected by a thin plastic cover and placed with the sample.
  - At the sampling site, samples are identified by small aluminum plates, labels, or small wooden poles.
  - Sketches are drawn with lithological and structural information. The sample locations are surveyed.

#### Diamond Drilling Core Sampling

- Surface drilling is performed by contractors with holes in HQ or NQ diameters.
- Underground drilling is performed either by Jaguar or contractors with holes in BQ and LTK diameters.
  - Drill holes are accepted only if they have more than 85% of recovery from the mineralized zone.
  - All the drill holes have their deviations measured by Maxibor or equivalent survey tool.
- The cores are stored in wooden boxes of one metre length with three metres of core per box (HQ diameter) or four metres of core per box (BQ or LTK diameters).
- The number, depth, and location of each hole are identified in the boxes by an aluminum plate or by a water-resistant ink mark in front of the box.
  - The progress interval and core recovery are identified inside the boxes by small wooden plates.
- During logging, all of the geological information, progress, and recovery measures are verified and the significant intervals are defined for sampling.
  - Samples are identified in the boxes by highlighting their side or by labels.
  - Samples are cut lengthwise with the help of a diamond saw and a hammer into approximately equal halves.
- One half of the sample is placed in a highly resistant plastic bag, identified by a label, and the other half is kept in the box at a warehouse.
- The remaining drill core from the surface-based drill holes is stored at an offsite secure location nearby to the mine.
- For many of the underground-based drill holes, samples are cut lengthwise with the help of a diamond saw and a hammer into approximately equal halves.
  - For the shorter-length, bazooka-type drill holes completed from underground set ups (the LM-series drill holes) the whole core is sampled as the core diameter does not permit splitting into halves.

#### Underground Production Channel Sampling

- The sector of wall to be sampled is cleaned with pressurized water. Structures are mapped and lithologic contacts defined, and samples marked so that no sample has more than one lithology. Samples have a maximum length of one metre and are from two to three kilograms in weight.
- Channel samples were taken by manually opening the channels, using a hammer and a little steel pointer crowned by carbide or a small jackhammer.
- The channel samples have lengths ranging from 50 cm to one metre, average widths between five and ten centimetres, and about three centimetres deep.

- Two sets of channel samples on the face are regularly collected. One set of channel samples are taken from the top of the muck pile once the work area has been secured. The second set of channel samples are taken at waist height once the heading has been mucked clean and secured.
- At roughly 5m intervals, the walls and back are sampled by channel sampling. The channel samples are collected starting at the floor level on one side and continue over the drift back to the floor on the opposite side.
- Either an aluminum tray or a thick plastic canvas is used to collect the material. The samples are then stored in a thick plastic bag and identified by a numbered label, which is protected by a thin plastic cover and placed with the sample.
  - At the sampling site, samples are identified by small aluminum plates, labels, or small wooden poles.
  - Sketches are drawn with lithological and structural information. The sample locations are surveyed.

#### Security of Samples - Sample Preparation and Analysis

For surface-based exploration drill holes, samples are prepared at the SGS laboratories in Belo Horizonte. For other drill holes and channels, samples are prepared at Jaguar's mine site laboratories by drying, crushing to 90% minus 2 mm, quartering with a Jones splitter to produce a 250 g sample, and pulverizing to 95% minus 150 mesh. Analysis for gold is by standard fire assay procedures, using a 50 g or 30 g sample and an atomic absorption (AA) finish.

The SGS laboratory based in Belo Horizonte meets international analytical standards and ISO 17025 compliance protocols. Analytical results from the SGS laboratory were forwarded to Jaguar's Exploration or Mine Departments by e-mail, followed by a hard copy.

A process control laboratory at the Turmalina Mine analyzes the shift and plant samples, while all delineation drill core, channel, and exploration drill core samples from Turmalina are forwarded to the in-house laboratory located at the Caeté mine site.

At Jaguar's Caeté laboratory, the samples are dried and then crushed. A one kilogram sub-sample of the crushed material is selected for pulverization to approximately 70% minus 200 mesh. The ring-and-puck pulverizers are cleaned after each sample using compressed air and a polyester bristle brush. The analytical protocol for all samples employs a standard fire assay fusion using a standard 30 g aliquot, with the final gold content being determined by means of AA. The detection limit for fire assay analyses is 0.05 g/t Au. A second cut from the pulps is taken and re-assayed for those drill core samples where the grade is found to be greater than 30 g/t Au. If the two assays are in good agreement, only the first assay is reported. The AA unit is calibrated to directly read gold grades up to 3.3 g/t Au – samples with grades greater than this are re-assayed by diluting the solute until it falls within the direct-read range.

#### Quality Assurance and Quality Control

The Caeté laboratory carries out an internal program of Quality Assurance/Quality Control (QA/QC) for all drill core samples. No QA/QC is performed for channel samples. The QA/QC protocol includes carrying out a duplicate analysis after every 20 samples, representing an insertion frequency of 5%.

Commercially sourced standard reference materials (Rocklab standards Si64 (recommended value of 1.780 g/t Au) and SK78 (recommended value of 4.134 g/t Au)) are inserted at a frequency of every 45-50 samples.

Blank samples are inserted at a rate of one in every 20 samples, representing an insertion frequency of 5%. Blank samples are composed of crushed, barren quartzite or gneiss and are used to check for contamination and carry-over during the crushing and pulverization stage.

The results of the blanks, duplicates, and standards are forwarded to Jaguar's head office on a monthly basis for insertion into the Jaguar's internal database (BDI). There, the results from the standards samples are scanned visually for out-of-range values on a regular basis. When failures are detected, a request for re-analysis is sent to the laboratory – only those assays that have passed the validation tests are inserted into the main database.

## Mineral Resource and Mineral Reserve Estimates

Table 4 summarizes the Mineral Resources as of December 31, 2014 based on a US\$1,400/oz gold price. The total Mineral Resources for the Turmalina Mine Complex comprise 2.85 million tonnes at an average grade of 5.08 g/t Au containing 466,000 ounces of gold in the Measured and Indicated Resource category and 3.3 million tonnes at an average grade of 6.4 g/t Au containing 673,000 ounces of gold in the Inferred Mineral Resource category. The Mineral Resources include the Turmalina Mine and two satellite deposits, Faina and Pontal. A cut-off grade of 2.5 g/t Au was used to report the Mineral Resources for the Turmalina Mine, and cut-off grades of 3.8 g/t Au and 2.9 g/t Au were used to report the Mineral Resources for the Faina and Pontal deposits, respectively.

The conceptual operational scenarios considered during preparation of previous Mineral Resource estimates for the Faina and Pontal deposits envisioned that the fresh, unoxidized mineralization would be excavated on a satellite deposit basis and transported by truck to the existing Turmalina plant for processing. Preliminary metallurgical tests have been completed on samples of fresh, unoxidized mineralization from the two deposits from that conceptual perspective. They have yielded unacceptably low recoveries when the material is considered as potential feed to the existing Turmalina plant, and have concluded that the mineralization at both deposits is refractory.

An alternative conceptual operational scenario was developed for the current update of the Mineral Resources in which the mineralized material will be excavated by means of underground mining methods and transported to the Turmalina plant for processing. A gold-rich flotation concentrate is envisioned to be generated after appropriate upgrades have been made to the existing plant. The gold-rich flotation concentrate would then be shipped or sold to a domestic source for recovery of the gold.

Table 4 Summary of Total Mineral Resources – December 31, 2014  
Jaguar Mining Inc. – Turmalina Mine Complex

Category	Tonnes (000)	Grade (g/t Au)	Contained Oz Au (000)
Turmalina			
Measured	966	4.71	146
Indicated	1,215	5.10	199
Sub-total M&I	2,182	4.93	346
Inferred	1,596	5.69	292
Faina			
Measured	72	7.39	17
Indicated	189	6.66	42
Sub-total M&I	261	6.87	58
Inferred	1,542	7.26	360
Pontal			
Measured	251	5.00	40
Indicated	159	4.28	22
Sub-total M&I	410	4.72	62
Inferred	130	5.03	21
Total Turmalina, Faina, and Pontal			
Measured	1,289	4.92	203
Indicated	1,563	5.21	263
Sub-total M&I	2,853	5.08	466
Inferred	3,268	6.40	673

## Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are inclusive of Mineral Reserves.
3. Mineral Resources include the Turmalina Mine, Faina deposit, and Pontal deposit.
4. Mineral Resources are estimated at a cut-off grade of 2.5 g/t Au at Turmalina, 3.8 g/t Au at Faina, and 2.9 g/t Au at Pontal.
5. Mineral Resources are estimated using a long-term gold price of US\$1,400 per ounce.
6. Mineral Resources are estimated using an average long-term foreign exchange rate of 2.5 Brazilian Reals: 1 US Dollar.
7. A minimum mining width of approximately 2 m was used.
8. Bulk density is 2.76 t/m<sup>3</sup> for Orebodies A and B and 2.95 t/m<sup>3</sup> for Orebody C at the Turmalina mine.
9. Gold grades are estimated by the inverse distance cubed interpolation algorithm using capped composite samples.
10. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
11. Numbers may not add due to rounding.

Roscoe Postle Associates Inc. (“RPA”) is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other factors that could materially affect the Mineral Resource estimates.

## Mineral Resource Estimate – Turmalina Mine

The updated block model for the Turmalina Mine is based on drilling and channel sample data using a data cut-off date of June 30, 2014. The database comprises 2,420 drill holes and 10,862 channel samples. The estimate was generated from a block model constrained by three-dimensional (3D) wireframe models that were constructed using a

minimum width of two metres. The gold grades are interpolated using several interpolation algorithms using capped composited assays. A capping value of 50 g/t Au was applied for all three Orebodies. The Mineral Resources are reported using the gold grades estimated by the inverse distance cubed (ID3) method. The wireframe models of the mineralization and excavated material for the Turmalina Mine, Faina Deposit and Pontal Deposit were constructed by Jaguar and reviewed by RPA.

The mineralized material for each Orebody was classified into the Measured, Indicated, or Inferred Mineral Resource categories on the basis of the search ellipse ranges obtained from the variography study, the observed continuity of the mineralization, the drill hole and channel sample density, and previous production experience with these orebodies.

The Mineral Resources are inclusive of Mineral Reserves. For those portions of the Mineral Resources that comprise the Mineral Reserve, stope design wireframes were used to constrain the Mineral Resource reports.

Additional Mineral Resources are present that reside beyond the Mineral Reserves. For these areas, clipping polygons were prepared to aid in the estimation of the Mineral Resources. The clipping polygons were prepared in either plan or longitudinal views, as appropriate. The clipping polygons were drawn to include continuous volumes of blocks whose estimated grades were above the stated cut-off grade, and were not located in mined out areas. The clipping polygons were used to appropriately code the block model and report the Mineral Resources.

At a cut-off grade of 2.5 g/t Au, the Mineral Resources at the Turmalina Mine comprise 2.18 million tonnes at an average grade of 4.93 g/t Au containing 346,000 ounces of gold in the Measured and Indicated Resource category and 1.6 million tonnes at an average grade of 5.7 g/t Au containing 292,000 ounces of gold in the Inferred Mineral Resource category. The Mineral Resources are presented in further detail in Table 5.

Table 5 Summary of Mineral Resources as of December 31, 2014 – Turmalina Mine  
Jaguar Mining Inc. – Turmalina Mine

Category	Tonnage (000 t)	Grade (g/t Au)	Contained Metal (000 oz Au)
Orebody A:			
Measured	412	6.93	92
Indicated	491	8.35	131
Sub-total M&I	904	7.70	224
Inferred	389	11.38	142
Orebody B:			
Measured	514	3.11	51
Indicated	67	3.12	7
Sub-total M&I	581	3.11	58
Inferred	16	2.83	1
Orebody C:			
Measured	40	2.48	3
Indicated	657	2.88	61
Sub-total M&I	697	2.86	64
Inferred	1,191	3.88	148
Total Turmalina Mine:			
Total, Measured	966	4.71	146
Total, Indicated	1,215	5.10	199
Total Measured & Indicated	2,182	4.93	346
Total, Inferred	1,596	5.69	292

## Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated at a cut-off grade of 2.5 g/t Au.
3. Mineral Resources are estimated using a long-term gold price of US\$1,400 per ounce.
4. Mineral Resources are estimated using an average long-term foreign exchange rate of 2.5 Brazilian Reais: 1 US Dollar.
5. A minimum mining width of approximately 2 m was used.
6. Bulk density is 2.76 t/m<sup>3</sup> for Orebodies A and B and 2.95 t/m<sup>3</sup> for Orebody C.
7. Gold grades are estimated by the inverse distance cubed interpolation algorithm using capped composite samples.
8. Mineral Resources are inclusive of Mineral Reserves.
9. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.
10. Numbers may not add due to rounding.

RPA is not aware of any environmental, permitting, legal, title, taxation, socio-economic, marketing, political, or other factors that could materially affect the Mineral Resource estimates.

## Mineral Reserve Estimate

Mineral Reserves for Turmalina are based on the Mineral Resources as of December 31, 2014, mine designs, and external factors. Table 6 summarizes the Mineral Reserves.





Table 6 Mineral Reserve Estimate – December 31, 2014  
Jaguar Mining Inc. – Turmalina Mine

Orebody	Classification	Tonnes (000)	Grade (g/t Au)	Au Ounces (000)
A	Proven	333	5.00	54
	Probable	566	6.96	127
C	Probable	367	3.14	37
Total	Proven & Probable	1,268	5.33	217

Notes:

- CIM definitions were followed for Mineral Reserves.
- Mineral Reserves were estimated at a break-even cut-off grade of 2.9 g/t Au. Some stopes were included using an incremental cut-off grade of 1.5 g/t Au.
- Mineral Reserves are estimated using an average long-term gold price of US\$1,200 per ounce.
- A minimum mining width of 3 meters was used.
- Bulk density is 2.7 t/m<sup>3</sup>.
- Numbers may not add due to rounding.

The Mineral Reserves consist of selected portions of the Measured and Indicated Resources that are within designed stopes and associated development, designed by MCB Serviços e Mineração (MCB), a Brazilian consulting group. A breakdown by location is given in Table 7.

TABLE 7 TURMALINA MINERAL RESERVES BY LOCATION  
Jaguar Mining Inc. – Turmalina Mine

Orebody	Area	Tonnes (000)	Grade (g/t Au)	Au Ounces (000)
A	Level 6	68	4.50	10
	Level 7	63	5.40	11
	Level 8	266	5.73	49
	Level 9	503	6.83	111
C	Level 1	65	3.66	8
	Level 2	20	3.43	2
	Level 3	283	3.00	27
Total		1,268	5.33	217

Dilution and extraction (mining recovery) have been included in the reserve estimate through the following:

- Areas within the stope designs below 2.9 g/t Au. The resource wireframes were constructed at a cut-off grade of 0.5 g/t Au, and therefore include material below the reserve cut-off grade for continuity.
- In Orebody A, planned dilution includes areas where the stope designs run outside of the resource wireframe, to achieve minimum width and due to irregularities in geometry. An allowance of 0.5 m on each of the hangingwall and footwall sides has been added. This allowance is built into the stope design.
- In Orebody C, ground conditions are good, and planned dilution due to geometry was deemed sufficient. Stope designs do not include the extra allowance of 0.5 m.



- In both A and C, unplanned dilution from over-break into the surrounding rock was based on an estimate of 15%.
- Extraction is assumed to be 100%. Although some losses are encountered during blasting and mucking, they are minimal, and reconciliation to mill results indicates that high dilution/high extraction assumptions match up well.
- Pillar recovery stopes on Level 6 (a mostly mined-out area) are treated differently, with a dilution factor of 50% and extraction factor of 70% applied.

#### Cut-Off Grade

A break-even cut-off grade of 2.9 g/t Au was estimated for Mineral Reserves, using a gold price of US\$1,200/oz, and average gold recovery of 88% and 2014 cost data for the Turmalina Mine. Gold prices used for reserves are based on consensus, long term forecasts from banks, financial institutions, and other sources.

Cost data was stated in US dollars, using the exchange rate at the time (approximately 2.5 BRL to the US dollar). The US dollar has strengthened considerably against the BRL recently, with a rate of 3.2 BRL to the US dollar at the time of reporting. A majority of Turmalina costs are denominated in BRL, which means that the US dollar costs stated in this report are likely to be conservative estimates.

An incremental cut-off grade of 1.5 g/t Au was estimated using variable costs only. Some stopes with diluted grades between 1.5 g/t Au and 2.9 g/t Au were included in Mineral Reserves. For Orebody A, incremental-grade stopes make up approximately 10% of the total, a proportion that RPA considers to be reasonable. For Orebody C, approximately 50% of stopes are incremental-grade – a higher proportion than is typical.

Although the cost data available from Turmalina is not easily categorized by Orebody, it is reasonable to assume lower costs in Orebody C, given better ground conditions and shorter haulage to surface.

The mill has excess production capacity, not otherwise put to use. Additional incremental ore will not displace better grade material. On this basis, RPA considers the high proportion of incremental material (approximately 20% of total reserves) to be acceptable.

#### Mining Operations and Metallurgical Process

The Turmalina Mine Complex consists of a number of tabular bodies known as Orebodies A, B, and C. Two satellite deposits, Faina and Pontal are located along strike to the northwest.

The main production of the mine has been from Orebody A, which is folded, steeply east-dipping, with a strike length of approximately 250 m to 300 m, and an average thickness of six metres. Mineralization has been outlined to depths of 700 m to 750 m below surface. The southern portion of Orebody A is composed of two parallel narrow veins. The northern portion of Orebody A is much the same as the southern, however, the two parallel zones nearly or completely merge and therefore the zone is much wider overall (up to 10 m).

Orebody B includes three thinner, lower-grade lenses parallel to Orebody A. Two of the lenses are located approximately 50 m to 75 m in the structural hanging wall and are accessed by a series of cross-cuts that are driven from Orebody A. The third lens is located possibly along the axial plane. The mineralization in this deposit has been outlined along a strike length of approximately 350 m to 400 m and to depths of 650 m to 700 m below surface. Orebody B is narrow along its entire strike length.

Orebody C is a series of 14 lenses that are located to the west in the structural footwall of Orebody A and are generally of lower grade. They strike northwest and dip steeply to the northeast. A minor amount of production has been achieved from these lenses to date. The mineralization in this deposit has been outlined along a strike length of approximately 800 m to 850 m and to depths of 400 m to 450 m below surface.

## Mining Method

The mining method currently in use is longhole sublevel stoping with delayed backfill. For the fill material, a paste fill product is prepared from detoxified CIP tailings in a plant located near the mill.

The mine is accessed from a five metre by five metre primary decline located in the footwall of the deposit. The portal is located at elevation 695 m. The mine is divided into levels with Level 01 established at elevation 626 MASL (Table 16-1). Starting at this level, the vertical clearance between levels is 114 m in the upper portions of the mine (i.e., Level 02 is at elevation 512 m). Five sublevels, spaced 20 m apart vertically, are driven from the main ramp. Since the initial development phases, level spacing has been modified so that the mining method could more easily adapt to changing conditions and modifications to the mining method. The current level spacing is 75 m with sublevels placed every 15 m vertically. A three metre thick sill pillar is left at each level, except for Level 3.

At each level and sublevel, drifts are developed in the mineralized zone to expose the footwall and the hangingwall contacts. The drift is extended in both directions along strike, under geological control for alignment, continuing to expose the contacts until the limits of the orebody are reached.

Orebody A and C are the primary structures being mined, while mining in Orebody B has recently been halted. Orebody A is located in the footwall of the shear zone and Orebody B in the hangingwall of the shear structure.

Orebody A is closest to the main ramp and is accessed first. Development is currently progressing to Level 9 in Orebody A.

Orebody C is a secondary system being mined to the west of the portal. It is of lower grade than Orebodies A or B. Orebody C is accessed from the main ramp at Level 02. A separate internal ramp is near completion, which will reduce haul distance to the run-of-mine ore stockpile.

Past mining used a longitudinal retreat sequence for Orebodies A and B – stope extraction began at the ends of the levels and retreated back towards the access. Stopes are 50 m in length along strike and separated by a five metre to ten metre wide pillar, depending on the thickness of the zone. Once mining of each longhole stope has been completed, the excavation is filled using a combination of development waste and pumped paste fill. A bund is constructed using development waste to contain the backfill. Once the cement content of the paste fill has been allowed to set, the next stope in the sequence can be mined. The sequence continues until the entire level/sublevel is mined. Mining then proceeds upward to the next sublevel until the sill pillar is reached. Stopes are mined from several individual levels simultaneously in order to provide the required number of active workplaces needed to meet production targets.

The retreat sequence, and the need to complete Orebody B mining before cutting off access by mining Orebody A, reduced productivity by limiting the number of stopes available for mining at a given time.

The current LOMP does not consider mining of Orebody B, and involves a change in mine design. Orebody A will be mined in a primary / secondary sequence via transverse access to the thick centre portion of Orebody A, requiring additional accesses developed in waste. Each primary or secondary stope is 15 m along strike, with no pillars. The design change has the effect of increasing the number of available workplaces, and de-links the narrow, lower-productivity ends from the centre.

Although Orebody B is not in the LOMP, and no longer included in Mineral Reserves, future access is possible, either by mining through cemented paste fill and supporting appropriately, or by mining concurrently with the thinner ends

of Orebody A.

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## Environmental Considerations

Environmental studies related to the acid mine drainage potential are been made as requested by SUPRAM on LO 012/2008 (“Licença de Operação” - Operation License). Those studies will be performed until the end of mining and milling operations at Turmalina. All the environmental costs for the Turmalina Project are associated with obligations laid out in the various licenses.

Jaguar has all the necessary environmental licenses for the operation of the Turmalina mining complex.

## Taxes

Income taxes are 34% of taxable profit, including a 25% corporate tax rate and a 9% social contribution. In addition to direct operating costs, royalty payments and depreciation are deductible in determining taxable profit.

## Mine Life

The current life of mine plan, based on Mineral Reserves, details mining operations at Turmalina to 2018. There is good potential to extend the mine life, through infill drilling and further conversion of Mineral Resources to Mineral Reserves.

## Markets

The principal commodity at the Turmalina Mine is freely traded, at prices that are widely known, so that prospects for sale of any production are virtually assured. A gold price of \$1,200 per ounce was used for estimation of Mineral Reserves.

## Caeté Mining Complex

The information below is derived from “Caeté Gold Project Feasibility Study Amended Due to Enhancement of the Process Route and Mineral Resources and Mineral Reserves Increase for the Gold Mineral Properties Pilar and Roça Grande located in the Municipalities of Santa Bárbara and Caeté, Respectively, State of Minas Gerais, Brazil” dated October 29, 2010 (the “Caeté Feasibility Study”) and prepared by TechnoMine for Jaguar by TechnoMine under the guidance of its Principal Ivan C. Machado, M.Sc., P.E., P.Eng. Mr. Machado was a Qualified Person as such term is defined in NI 43-101. Mr. Machado passed away on December 20, 2011. Mr. Wilson Miola has approved the written disclosure of the above mentioned technical report in this Form 20-F. Mr. Marcos Dias Alvim, Jaguar’s Project Development Manager, has approved the reconciliation of Mineral Reserves and Mineral Resources referred to in this Form 20-F for Caeté Mining Complex and further updates since April 2013. Mr. Alvim is a Qualified Person as such term is defined in NI-43-101.

## Property Description and Location

The Caeté mining complex, which includes the Pilar and Roça Grande mines and the Caeté Plant, is located in the state of Minas Gerais, Brazil, 50 kilometers to 100 kilometers east of the city of Belo Horizonte. The property is comprised of 9,190 hectares of mining and exploration concessions. The property is owned through Jaguar’s wholly-owned subsidiary, MSOL.

In December 2003, Jaguar acquired the Santa Bárbara property, which includes the Pilar mineral concessions, from Vale. In November 2005, Jaguar entered into a mutual exploration and option agreement with Vale with respect to seven concessions, known as the Roça Grande concessions, located on 9,500 acres of highly prospective gold



properties along 25 kilometers of a key geological trend in the Iron Quadrangle. The contract between Jaguar and Vale provided Jaguar with the exclusive right over a 28 month period beginning November 28, 2005 to explore and conduct feasibility studies and to acquire gold mining rights in the Vale properties if the studies supported economical mining operations. The contract granted corresponding rights for Vale to explore the Jaguar property for iron and acquire mineral rights in the property during a three-year period. In November 2007, Jaguar notified Vale of its intent to exercise the option to acquire all seven Roça Grande concessions. The final transfers of the Roça Grande concessions to Jaguar were concluded in December 2010 and August 2011.

The mining concessions related to Caeté's Roça Grande and Pilar mines are in good standing. Jaguar has all the necessary environmental licenses that are required for the operation of the mining complex.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Roça Grande and Pilar mines are located in the municipalities of Caeté and Santa Bárbara, respectively, in the state of Minas Gerais, Brazil. Caeté (35,000 inhabitants) and Santa Bárbara (30,000 inhabitants) are comparable towns, located 55 kilometers and 100 kilometers, respectively, from Belo Horizonte.

The towns have good urban infrastructure, including banks, hospitals, schools and general commerce. Skilled labor is readily available.

The properties can be accessed via a federal highway and state paved roads. A partially paved 27-kilometer secondary road is used to transport Pilar ROM to the Caeté Plant.

Annual rainfall in area averages between 1,300 millimeters and 2,300 millimeters, 84% of which falls during the rainy season between October and March. December and January present the most intense precipitation. Winds, predominantly from the south and southeast, have a low average speed (<1 m/s). The annual average temperature is slightly above 20°C. Air humidity ranges up to 90% even in the summer months. Annual average evaporation is approximately 934 millimeters.

Power to the project site is currently supplied by CEMIG. Emergency power is provided by diesel back-up generators.

#### History

Jaguar acquired the Pilar property from Vale in December 2003 and in November 2005, the two companies entered into a mutual exploration and option agreement with respect to the Roça Grande mineral concessions.

Jaguar initiated exploration activities at Pilar in 2006 and initially contemplated building a sulfide plant on site, but the acquisition of the Roça Grande concessions created an opportunity to develop an expanded project, with greater plant capacity to receive ore from several mineral properties.

During 2007, a number of key events occurred with respect to the Caeté Project. Jaguar completed a scoping study, received the Implementation License for the Project, secured the power contract for the start-up and commissioned TechnoMine to prepare a NI 43-101 technical report on the Caeté Project mineral resources, which was completed during the year.

In September 2008, expansion plans at the Caeté Project continued as TechnoMine completed the NI 43-101 feasibility study technical report. By the end of the third quarter in 2008, all necessary permits and licenses for the construction and commissioning phase of the Caeté Project had been received and Jaguar initiated civil works for the milling and treatment circuits.

In November 2008, due to the decline in gold prices, the financial markets and worldwide equity values, including the gold sector, Jaguar temporarily suspended development of the Caeté Project pending an assessment of market conditions and the availability of capital to move the project forward. Consistent with the decision to suspend the development of the Caeté Project, underground work at the Roça Grande Mine was temporarily suspended; however, development at the Pilar Mine continued.



In December 2008, Jaguar began transporting ore by truck from the Pilar Mine to the Paciência Plant to supplement the ore being supplied from Paciência's Santa Isabel Mine.

In March 2009, Jaguar completed a \$86.3 million equity offering, the proceeds of which were primarily used to restart development and construction at Caeté. During 2009 and part of 2010, Jaguar focused on the implementation and construction of the Caeté Project. The Caeté Plant was commissioned in June 2010. The first gold pour was conducted in August 2010 and commercial production was declared in October 2010. Capital expenditures for the Caeté Project totaled US\$127 million.

In October 2010, TechnoMine completed an amendment to the 2008 feasibility study, which consisted of an enhancement of the process route and updated Mineral Resource and Mineral Reserve estimates afforded by an increase of the gold price over the life of mine ("LOM").

In June 2011, Jaguar filed a NI 43-101 compliant technical report prepared by TechnoMine on a number of targets located within the Caeté mining complex. This technical report added 159,250 ounces of Measured and Indicated Mineral Resources and 92,040 ounces of Inferred Mineral Resources for the Caeté mining complex.

During 2012, an operational review of the Caeté operation determined that operational overhead could be reduced and productivity improved without impacting long-term production capability. It was also determined to transition the operation to smaller ore and waste development headings, reduced stope dimensions and new ground control methodologies in order to improve head grade over historical results through reduced dilution. The new ground control methodology is progressing and work is ongoing on the transition toward smaller heading. The changes are being implemented concurrently with continuing operations and are expected to reduce the cash operating cost per ounce and allow for increased and more predictable ounce production.

Please refer to section General Development of the Business – Caeté Mining Complex – Production, Added Mineral Resources, Operational Review for recent developments regarding the Caeté Mining Complex.

### Geological Setting

Shortly after the Portuguese discovered Brazil in 1500, Portuguese explorers known as Bandeirantes ventured into the interior of the country from Rio de Janeiro and Salvador and discovered alluvial gold in the mid-16th century. Later on, the Bandeirantes ventured into the country's interior primarily from São Paulo. Gold found in stream drainages in several parts of the Iron Quadrangle was a major factor in the development of the region. During the 17th and 18th centuries, an era commonly referred to as the Brazilian Gold Cycle, mining in the Caeté and Santa Bárbara region included numerous moderate size mines, such as Gongo Soco, Cuiabá, Taquaril, São Bento, Santa Quitéria, Pary, Luis Soares, Juca Vieira and Brumal.

The Iron Quadrangle was the principal region for the Brazilian hard rock gold mining until 1983 and accounted for about 40% of Brazil's total gold production. Gold was produced from numerous deposits, primarily in the northern and southeastern parts of the Iron Quadrangle, most of which was hosted by Archean or Early Proterozoic banded iron-formations contained within greenstone belt supracrustal sequences.

The ore bodies, which are 15 kilometers apart, are emplaced in Archean age meta volcanic and meta-sedimentary rocks of the Nova Lima Group, folded and sheared along a NE-SW regional trend.

1. Pilar

The Pilar Ore Body is located at the basal unit of the Nova Lima Group, a unit with a predominance of meta-mafic and meta-ultramafic rocks with layers of both clastic and chemical meta-sediments. The volcanic rocks predominantly consist of talc schist, meta-basalts, meta-dunites, meta-peridotites and serpentinites. Secondly, schist occurs with variable amounts of carbonaceous material, sericite, carbonate, chlorite and quartz. BIF and meta-chert layers are hosted in the meta sediment.

In these layers it is possible to measure the original bedding, with variable directions due to folds, an average axis approximately  $135^{\circ}/45^{\circ}$ . The main BIF layer mapped in the Pilar site is continuous, with length in excess of 10 kilometers and width variable between 5 meters to 50 meters. At the outcropping north extremity of this layer at the site, known as São Jorge, the BIF was intercepted by a shear zone that promotes a strong hydrothermal alteration. On surface, this site contains an increased concentration of gold mineralization related to weathered sulfides and quartz veining (found underground in pyrite, pyrrhotite, and arsenopyrite).

Due to the hydrothermal alteration related to the shear zone, large quantities of sericite, chlorite, carbonate, silic, sulfides and also gold were included in the system.

A preliminary interpretation of the gold mineralization at the Pilar mine is that the BIF and gold were deposited simultaneously in a first phase. Later, due to the shearing events, more gold was intruded in the system and also a remobilization and concentration occurred, creating ore shoots dipping  $40^{\circ}$  to SSE. The regional foliation (S2) is very well preserved in all schists showing regular direction, as  $N30^{\circ} -50^{\circ} E / 40^{\circ} -65^{\circ}$ .

At the western border of the Pilar site, the older rocks (talc schists) were transported over the younger rocks by an inverse fault (thrust fault).

2. Roça Grande

In the Roça Grande site, the dominant rock types are meta-volcanoclastics and tuffs, represented by quartz-sericite-chlorite schists with variable amounts of carbonaceous material, BIF, metacherts and graphitic schists. This site is located in the upper unit of the Nova Lima Group. The bedding is well defined by the iron carbonate and siliceous layers found in the BIF horizons, with an average strike of  $N70^{\circ} E$ , dipping about  $30^{\circ} SE$ .

Folds are very common and present a regular fold axis azimuth approximately  $110^{\circ}/30^{\circ}$ . Two important BIF horizons are recognized at the Roça Grande site. They are roughly parallel and are called Structures 1 and 2. The North Structure (Structure 1) hosts the RG-01 mineralized body and the South Structure (Structure 2) hosts the RG-02, RG-03 and RG-06 mineralized bodies. The RG-07 mineralized body is located immediately in the hanging wall of Structure 1.

All rocks examined in the Pilar and Roça Grande Ore Bodies were subjected to different degrees of hydrothermal alteration that resulted in the development of carbonate, chlorite, sericite haloes, and quartz veins. Disseminated sulfides (pyrite, arsenopyrite, stibnite, pyrrhotite, and chalcopyrite) in the quartz veins are common.

Deposit Types

The gold metallogeny in the Iron Quadrangle is complex. Three types of deposits are the major sources for gold in the region. Initially, during the deposition of the Archean Nova Lima Group greenstone belt rocks, sea floor volcanic exhalative processes produced BIF and chert that hosted syngenetic sulfide-rich gold deposits. Subsequently, these greenstone belt rocks were deformed and epigenetic shear zone-related gold deposits were formed. The source of the

gold for these epigenetic deposits was quite possibly remobilized gold from the syngenetic exhalative deposits. Most of the gold in the Iron Quadrangle has come from these first two deposit types. The third type of gold deposit is hosted by silicified and carbonatized schist within shear zones. All three deposit types are almost uniformly coplanar with the regionally dominant foliation of NE-SW and a lineation within the foliation that plunges to the southeast at generally moderate angles.

## Mineralization

Gold in the Pilar and Roça Grande ore bodies occurs dominantly as sulfidized zones with quartz veins or millimeter to centimeter scale sulfidized layers and lenses within sheared banded iron formations and metacherts, in disseminations or concentrated in fold hinges.

Gold is present in fine grains mainly associated with arsenopyrite and less with pyrite and pyrrhotite. Locally, coarse gold, on a millimeter scale, is found in fractures or in the border of the quartz veins. A significant amount of gold is also emplaced in sulfidized quartz-sericitic-carbonatic lenses resulting from hydrothermal activity within shear zones.

Both types of gold are found in the Pilar and Roça Grande ore bodies. Gold mineralization at Pilar is observed equally in both types. At Roça Grande, gold mineralization is more commonly associated with the BIF horizons. Only in the RG-07 mineralized body can gold be found in quartz veins hosted by sericite (chlorite) schist associated with E-W shear zone. In the RG-01, RG-02, RG-03 and RG-06 mineralized bodies, the gold mineralization is developed roughly parallel to the original bedding and is related to centimeter bands of massive to disseminated sulfides. The RG-07 ore body is located inside the E-W shear zone. All mineralized zones have dimensions variable between 80 meters to 300 meters in width and two meters to ten meters in thickness and all are open at depth.

Three mineralized sectors were defined at Pilar: São Jorge, SW, and PMS-15. São Jorge is the most important sector and the mineralization occurs associated with BIF and with quartz veins in the same proportion. In the SW mineralized sector, all the ore zones are related with BIF while the PMS-15 mineralization occurs inside a shear zone with quartz veins and small pieces of the BIF (breccias). Gold is directly associated with massive and disseminated sulfide, subordinately it can be found as free/visible in quartz.

## Exploration

### 1. Pilar

In 2004, Jaguar started an exploration campaign at the Pilar property in order to complete a mineral resource evaluation in accordance with NI 43-101 guidelines. The exploration effort comprised three phases as follows:

Phase 1: After interpretation of the available data, an exploratory diamond drilling program was performed to test the control and the continuity of the mineralization to 200 meters below the surface. Ore bodies were mainly ore-shoots within the BIF. The holes intercepted several significant mineralized intervals and pointed out the need for additional investigation of the structural geology of the area. During this phase, 6,489 meters were drilled in 36 diamond drill holes.

Phase 2: Diamond drill holes tested the structural control and the continuity of the mineralization to 300 meters below surface. The ore bodies were both ore-shoots within BIF and ore-shoots within the shear zone. In this phase, 12,926 meters in 41 holes were drilled.

Phase 3: This phase included underground exploration and underground and surface diamond drilling. The objective was to open up and sample the ore bodies at level 693 meters above sea level with the help of infill underground drilling. Surface drilling is oriented to gain more data on structural control and in detailing the main ore-shoots. Through December 2010, Jaguar completed a total of 10,390 meters in ramps and drifts, underground drilling totaling 11,200 meters in 180 holes to detail the ore bodies at levels 1, 2 and 3 and surface drilling totaling 10,186 meters in 19 holes.





Late in 2010 and during 2011 (subsequent to the Caeté Feasibility Study) Jaguar completed an underground drilling program to investigate the down plunge continuity of the mineralization between levels 4 and 10 at the Pilar Mine. A total of 12,574 meters in 44 drill holes were completed, confirming the extension at depth of the ore bodies. In 2012 and 2013 delineation drilling underground continued.

2. Roça Grande

Jaguar has drilled intensively at the Roça Grande ore bodies. Four mineralized bodies named RG-01/07, RG-02, RG-03, and RG-06 were selected for infill diamond drilling and underground exploration started in the RG-01/07 body. The following has been completed through December 2010:

- RG-01/07: 10,625 meters in 111 surface and underground drill holes and 5,906 meters in ramps and drifts
  - RG-02: 16,580 meters in 59 surface drill holes and 1,168 meters in ramps and drifts
  - RG-03: 9,407 meters in 56 surface drill holes
  - RG-06: 7,954 meters in 55 surface drill holes

During 2011 and subsequent to the Caeté Feasibility Study, Jaguar completed 9,983 meters in 71 drill holes at the RG-01/07 body as part of an underground infill drilling program. In 2012 and 2013, Jaguar performed 13,922 meters and 10,142 meters of underground delineation drilling, respectively, in RG-01/07.

Drilling

1. Pilar

MSOL started exploratory works at Pilar in 2004 and has since been actively drilling from the surface and from underground drifts. From the surface, three sectors of the ore body, Pilar Sul, São Jorge, and São Jorge Extensão were drilled first in exploratory and now in locally detailed grids. Drill hole lengths range from 41 meters to 841 meters. Core diameters are consistently HQ from surface through the weathered rock to bedrock. At one to three meters into bedrock the holes were reduced to NQ diameter to the final depth.

Drill collars were set out by GPS or theodolite surveys. All holes were drilled within three meters of the planned location. Azimuth and inclination for angle holes were set by brunton compass, deemed accurate to within 2° azimuth and <1° inclination. Following completion of the holes, the collars were surveyed with theodolite and cement markers emplaced. Downhole surveys were completed on 90% of the holes using Tropari (Phase I) or Sperry-Sun and Maxibor equipment (Phases 2 and 3).

Underground drilling is ongoing and is being used as a guide to search for and to detail mineralized bodies laterally to the opening of the drifts. Drill holes are been performed in BQ and LTK diameters. Collar location, orientation and downhole surveys follow the same system above.

During 2012 and 2013, totals of 16,504 meters and 19,493 meters, respectively, were performed as delineation underground drilling in the Pilar mine and the results have confirmed the continuity and the configuration of the mineralized bodies, which are still opened at depth and in the SSE direction.

## Roça Grande

Jaguar started diamond drilling at the Roça Grande ore body in August 2006. Following the completion of the first exploratory holes drilled at the RG-01/07, RG-02, RG-03 and RG-06 mineralized bodies, Jaguar carried out an infill program to detail these mineralized bodies.

Hole lengths ranged from 40 meters to 559 meters. Holes were located to investigate the mineralized bodies continuity laterally and at depth. Core diameters are consistently HQ from surface through the weathered rock to bedrock. At one to three meters into the bedrock the holes were reduced to NQ diameter until the final depth.

Drill collars were set out by theodolite or GPS surveys. All holes were drilled within three meters of the intended planned location. Azimuth and inclination for the angle holes were set by brunton compass, deemed accurate to within 2° azimuth and <1° inclination.

Following completion of the holes, the collars were surveyed with theodolite and cement markers emplaced. Downhole surveys were completed on all holes with more than 100 meters in length using Maxibor equipment.

The drilling campaign described below between 2008 and 2013 was not part of the Caeté Feasibility Study.

During 2008, Jaguar completed 31,501 meters of drilling for a total of 92 drill holes in the exploration concessions that are part of the Caeté Project mining complex.

During 2009, Jaguar completed 8,650 meters of drilling for a total of 53 drill holes in the exploration concessions that are part of the Caeté Project mining complex.

During 2010, Jaguar drilled a total of 9,649 meters in 84 surface drill holes at some of these targets. Late in 2010 and during 2011, Jaguar completed an underground drilling program at the Pilar Mine to confirm the continuity of the structure down to Level 11, approximately 860 meters from surface. A total of 12,574 meters were completed in 44 holes from this new exploration drift. Significant intercepts of gold mineralization have been identified at depth, confirming the down plunge continuity to 250 meters below current mining levels. During 2012, underground delineation drilling at the Pilar and Roça Grande mines totaled 30,400 meters.

During the third quarter of 2012, Jaguar completed a first-stage diamond drilling campaign at the Moita target, located four kilometers NW of the Caeté Plant. This campaign, which comprised of 1,115 meters in 16 drill holes, was performed to test a 400 meters by 50 meters mineralized zone delineated by soil sampling and trenching, within hydrothermally altered metasediments hosted by a shear zone. Drilling results confirmed the SE down-plunge extension of the mineralization.

In 2013, underground delineation drilling at the Pilar and Roça Grande mines totaled 29,635 meters.

## Sample Preparation, Analysis and Security

Detailed documentation on the diamond drilling logs and gold sample analysis is available for both ore bodies in hard copy files. The majority of the drilling completed on the deposits prior to Jaguar's acquisitions was performed under Vale's control and the methods utilized conformed to standard industry practices from 1989 through 2003.

Gold analyses were made internally in the Vale laboratory - SUTEC (Superintendência de Tecnologia da Companhia Vale do Rio Doce).

Channel sampling carried out by Jaguar was restricted to the drifts of the Pilar and RG-01/07 ore bodies and locally, on the surface, in the open pits RG-02 and RG-06 excavation made by Vale and at old works in the RG-01/07.

First, the surface was cleaned with a hoe, exposing the material by scraping it. Underground, the drift's walls were cleaned with water.

Next, structures were mapped, lithologic contacts were defined, and samples were marked so that no sample had more than one lithology. Typically, the samples had a maximum length of one meter and weighed between one and two kilograms.

Channel samples consisted of manual openings of channels, with lengths ranging from 50 centimeters to one meter, average widths between five centimeters to ten centimeters, and about two and three centimeters deep, using a hammer and a steel pointer crowned by widia or a small jackhammer. Underground, the channel samples were collected starting at the floor level on one side, going over the drift section to the floor on the opposite side.

An aluminum tray or a plastic canvas was used to collect the material. The samples were then stored in a plastic bag and identified by a numbered label, which was protected by a plastic cover and placed with the sample.

At the sampling site the samples were identified by number sequence painted in the drift walls. The sample locations were surveyed by theodolite.

#### Diamond Drilling Core Sampling

The following are the diamond drill core sampling procedures adopted by Jaguar.

Surface drilling is being executed by drilling contractor Mata Nativa and underground drilling is being carried out by Jaguar's team. Surface drill holes are being drilled with HQ and NQ tools and underground holes drilled with BQ diameter. Drill holes are accepted only if they have more than 85% recovery from mineralizer zone.

The drill holes executed to evaluate the ore body have their deviations measured by Maxibore down the hole survey equipment.

The cores are stored in wooden boxes of one meter in length with three meters of core per box (H diameter) or 4 meters of core per box (B or N-equivalent diameter). The hole number, depth and place are identified in the boxes by an aluminum plate in front of the box and by a water-resistant ink mark on its side. The progress interval and core recovery are identified inside the boxes by small wooden or aluminum plates. All core intervals selected for sampling have been sawed into equal halves. One-half is then collected for analysis and one-half kept in the core box for storage.

Samples were prepared, partially at the SGS laboratories in Belo Horizonte and partially at Jaguar's laboratory, by drying, crushing to 90% minus two millimeters, quartering with a Jones splitter to produce a 250-gram sample, and pulverizing to 95% minus 150 mesh. Analysis for gold was by standard fire assay procedures, using a 50-gram or 30-gram sample with an AA finish.

Analytical results were forwarded to Jaguar by email, followed by a paper copy.

Both SGS and Jaguar laboratories used identical sample preparation and analysis. The SGS laboratory has been assessed by ABS Quality Evaluations, Houston, Texas, and found to be in compliance with ISO 9001.

#### Mineral Resource and Reserve Estimates



As of December 31, 2013, Caeté has an estimated 13,885,310 tonnes of Measured and Indicated Mineral Resources at an average grade of 3.5 grams per tonne totaling 1,564,610 ounces of gold and 7,642,990 tonnes of Inferred Mineral Resources at an average grade of 2.75 grams per tonne totaling 675,870 ounces of gold.

Proven and Probable gold Mineral Reserves, which are included in the reported Mineral Resource estimate, are estimated at 3,758,120 tonnes at an average grade of 2.28 grams per tonne totaling 275,980 ounces.

#### Mining Operations and Metallurgical Process

Caeté’s mining complex, as built subsequent to the Caeté Feasibility Study, is composed of two underground mines (Roça Grande and Pilar) that primarily utilize the “cut-and-fill” mining method as well as “sublevel stoping” in some areas. The cut-and-fill method allows for mining selectivity during ore breaking, high recovery, and stability of openings and of the mine as a whole. It also improves environmental conditions by reducing the amount of waste and tailings disposed on the surface.

The Roça Grande mine is divided into levels at 75 meters vertical spacing. The Pilar mine is divided into levels at every 75 meters. Between levels, there is a five-meter-thick horizontal sill pillar at the Roça Grande mine’s RG-02 and RG-03 ore bodies and a three-meter-thick pillar at Roça Grande’s RG-01 and RG-07 ore bodies and at the Pilar mine. This design is in accordance with the geomechanical study. A 15-meter-thick crown pillar separates stope top from the surface in addition to structural roll.

Drifts within the ore are developed from the main access ramps to the mineralized ore bodies to expose the hanging wall and the footwall. Drilling is carried out by hydraulic single or twin boom jumbos, the blasted ore/waste is loaded by five cubic yard bucket LHD wheel loaders and hauled by 20-tonne trucks to the Caeté Plant.

When the excavation of the first vertical slice reaches the entire length of the body, the hydraulic backfill process utilizing detoxified metallurgical plant tailings and/or waste will start. At first, a draining bund will be built with waste to contain the backfill. After a draining period, the backfill surface at Roça Grande will be leveled and another drilling and blasting cycle will start. Until the crown pillar that separates the underground mine from the surface or until the sill pillar of the next panel is reached, the mine will operate according to the following cycle: drilling, blasting, ventilation, loading, hauling, and backfilling.

Ore produced from the mines is transported to the 2,200 tonnes per day capacity Caeté Plant, which is adjacent to the Roça Grande mine. The Caeté Plant was declared commercial during the third quarter of 2010.

The mineral processing route consists of the following sequence of macro-unit operations:

Block 1: 100% of the total mill feed (solids) – no cyanide addition.

- Crushing and screening;
- Grinding, cycloning and gravity concentration;
- Flotation of the gravity tailings;
- Backfill plant fed by the flotation tailings (about 90% of the total mill feed).

Block 2: 10% of the total mill feed (solids) – cyanide leaching.

- Regrinding, cycloning and thickening of the flotation concentrate;
- Conventional leaching and ADR CIP;
- Reground/thickened flotation concentrate;

- Recovery by an EW circuit after elution (desorption) of the CIP loaded carbon;
- Cyanide destruction plant for the leaching tailings pulp.

The overall metallurgical recovery (gravity separation/flotation/leaching/ADR) is 91.9%. The metallurgical recovery is based on testwork carried out by Dawson and Knelson.

The Caeté Plant includes five main units: three-stages crushing and screening, grinding, gravity separation, and cycloning, flotation, regrinding-thickening-hydrometallurgy, consisting of a leaching line of the flotation concentrate and an ensuing CIP - ADR circuit, a backfill plant and cyanide-free tailings disposal. The CIP detoxified (hydrogen peroxide) tailings pulp is conveyed to the geomembrane-sheeted Moita tailings dam. Gold recovery is performed by a conventional elution and EW circuit. The cyanide-free flotation tailings feed a backfill plant (cycloning), the overflow of which is thickened for water recovery, while the high-density underflow stream conveyed to a bare (nonlined) tailings dam (former RG-02 open pit). The underflow (68% solids by weight), corresponding to about 56% of the ROM tonnage is directed to the underground mines (Roça Grande and Pilar) and disposed jointly with mining waste.

A three-stage crushing and screening plant feeds crushed ROM into a surge pile equipped with four belt feeders for a ball mill, in closed circuit with a cyclones cluster, a gravity concentration (Knelson XD-40), and intensive cyanidation (Acacia) of the concentrate. The cyclone overflow feeds the flotation plant consisting of fourteen 500- cubic foot conventional flotation cells. The reground-thickened flotation concentrate feeds a conventional leaching and ADR CIP circuit. The CIP tailings pulp, after detoxification with hydrogen peroxide, is conveyed to the Moita geomembrane-sheeted tailings dam. Gold recovery is performed by a conventional elution and EW circuit.

The hydrometallurgical route starts at the flotation plant, which is fed by the grinding plant circuit-closing cyclones overflow. A leaching CIP ADR circuit of the reground flotation concentrate ensues. The process finishes with the smelting of cathodes into gold bullion by means of an induction furnace.

#### Environmental Conditions

Jaguar has all the necessary environmental licenses for the operation of the Caeté mining complex.

#### Taxes

Income taxes in Brazil are 34% of taxable profit, including a 25% corporate tax rate and a 9% social contribution. In addition to direct operating costs, royalty payments and depreciation are deductible in determining taxable profit.

#### Mine Life

The current mine plan extends into 2016.

#### Markets

All gold produced at the Caeté operation is transported to São Paulo on a weekly basis for refining and sale at market prices.

#### Gurupi Project

The information below is derived from the Gurupi Project - "Gurupi Gold Project Feasibility Study for the Gold Mineral Properties Cipoeiro and Chega Tudo located in the Municipalities of Centro Novo do Maranhão and Centro do Guilherme, State of Maranhão, Brazil" dated January 31, 2011 (the "Gurupi Feasibility Study") and prepared by TechnoMine. Information on updated Measured and Indicated Resources dated July 30, 2012 for the Gurupi Project has been prepared by or under the supervision of Leah Mach who is a "qualified person" for the purposes of NI 43-101



and Leah Mach, from SRK Consulting has approved the disclosure of updated Measured and Indicated Resources dated July 30, 2012 contained in this Form 20-F relating to the Gurupi Project. Mr. Wilson Miola has approved the written disclosure in regards to the Gurupi Project as well as the reconciliation of Mineral Reserves and Mineral Resources referred to in this Form 20-F for the Gurupi Project. Mr. Miola is a Qualified Person as such term is defined in NI-43-101.

## Property Description and Location

The Gurupi Project is located in the state of Maranhão, Brazil. MCT controls the Gurupi Project through a total of 32 mineral concessions totaling 137,419 hectares. The Cipoeiro and Chega Tudo deposits, which were the subject of a January 2011 feasibility study filed by Jaguar, are located in two of these 32 mineral concessions. No commercial production of gold has taken place on the Gurupi property.

The mineral rights (applications for mining concessions) in connection with the Cipoeiro and Chega Tudo deposits are in good standing.

The Cipoeiro and Chega Tudo deposits are located in an area that belongs to the National Institute of Colonization and Agrarian Reform (“INCRA”). Jaguar filed a request for release of land tenure from INCRA in February 2010. On December 28, 2010, INCRA issued a ruling that entitles Jaguar to start negotiations with landowners and settlers. Jaguar has carried out a socioeconomic evaluation in the area and completed a comprehensive resettlement project that has been well received by the landowners and settlers. INCRA had issued a memo in late 2013 rejecting Jaguar’s first proposal with respect to land negotiations. Another feasibility study is underway with a lower impact mining method. Jaguar will submit a new proposal to INCRA for land easement based on this study.

In addition to statutory royalties based on gold production paid to the Brazilian government, Jaguar will be required to pay a 0.75% NSR to Rio Tinto Desenvolvidos Minerais Ltda. (“Rio Tinto”) on gold production from six mineral concessions, including Cipoeiro. On December 28, 2012, Jaguar received notice that Rio Tinto had transferred its royalties rights to Vaaldiam Mining Inc.

Jaguar will also be required to pay a sliding scale NSR, which is based on gold price and covers 27 mineral concessions, including Chega Tudo, to Franco-Nevada Corporation (“Franco-Nevada”) as follows:

### Scale of Franco-Nevada NSR

US\$/ounce	(%)
0-250	0.00
250-300	0.30
300-359	0.40
350-400	0.75
>400	1.00

## Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Gurupi Project is accessed via the Maracaçumé - Chega Tudo village road, a single lane municipal dirt road. A paved highway, which connects São Luís to Belém, is located approximately 60 kilometers from Gurupi. The international airport of Marechal Cunha Machado is located in São Luis, the state’s capital located 500 kilometers to the northeast of the Gurupi Project. The city of Belém, which is located 383 kilometers from the Gurupi Project, has an international airport with direct daily flights to the United States. There is a small airstrip for light passenger aircraft near the town of Maracaçumé. The São Luis port receives about 50 ships per month and is equipped to handle supplies for the project. Skilled labor is expected to be available upon commencement of mining operations.

The climate is equatorial, dry in winter and with a rainy period in summer (December to May). Average monthly temperatures range from 25.8°C in March to approximately 27.4°C in October and November. Temperature extremes range from 17.2°C to 37.7°C. Rainfall in the area can range between 1,200 mm and 3,200 mm, averaging 2,000 mm. Climate conditions permit year-round mining operations. Exploration field seasons are usually limited to the dry season as activities can be dependent on rainfall intensity.



The terrain surrounding the deposits is adequate for construction of all required facilities, including administration, camp, mine, plant, tailings and rejects, and waste rock disposal facilities. Power to the project site is currently supplied by the local utility company CEMAR.

Fresh water to the future plant will be provided by the Gurupi River, which is about 14 kilometers from the future plant site. A water treatment system will be installed at the plant site to provide proper potable water supply.

The physical relief in the project area varies from virtually flat to low rounded hills with about 30 meters of relief. Secondary-growth tropical bush and open grass lands cover the vast majority of the area. Most of the area adjacent to the site is used for cattle ranching, farming and logging activities. Chega Tudo and Cipoeiro areas are crossed by small intermittent streams and have rural villages on the margins of the northern extent of the mineralization.

## History

Gold was first discovered in the project area in the 17th century by colonial settlers. During the early 1900s and again in the mid-1980s, intermittent small-scale production took place as part of a region-wide rush of artisan miners, known in Brazil as garimpeiros. Gold was mined from oxidized weathered material, including alluvium, saprolite, and saprolite-hosted quartz veins, mostly from open pits limited to about 40 meters in depth. Underground excavations have been of much lesser importance. Historical records do not exist. However, the production of about 200,000 ounces of gold has been estimated over the past century or so through these small-scale efforts.

CNM Companhia Nacional de Mineração Ltda. (“CNM”), a wholly-owned subsidiary of TVX Gold Inc. (“TVX”), commenced exploration in the project area in 1994. Later that year, a joint venture between TVX and Santa Fe Pacific Gold Corp. (“Santa Fe”) was established.

CNM first drilled the Chega Tudo deposit by targeting the known garimpo pits in the vicinity of the Chega Tudo village. At Cipoeiro, mineralization was first drilled in late 1996 following the onset of garimpeiro activity. From 1994 to 1997, exploration work programs comprised soil, saprolite, rock chip and channel sampling, information acquisition from airborne-photogrametry programs, topographic data generation, ground magnetic geophysical surveys, reconnaissance geological mapping, airborne magnetic and gamma-ray surveys, core and reverse circulation (RC) drilling and metallurgical testwork.

In 1997, Newmont purchased Santa Fe and assumed control of the project. Between 1997 and 2000, Newmont conducted exploration work, including geological mapping, geochemical sampling, airborne electromagnetic (“EM”) survey, ground magnetic and induced polarization (“IP”) surveys, diamond drilling and RC drilling, core re-logging program, metallurgical testwork with a strong focus on comminution indices, construction of geological models and estimation of mineral resource grades and tonnages.

In 1999, TVX entered into a strategic business partnership with Normandy Mining Ltd. (“Normandy”), forming TVX Normandy Americas, which controlled the project. In 2002, Newmont acquired Normandy. As a result, TVX Normandy Americas became 49.9% owned by Newmont and 50.1% owned by TVX.

In 2003, TVX purchased Newmont’s interest in TVX Normandy Americas for US\$180 million. Also in 2003, TVX, Kinross and Echo Bay Mines Ltd. (“Echo Bay”) merged and the resulting entity, Kinross, took ownership control of the project.

Kinross completed infill and definition core drilling programs at the Chega Tudo and Cipoeiro targets, metallurgical testwork, and bulk and solids density determinations. In 2005, an unpublished feasibility study was commissioned

and completed by AMEC. The AMEC feasibility study envisioned mining to be performed by conventional open pit techniques, while the process route considered a primary crushing, semi-autogenous grinding mill, ball milling and a stripping and EW plant following a leaching-CIP circuit.

From 2006 through 2008, Kinross resumed mineral exploration with the intention of investigating other potential targets that could increase mineral resources.

In 2009, Jaguar entered into negotiations with Kinross to acquire the project and commissioned PAH to conduct a review of mineral resources, which was completed in early December 2009. On December 2, 2009, Jaguar acquired 100% of MCT, which holds all of the mineral licenses for the Gurupi Project, from an indirect wholly-owned subsidiary of Kinross. Jaguar satisfied the US\$39 million purchase price for MCT by issuing 3,377,354 common shares in the capital of Jaguar to Kinross, representing approximately 4.07% of Jaguar's outstanding common shares (on a non-diluted basis) as of the date of the acquisition. Shortly thereafter, Jaguar commissioned AMEC to prepare a prefeasibility study to identify cost-saving areas and to identify additional requirements for a feasibility study. AMEC's prefeasibility study was completed in May 2010. Subsequently, Jaguar commissioned TechnoMine to conduct the Gurupi Feasibility Study, which was completed in January 2011.

Please refer to General Development of the Business - Gurupi Project – Completion of Feasibility Study, section for most recent updates on environmental licensing for the project.

### Geology and Mineralization

The Gurupi Project area lies within an elongate northwest–southeast-trending shear zone developed along the boundary between a Lower Proterozoic metamorphic belt (Gurupi greenstone belt) and the southwestern margin of the Archaean São Luis craton. Most of the gold deposits and showings of the Gurupi greenstone belt, including Chega Tudo and Cipoeiro, are hosted in structures associated with the strike-slip, sinistral Tentugal shear zone. The project deposits are considered to be typical of mesothermal vein-style, or orogenic-style gold deposits.

Chega Tudo is hosted in a dacite metavolcanic unit. Intrusive gabbro, extrusive andesite, and arkosic arenite rocks are in structural contact with the dacite. Rocks in the deposit area have been widely affected by hydrothermal alteration. Mineralization is emplaced mainly in dacite and found solely within zones of quartz–sericite–pyrite alteration and is closely related to the amount of pyrite introduction. Typically, mineralization forms en-echelon pods elongated with the shear foliation and persisting for tens to hundreds of meters of strike and a similar distance down dip. These northwest-trending, steeply southwest-dipping mineralized zones range from a few meters to as much as 30 meters in width and can form multiple pods that can be as much as 100 meters wide.

Two main litho-types are recognized at Cipoeiro, a tonalite and an arkosic fine-grained arenite with thin quartz–pebble conglomerate layers. The primary mineralization is hosted by a coarse equigranular intrusive of tonalitic composition. The hydrothermal system at Cipoeiro was chemically similar to Chega Tudo's. Silica flooding and replacement of the tonalite is more intense and more widespread than seen in the metavolcanics at Chega Tudo. However, gold remains most closely associated with sulfide (pyrite) introduction and quartz–sericite alteration. Two zones of mineralization have been defined, the Contact Ore Zone on the south and the Blanket Ore Zone to the north. The zones are separated by the Central Fault Zone (CFZ).

### Exploration

TVX, Santa Fe, Newmont and Kinross conducted exploration activities on the Gurupi Project, including the acquisition of an airborne photogrammetry base, topographic data, reconnaissance, regional and detailed geological mapping, soil, saprolite, rock chip and channel sampling, ground and airborne geophysical surveys, reverse circulation (“RC”) and diamond drilling, mineralization characterization studies and metallurgical testing of samples. Petrographic, fluid inclusion, stable isotope studies, and density measurements on the different lithologies were also carried out.



During 2004, Kinross performed a two meter resolution topographic survey of the garimpeiros' pits. Topography was checked based on field surveys completed by licensed Brazilian surveyors using modern survey instruments. The field surveys confirmed the current limits of the garimpeiros' pits in the topographic surface.

Regional and detailed geological mapping was completed in several phases. Map scales varied from regional (1:50,000) to local (1:500). Regional scale mapping was based on a photogrammetry base; prospect-scale mapping used grids for control. Map results were used to identify areas of quartz veining, alteration, and sulfide outcrop that warranted additional work. Interpretation of air photos was used to vector into areas that required more detailed geological mapping and sampling.

Soil, saprolite, rock chip and channel sampling were used to evaluate mineralization potential and generate targets for RC and diamond drilling. A total of 42,024 soil, rock chip and saprolite samples were taken, primarily in areas of known garimpeiros workings. Channel sampling of the garimpeiros pits and excavations totalled 6,277 samples.

Airborne geophysical surveys, comprising magnetic, radiometric and EM data acquisition, treatment, and interpretation were used to vector into mineralization and generate targets for drilling programs. Surveys were performed by contract expert geophysical firms. The airborne magnetic and radiometric survey covered about 10,180 line km, in an area of about 1,900 km<sup>2</sup>. The EM Survey covered an area of about 497 km<sup>2</sup>, corresponding to approximately 2,655 line km. Airborne geophysical anomalies were checked on the ground using ground geophysics magnetics and Induced Polarization ("IP") surveys.

Ground surveys were performed by Newmont and Kinross personnel. Ground magnetic surveys were performed at Chega Tudo, covering 43 line km in an area of approximately 10 km<sup>2</sup>. A total of 64 line km of IP surveys were completed at Cipoeiro and Chega Tudo, covering a total area of 22 km<sup>2</sup>.

Geophysical surveying has been effective in mapping sulfide mineralization that could include gold mineralization associated with regional structural trends and associated splay structures.

The Brazilian Geological Service ("CPRM") undertook detailed geological, mineralogical, isotopic and age-dating studies on the Gurupi Belt, which included generating chemical data for hydrothermal chlorites and stable isotope (O, H, C, S) compositions of silicate, carbonate and sulfide minerals from the Chega Tudo and Cipoeiro deposits. These chemical and isotopic results, in addition to field, structural, and petrographic information, enabled the CPRM staff participating in the studies to discuss petrogenesis-related variables of the Cipoeiro and Chega Tudo deposits, including temperature and redox conditions of mineralization, as well as possible sources for fluids and metals.

Such data have a major influence on metallogeny models for exploration, and therefore on exploration program layouts.

Five mineralization samples were examined using scanning electron microscopy to aid in gold mineralogy determinations. The results were used to define the Project's mineralogy.

## Drilling

Drilling on the Project has consisted of 448 core holes over 67,940.70 meters and 258 RC drill holes over 27,518.66 meters for a total of 706 holes drilled over 95,495.36 meters.



The RC holes were drilled using 3.5-inch (88.9 millimeters) rods with a nominal 4.5-inch (114.3 millimeters) diameter hole. RC samples were collected at regular one meter intervals in plastic bags at the sample cyclone. The entire sample was then transported back to the field sample preparation facility for drying, splitting and preparation.

Core diameters are consistently HQ (63.5 millimeters) diameter core from surface through the saprolite to bedrock. At depths of about one meter to three meters into bedrock the holes were reduced to NQ (47.6 millimeters) diameter to the final hole depth.

Core was transferred to wooden core boxes and brought to the Project core processing facility where it was photographed, logged for geological and geotechnical information, and sampled. Transportation of core boxes to the Newmont-built, well-organized and well-maintained core shed was done by the drilling company personnel or the drilling supervisor.

Logging of RC drill cuttings and core utilized standard logging procedures. Initial logging utilized paper forms, with manually-entered data into a database from the form.

Samples were geologically logged with a system for identifying lithologies, alteration assemblage, degree of ductile shearing, quartz veining, and sulfide content. Kinross added geotechnical logging to the program in 2003.

In 1998, Newmont relogged the drill core and select RC hole samples from Cipoeiro. The relogging focused on identifying and coding into a drill core sample database some key features associated with the mineralization, including sulfide percent, quartz-sericite alteration and shear foliation.

Drill cores were photographed prior to splitting and a photographic record is kept of all drill hole and core logs.

Drill hole collar coordinates were gathered during the 1990s drilling campaigns using hand-held GPS instruments.

Drill collars for the 2003 to 2008 drill holes were surveyed prior to the rig occupying the site and after completion of the hole. Surveys were performed using digital GPS and Total Station instruments. Only the final completed hole survey was used in the project database.

Down-hole surveys of core holes have been performed using Ezy-shot and Tropari instruments. RC holes were not typically down-hole surveyed.

Detailed measurements of core recovery have been routinely recorded on geological logs for virtually all the core holes.

Tonalite and dacite recoveries generally exceeded 95%. Although in near-surface, saprolitic material core recovery varied considerably, the overall recovery consistently exceeded 85% to 90%.

Drill holes have been drilled on oblique northeast-southwest 50-meter drilling fences, with holes drilled at 50-meter intervals along these sections.

At Chega Tudo, the majority of drill holes have angles between 40° to 60° to the southwest; however, due to restrictions on drill hole collar locations in areas close to Chega Tudo village, some drill holes were directed to the northeast. Several holes have been directed in slightly varied orientation to the fences. Mineralization at Chega Tudo typically dips approximately 80°SW with a true thickness of 10-50 meters, comprising individual "lodes" ranging in thickness from 2-20 meters.

Drill holes within the Chega Tudo deposit are based on a grid line that has a baseline with a northwest–southeast orientation. Sections along the base line have irregular spacings, ranging from 25-80 meters. Drill holes are spaced along the lines at 30–60 meter spacings. Drilling that supports estimation comprises 42 RC holes over 3,426 meters and 83 core holes over 11,727 meters.

The majority of drilling directed at the Contact Zone mineralization within Cipoeiro has a 60° angle to the southwest. The drilling directed at the Blanket Zone has a variety of angle due to the varying dip of the deposit. Almost all of the drilling is directed to the southwest. At Cipoeiro, the Contact Zone dips to the NE at approximately 45° to 60°, while the Blanket Zone has a variable dip to the south between 10° to 50°.

The Cipoeiro drill holes fall within two drilling grids. The first grid, covering an area of 2,450 meters x 380 meters within the Contact Zone, has a base line that is oriented north–northwest–south–southeast. Section lines within the grid are irregular; line spacings range between 50 meters and 100 meters. Drill holes are typically spaced at 50 meters along the lines. The second grid covers the Blanket Zone and covers an area of about 1,100 meters x 600 meters. The grid base line has a north–northeast–south–southwest alignment. Section lines are spaced irregularly along the baseline, varying from 60 meters to 90 meters. Drill hole spacing along the lines ranges from 40 meters to 80 meters. Drilling that supports estimation comprises 40 RC holes over 4,086 meters and 124 core holes over 19,164 meters.

Between the third quarter of 2011 and the second quarter of 2012, Jaguar conducted a comprehensive diamond drilling campaign at the Chega Tudo and Cipoeiro deposits within the Gurupi Project. A total of 24,497 meters were drilled in 107 holes for 19,655 samples recovered. The drill results confirmed the extension of the mineralization to a depth of over 350 meters below surface at Chega Tudo and over 300 meters depth at Cipoeiro. Previous drilling programs, which included a total of 75,233 meters drilled in 543 holes, had confirmed the mineralization to depths of approximately 130 meters at Chega Tudo and 170 meters at Cipoeiro. Gold mineralization at both the Chega Tudo and Cipoeiro deposits remains open at depth.

Based on analysis of the recent drilling results, Jaguar increased its estimated Measured and Indicated Mineral Resources at its Gurupi Project by 40% to 3.52 million ounces of gold. The mineral resources, stated at a cut-off grade of 0.21 g/t Au, include 46.66 million tonnes of Measured Mineral Resources at 0.72 g/t Au and 95.98 million tonnes of Indicated Mineral Resources at 0.79 g/t Au, in total of 142,636,280 tonnes of Measured and Indicated Mineral Resources at 0.77g/t and 3,519,410 ounces of gold. The cut-off grade of 0.21 g/t Au was based on \$1,500/ounce gold price.

The Mineral Resource estimates for the Gurupi Project were carried out by Ms. Leah Mach, Principal Geologist, at SRK. Ms. Mach is an independent Qualified Person in accordance with NI 43-101.

Work on a revised feasibility study for the development of the Gurupi Project has been delayed indefinitely as Jaguar continues to focus on completing the restructuring and implementation of the production programs at its operations in Minas Gerais.

While the Company has focused recent drilling and exploration on the Chega Tudo and Cipoeiro deposits, the Gurupi concession includes 12 additional identified targets in 32 contiguous mineral rights totaling 138,548 hectares. These additional targets have not been included in any of the Company's Mineral Resource estimates or feasibility studies related to the Gurupi Project to date. These targets have been identified by favorable geology, structures, old artisan mine works, soil and channel sampling anomalies and exploration drilling, and represent the potential for further increases in mineral resources at Gurupi.

During the third quarter of 2012, Jaguar completed infill and extensional diamond drilling carried out over a 900-meter (along the strike) mineralized sector of one of the 12 additional targets mentioned above. This target, known as the Mandioccal Target, is located approximately one kilometer NW of Gurupi's Chega Tudo deposit and represents the extension of its mineralized structure. The drilling results, in addition to results obtained by drilling performed by the previous owners, confirm the deposit mineralization extend to the NW.



## Sampling and Analysis

In 1996, Santa Fe established a sample preparation facility at the project site to handle the core, RC, and surface geochemical samples collected during exploration programs managed by Santa Fe and later Newmont. Company personnel were responsible for sample preparation from 1996–2000.

There is no record of the analytical laboratories prior to 1996.

Core, RC, and surface geochemical samples (from the Santa Fe and Newmont programs (1996–2000)) were dispatched to Nomos Análises Minerais Ltda. (“Nomos”) in Belo Horizonte, Brazil. Samples generated by Kinross exploration and delineation drilling programs between 2003 and 2008 were prepared and analysed by Lakefield–Geosol Laboratories (Lakefield), also in Belo Horizonte.

Lakefield is independent of Kinross, and was ISO-certified at the time of analysis. Lakefield was acquired by the SGS Laboratory Group during 2004.

Check sampling has been undertaken by ALS Chemex, Bondar Clegg and Cone Laboratories.

Bondar Clegg was an independent, ISO-certified laboratory group that was acquired by ALS Chemex in 2001. The ALS Chemex laboratories maintain independence and ISO certification. Cone Laboratories certification at the time of analysis is unknown.

Extensive documentation for the sample preparation by Santa Fe and Newmont at the on-site laboratory preparation facility was reviewed for the purposes of the in-house AMEC 2005 feasibility study. Methods utilized conform to standard industry practices.

Drill samples were crushed to minus 10 mesh; then a two kilogram split was pulverized to a nominal 90% passing 150 mesh using a ring pulverizer. An assay split of 250 grams was collected from the pulp and shipped to Nomos for a 50-gram fire assay digestion, and AA determination for gold. Results greater than 10.0 grams per tonne of gold were re-assayed with a gravity finish.

Kinross’ diamond core samples were prepared and assayed at Lakefield’s Belo Horizonte laboratory. The sample preparation and assay procedures were similar to those used by Santa Fe and Newmont.

Samples were crushed and pulverized in their entirety to 95% passing 150 mesh using a ring pulverizer. A 250-gram sample pulp was then collected for analysis. Lakefield employed the same 50-gram fire assay digestion and subsequent AA determination method to complete each analysis.

Blank control samples were typically inserted into the sample stream. Review of the blank results performed by AMEC in 2005 indicated that the sample preparation process was free of contamination.

Entry of information into databases utilized a variety of techniques and procedures to check the integrity of the data entered. The current Project database is in MS Access. Geological data from early drilling programs were entered into spreadsheets in a single pass. Assays were received electronically or by disc from the laboratories and imported directly into the database. Drill-hole collar and down-hole survey data were manually entered into the database.

Data were verified prior to geological modeling and mineral resource estimation by means of in-built program triggers within the software. Checks are performed on surveys, collar co-ordinates, lithology data, and assay data.



Documentation for the pre-Kinross programs is generally available, but not comprehensive. Typically, geological logs, and analytical data are preserved for all drill holes; however collar data is partially missing.

Paper records were kept for all Kinross assay and QA/QC data, geological logging and density information, downhole and collar coordinate surveys. All paper records were filed by drill hole, for quick spotting and retrieval of any information desired. Assays, downhole surveys, and collar surveys were stored in the same file as the geological logging information. In addition, sample preparation and laboratory assay protocols from the laboratories were monitored and kept on file.

Assay pulps and crushed reject material are stored off-site. Core is stored in wooden core boxes on steel racks in the buildings adjacent to the core logging and cutting facilities. The core boxes are racked in numerical sequence by drill hole number and depth.

#### Security of Samples

During the 2003–2004 and 2007–2008 periods of Kinross drilling programs, cores were kept at the drill rig until the end of each shift. They were then delivered to the logging facility and placed on benches for photography and logging. The core was typically sawed and sampled within a three-day period. During the various stages of this process, the access to the core was available to assigned drill crew, supervisors and project staff.

Sample sacks were typically accessible to a limited number of transportation personnel during shipment of samples to Belo Horizonte. Chain of custody procedures consisted of filling out sample submittal forms that were sent to the laboratory with sample shipments, to assure that all samples were received by the laboratory.

#### Mineral Resource and Mineral Reserve Estimates

As of December 31, 2013, the Gurupi Project has an estimated 142,636,280 tonnes of Indicated Mineral Resources at an average grade of 0.77 grams per tonne totaling 3,519,410 ounces of gold and 7,719,290 tonnes of Inferred Mineral Resources at an average grade of 0.67 grams per tonne totaling 165,340 ounces of gold.

Probable gold mineral reserves, which are included in the reported Mineral Resource estimate, are estimated at 63,756,700 tonnes at an average grade of 1.14 grams per tonne totaling 2,327,930 ounces. Mineral Reserve estimates are based on TechnoMine's 2011 feasibility study and do not contemplate the 2012 Mineral Resource increase as per estimates for the Gurupi Project carried out by Ms. Leah Mach from SRK.

#### Environmental Licensing

Please refer to section General Development of the Business – Gurupi Project – Completion of Feasibility Study section for most recent updates on environmental licensing for the project.

#### Summary of Project Economics

In accordance with the 2011 TechnoMine feasibility study, the adopted gold price for the Gurupi Project base case scenario is US\$1,066 per ounce of gold average for the LOM. The Project's estimated non-discounted "monetizable" (salable) total gold production is 1,932,920 ounces of gold, which would yield total non-discounted gross revenue of US\$2,060.5 million. Based on a 13-year LOM, the average annual gross revenue would amount to US\$158.5 million. Below is a summary of the Project economics.





ROM total tonnage:	63,756,700 tonnes
ROM total contained gold:	2,327,930 ounces
Mill Feed Grade (LOM average):	1.10 grams per tonne
Mining Rate:	4,000,000 tonnes in 2013 4,500,000 tonnes in 2014 5,000,000 tonnes yearly from 2015 to 2021 5,200,000 tonnes in 2022 5,256,700 tonnes in 2023 4,900,000 tonnes yearly from 2024 to 2025
ROM average “cruise” production:	13,890 tonnes per day
Metallurgical recovery:	85.6%
Total gold production:	1,932,920 ounces of gold
Gold average annual production:	148,690 ounces per year
Project life (LOM):	13 years
CAPEX (total):	US\$345.7 million (straight)
Average cash cost:	US\$445 per ounce of gold
Average full-loaded cash cost:	US\$676 per ounce, including invested capital
Start of production:	First quarter of 2013
Exchange rate construction period	US\$1.00 = R\$1.80
Exchange rate over LOM	US\$1.00 = R\$1.90

Depreciation and amortization have been prorated over the Gurupi Project mine life. The cumulative operating profit has been estimated at US\$1.1 billion. The after-tax cumulative profit estimate is US\$985 million and the cumulative net cash flow estimate is US\$640 million.

#### Mining Operations and Metallurgical Process

In accordance with the 2011 TechnoMine feasibility study, the mining method to be used in the Gurupi Project will be open pit. The saprolite zone will be mined by hydraulic excavator and the bedrock will require drilling and blasting. Haul roads and in-pit ramps are designed at 10% gradient and with a width of 22 meters, based on approximately three and half times the width of a Caterpillar 777 haul truck (approximately 6.1 meters). This will provide sufficient width for two lanes of traffic and also allows space for a drainage ditch and safety berm.

The water management system deals with the drainage of the spring and rain water on the open pit, waste dump areas, process plant area, tailings basin area and on the Chega Tudo to Cipoeiro haul road.

Mining equipment selection was based on the use of diesel-powered, rigid-framed haul trucks, front-end loaders and excavators.

A mine schedule was developed for the three pits, one at Chega Tudo and two at Cipoeiro, based on an assumption of three eight hour shifts per day, seven days per week. The mine schedule was stated using a ten meter operational bench height and ore zones within each of the pits interpreted as being continuous. This allows flexible sequencing of ore and waste as required for mill feed. The ore and waste quantities in the schedule were reported separately for both the saprolite and bedrock material types.

Mining is planned to commence in the Cipoeiro region due to the higher-grade ore in those pits. Chega Tudo mining is scheduled to be initiated during Year 8. Mining will be gradually introduced at Chega Tudo to reduce the impact on the trucking requirements.

The host rock at Cipoeiro is Tonalite, while Dacite is the host rock at Chega Tudo. Dacite will be processed starting in 2020. The mineral processing route will consist of the following sequence of operations:

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Concentration: 100% of the total mill feed (solids of tonalite and transition ore) and 100% of the total feed to the saprolite scrubbing and classification plant – no cyanide addition.

- Crushing and screening, including HPGR as tertiary crusher;
- Grinding, cycloning, and thickening;
- Flotation and continuous discharge gravity concentration of the flotation rejects;
- Rejects cycloning and thickening plant fed by the gravity circuit rejects (about 82% of the total mill feed - solids);
- Regrinding, cycloning and thickening of the flotation concentrate;
- Saprolite scrubbing and classification plant.

CIP Plant: 18% of the total mill feed (solids) and 100% saprolite mill feed (solids) – cyanide addition.

-Hydrometallurgy - via a conventional leaching and ADR CIP process of the reground/thickened flotation concentrate and saprolite ore feed. Recovery will be performed by an EW circuit, after elution (desorption; stripping) of the CIP loaded carbon;

- Cyanide destruction plant for the CIP tailings pulp.

The adopted overall metallurgical recovery (flotation/gravity separation/leaching/ADR) is 85.6%. The metallurgical recovery was adopted based on testwork carried out by SGS Lakefield, Canada and Knelson Research & Technology Centre – Langley, BC, Canada.

#### Taxes

Income taxes in Brazil are 24% of taxable profit, including a 15% corporate tax rate and a 9% social contribution. In addition to direct operating costs, royalty payments and depreciation are deductible in determining taxable profit.

#### C. Organizational Structure

Jaguar has three wholly-owned direct subsidiaries, MSOL, MTL and MCT, all incorporated under the laws of the Republic of Brazil. The registered and head office of each of MSOL, MTL and MCT is located at Rua Levindo Lopes 323, Funcionários, Belo Horizonte, Minas Gerais, CEP 30140-170, Brazil.

#### D. Property, Plants and Equipment

##### Company's Principal Properties

Jaguar's has two principal operating mining complexes: Turmalina (MTL) and Caeté (CCA) and -all located in or adjacent to the Iron Quadrangle region of Brazil, a greenstone belt located east of the city of Belo Horizonte in the state of Minas Gerais. Jaguar has a mining complex in care and maintenance, Paciência (CPA), also located adjacent to the Iron Quadrangle in the state of Minas Gerais. Jaguar's portfolio also includes the Gurupi Project in the state of Maranhão and the Pedra Branca Project in the state of Ceará, which it does not consider to be principal mining complexes. The maps below are current as of December 31, 2014.

Refer to Item 4 for detailed descriptions of each principal mining complex.

#### PRINCIPAL PROPERTIES INTERESTS





Turmalina

Location of Turmalina Project, Iron Quadrangle, Brazil

MTL – Turmalina Mineral Rights

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Caeté

Location of Caeté Project, Iron Quadrangle, Brazil

CCA – Caeté Mineral Rights

Sabará (Caeté Complex) Mineral Rights

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Not applicable.

Item 5. Operating and Financial Review and Prospects

A. Operating Results

The following discussion and analysis of the results of operations and the Company's financial position should be read in conjunction with the consolidated financial statements and related notes for the years ended December 31, 2014, 2013 and 2012 appearing under Item 17 – Financial Statements and listed under Item 19 – Exhibits.

The Company's consolidated financial statements are stated in US Dollars and have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). Jaguar's Significant Accounting Policies are outlined in its financial statements, immediately following the text of this Annual Report on Form 20-F.

As of December 31, 2014, Jaguar Mining was producing gold at its Turmalina and Caeté operations, while the Company's Paciência operation is on temporary care and maintenance. The Caeté plant processes ore from the two underground mines, Pilar and Roça Grande, while the Turmalina plant processes ore from the adjacent underground mine.

On April 23, 2014, the Company announced that it had successfully implemented the CCAA Plan with an effective date of April 22, 2014. For a full description of the CCAA Proceedings, please see Item 13.



Fiscal 2014 compared to Fiscal 2013

Q4 2014 cash-operating-costs per ounce of gold produced were marginally higher at \$894 compared to \$889 during Q4 2013, an increase of \$6 per ounce due to the overall cost of production being higher by 12% or \$105 per ounce, mainly due to higher catchup preventive maintenance expenditures and local cost inflation in Brazil during Q4 2014 as compared to Q4 2013; being offset by a favorable foreign exchange impact as a result of the devaluation of the Brazilian Reais (average exchange rate: Q4 2014: R\$2.54 per 1 US\$, Q4 2013: R\$2.27 per 1 US\$). Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS.

Fiscal 2013 compared to Fiscal 2012

The Company's operating and financial performances are largely determined by the price of gold. The average price of gold sold has declined 14.5% or \$258 per ounce from \$1,669 per ounce in FY 2012 to \$1,411 per ounce in FY 2013. Management has implemented Company-wide initiatives to reduce operating and capital costs to counteract current market conditions while focusing on maintaining current productivity levels.

The result of the continuing effort in cost reduction is evidenced in the table and chart above. Both the cash operating costs per ounce produced and the all-in costs per ounce of gold sold have decreased significantly over the periods being reported. Most of the cost reduction is attributable to the decrease in labor, external services, maintenance and material costs. As Jaguar's mining operations and exploration activities are located in Brazil, a large portion of operating costs and capital expenditures are denominated in Brazilian reais. The recent weakening of the R\$ against the US\$ has made a positive contribution to reducing the cash operating and all-in costs. The average exchange rate for the R\$ per US\$1.00 for FY 2012 and FY 2013 were 1.9550 and 2.1605 respectively, an increase of 10.5% as the US\$ strengthened against the R\$.

The Company's Paciência operation was put on care and maintenance in May 2012, and as a result, the consolidated production level has dropped since Q2 2012. Apart from Paciência, the Company's gold production level has been consistent, except for Q2 2013, where gold production decreased as the Caeté site experienced mill liner failures, lower head grade mill feed, and costly challenges with transportation due to poor road conditions. An action plan was put in place and the production level significantly improved in the following periods.

As a result of the Company-wide cost reduction initiative, some of the primary development and some secondary development in the operations have been deferred. Accordingly, delineation drilling which usually follows the completion of development has also been reduced.

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Three months ended

(\$ thousands, except where indicated)	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Tonnes of ore processed ('000)	258,000	249,000	263,000	268,000	258,000	298,000	271,000	265,000	285,000	285,000	351,000	447,000
Average recovery grade (g/t) <sup>1</sup>	3.02	3.13	3.11	2.89	2.96	3.06	2.96	3.30	2.76	2.85	2.55	2.42
Average recovery rate (%)	89%	89%	89%	88%	88%	88%	88%	88%	88%	88%	89%	90%
Gold (ozs)												
Produced	22,456	22,374	23,867	23,359	21,956	26,300	22,503	24,836	21,676	23,026	26,888	31,233
Sold	21,400	22,681	24,002	24,181	22,503	24,111	22,920	25,316	21,298	23,307	28,933	30,138
Average realized gold price (\$ per oz) <sup>2</sup>	\$ 1,204	\$ 1,279	\$ 1,280	\$ 1,288	\$ 1,261	\$ 1,331	\$ 1,415	\$ 1,626	\$ 1,714	\$ 1,648	\$ 1,608	\$ 1,691
Cash operating cost (per oz produced) <sup>2</sup>	\$ 894	\$ 969	\$ 958	\$ 923	\$ 889	\$ 847	\$ 931	\$ 826	\$ 915	\$ 963	\$ 1,162	\$ 1,268

<sup>1</sup>The 'average recovery grade' represents the recalculated head-grade milled.

<sup>2</sup> Cash operating costs and average realized gold price are a non-gaap financial performance measure with no standard definition under IFRS.

## Revenue

(\$ thousands, except where indicated)	Three months ended December 31,			Twelve months ended December 31,		
	2014	2013	Change	2014	2013	Change
Ounces sold	\$21,400	\$22,503	(5 %)	\$92,264	\$94,850	(3 %)
Revenue	25,766	28,461	(10 %)	116,362	134,140	(14 %)
Average realized gold price <sup>1</sup>	\$1,204	\$1,265	(5 %)	\$1,261	\$1,414	(11 %)

<sup>1</sup> Average realized gold price is a non-gaap financial performance measure with no standard definition under IFRS.

Revenue for the three months ended December 31, 2014 decreased by almost 10% compared to the same period in 2013, primarily due to 5% reduction in gold price and 5% reduction in ounces sold during quarter. For the year ended December 31, 2014, revenues decreased by 14% compared to the same period in 2013, primarily due to an 11% reduction in gold price and a 3% reduction in ounces sold. The reduction in average realized price of \$153 per ounce between FY 2013 and FY 2014 has an impact of reducing the Company's revenue by approximately \$14.1 million.

The market price of gold is the primary driver of our profitability and our ability to generate free cash flow. During the three months ended December 31, 2014, the market price of gold (London PM Fix) traded in a range from \$1,142 to \$1,250 and averaged \$1,201 per ounce. The price of gold closed at \$1,199 per ounce on December 31, 2014, while the average price during Q4 2014 reflected a \$75 per ounce or 6% reduction as compared to the average market price of \$1,276 per ounce in the same period last year. The decline in price of gold in 2014 was primarily as a result of the strengthening US dollar in the second half of the year, which was due to the improving economic forecasts for the United States.

Revenues for both the three months and year ended December 31, 2014 were negatively affected by 1,615 ounces of gold bullion, valued at \$1.8 million, that was held in inventory and not sold during the period (December 31, 2013: 1,698 ounces valued at 2.05 million).

## Turmalina Mine Complex

The primary mining method utilized at the Turmalina underground mine is sublevel open stoping with unconsolidated backfill. Ore produced at the Turmalina mine is transported to the adjacent 3,000 tonnes per day CIL processing plant. The Turmalina plant consists of three ball mills of which currently only one is operating at 1,200 tonnes per day.

During the three months ended December 31, 2014, Turmalina produced 12,067 ounces of gold, which was 15% more when compared to Q4, 2013. The increase in production in Q4 2014 as compared to the same period in 2013 is due to 3% more tonnes processed, and 15% improvement in grade.

## Turmalina Quarterly Production

(\$ thousands, except where indicated)	Three months ended									
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	
Tonnes of ore processed ('000)	117,000	107,000	107,000	111,000	114,000	122,000	123,000	108,000	113,000	
Average recovery grade (g/t) <sup>1</sup>	3.60	3.69	4.14	3.24	3.13	3.46	3.01	3.37	2.57	
Average recovery rate (%)	90 %	91 %	91 %	88 %	89 %	89 %	88 %	89 %	87 %	
Gold (ozs)										
Produced	12,067	11,336	13,190	11,374	10,451	12,308	10,345	10,321	8,206	
Sold	11,243	11,710	13,481	11,513	10,850	10,850	10,061	10,850	8,037	
Cash operating cost (per oz produced) <sup>2</sup>	\$656	\$750	\$696	\$857	\$822	\$758	\$923	\$862	\$1,057	

<sup>1</sup>The 'average recovery grade' represents the recalculated head-grade milled.

<sup>2</sup> Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS.

The cash operating cost per ounce produced for Q4, 2014 decreased by 20% as compared to the same prior year period mainly due to higher grade and some marginal improvement in plant recovery. The production and cash operating costs were also favorable in Q4, 2014 as compared to Q3, 2014. On the average, the cash operating costs at Turmalina were \$106 per ounce lower for the year ended December 31, 2014 as compared to FY 2013. Primary contributing factors in year over year reduction in costs is higher grade mined, improved plant recovery, reduction in price of consumables at plant and favorable foreign exchange impact as a result of the devaluation of the Brazilian Reais (average exchange rate: Q4 2014: R\$2.54 per US\$ Q4, 2013: R\$2.28 per US\$).

In Q3 2014, the Company engaged external consultants to help formulate continuous improvement initiatives for fleet and plant operations. Based on the recommendations and management's internal reviews, the mine is improving shift change sequencing, revamping fleet maintenance practices aimed at improving equipment availability, focusing on process plant controls to maintain high recovery rates and strengthening geo-metallurgical modelling.

#### Turmalina Sustaining Capital

(\$ thousands)	Three months ended		Twelve months ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Sustaining Capital				
Primary development	\$1,369	\$2,020	\$6,487	\$6,825
Exploration - Brownfield	525	49	711	872
Minesite sustaining	504	282	2,719	2,911
Total sustaining capital	2,398	2,351	9,917	10,608
Total non-sustaining capital	-	-	162	-
Total capital expenditures	\$2,398	\$2,351	\$10,079	\$10,608

1 Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS.

Primary development at the Turmalina mine totaled 625 and 2,521 meters for the three months and FY ended December 31, 2014, respectively, compared to 711 and 2,928 meters for the same periods in the prior year. This led to a decrease in primary development costs for the fourth quarter as compared to the same period in 2013. Primary development to non-profitable areas was halted and issues with staffing development for jumbo drills account for the reduced advances.

Total capital expenditures on equipment relate mainly to capital repairs and rebuilds. This had the impact of increasing the all-in sustaining expenditures by \$107 and \$108 per ounce of gold sold for the three months and year ended December 31, 2014.

#### Caeté Mine Complex

The Caeté mining complex has two underground mines (Roça Grande and Pilar). Roça Grande exclusively uses the mechanized horizontal cut and fill mining method, while Pilar primarily uses sublevel open stoping with backfill. Ore produced from these mines is transported to the 2,200 tonnes per day gravity, flotation and CIL treatment of flotation concentrate processing plant adjacent to the Roça Grande mine, a total distance of approximately 50 kilometers by paved road from the Pilar mine.

During the fourth quarter, Caeté produced 10,389 ounces of gold, which was 10% less than the amount produced during the same period in 2013. The decrease in production in Q4 2014 is due to 9% lower average grade as compared Q4 2013. The fixed costs spread over lower production base resulted in the cash operating cost per ounce increasing to \$1,170 for the Q4 2014, compared to \$950 for Q4 2013.



## Caeté Quarterly Production

(\$ thousands, except where indicated)	Three months ended									
	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	
Roça Grande Tonnes	47,000	48,000	40,000	40,000	41,000	45,000	44,000	41,000	56,000	
Pilar Tonnes	94,000	94,000	116,000	117,000	103,000	131,000	104,000	116,000	116,000	
Caeté - Tonnes of ore processed (t)	141,000	142,000	156,000	157,000	144,000	176,000	148,000	157,000	172,000	
Roça Grande Grade (g/t) <sup>1</sup>	2.27	2.36	2.20	2.46	2.45	2.33	2.49	2.88	2.77	
Pilar Grade (g/t) <sup>1</sup>	2.72	2.85	2.41	2.72	2.97	2.87	2.99	3.33	2.98	
Caeté - Average recovery grade (g/t) <sup>1</sup>	2.57	2.71	2.40	2.65	2.82	2.78	2.92	3.25	2.88	
Average recovery rate (%)	88 %	88 %	88 %	88 %	88 %	88 %	88 %	88 %	87 %	
Gold (ozs)										
Produced	10,389	11,038	10,677	11,985	11,505	13,992	12,158	14,515	13,470	
Sold	10,157	10,971	10,521	12,668	11,653	13,261	12,859	14,466	13,261	
Roça Grande Cash Costs	\$1,089	\$1,129	\$1,227	\$971	\$963	\$902	\$903	\$963	\$877	
Pilar Cash Costs	\$1,182	\$1,219	\$1,298	\$1,024	\$993	\$926	\$939	\$799	\$790	
Cash operating cost (per oz produced) <sup>2</sup>	\$1,170	\$1,195	\$1,281	\$986	\$950	\$925	\$938	\$801	\$828	

<sup>1</sup>The 'average recovery grade' represents the recalculated head-grade milled.

<sup>2</sup> Cash operating costs is a non-gaap financial performance measure with no standard definition under IFRS.

## Caeté Sustaining Capital

(\$ thousands, except where indicated)	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Sustaining Capital <sup>1</sup>				
Primary development	\$1,057	\$1,748	\$6,400	\$7,228
Exploration - Brownfield	1,123	76	2,172	1,191
Minesite sustaining	578	-	2,880	3,530
Total sustaining capital	2,758	1,824	11,452	11,949
Total non-sustaining capital	-	-	-	-
Total capital expenditures	\$2,758	\$1,824	\$11,452	\$11,949

<sup>1</sup>Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS.

Primary development at the Pilar and RG mines totaled 471 and 1,924 meters for the three months and year ended December 31, 2014, respectively, compared to 536 and 2,914 meters for the same periods last year. Development at Pilar was suspended towards the 2014 year end.

Total capital expenditure on equipment relates mainly to catch up capital repairs and rebuilds, which had been deferred due to the financial condition of the Company. This had an impact of increasing the all-in sustaining expenditures by \$123 and \$124 per ounce of total gold sold for the three months and year ended December 31, 2014. The Company recorded a net impairment charge of \$88.9 million for Q4, 2014 and FY 2014 in relation to the Caeté mining complex, bringing down the net book value of its property plant and equipment at December 31, 2014 to nil.

## Paciência

The Paciência operation continued on care and maintenance during the quarter ended December 31, 2014 and therefore no gold was produced at this operation during this quarter.

During the year ended December 31, 2012, the last year Paciência was in production, Paciência produced 9,987 ounces of gold at a cash operating cost of \$1,536 per ounce compared to 39,581 ounces at a cash operating cost of \$787 per ounce during the year ended December 31, 2011, a fully operational year.

No underground development or drilling work was carried out by the Company at the Paciência mine during the quarter ended December 31, 2012. During the year ended December 31, 2012, underground development drifts for drilling at Paciência totaled 2.7 kilometers and underground delineation drilling totaled 10.0 kilometers.

As previously stated, the Company has not established a timeframe to complete the Paciência remediation plans and restart production.

## Sabará

The Sabará operation continued on care and maintenance during 2014.

## B. Liquidity and Capital Resources

Fiscal 2014



The Company's financial statements were prepared on a going concern basis (see Note 2 to the annual audited consolidated financial statements), which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business as they become due.

The Company has reported an operating loss for the year ended December 31, 2014. The Company considers that the near term economic outlook presents challenges in terms of commodity prices. Whilst the Company has instituted measures to preserve cash, improve operations and is seeking to secure additional financing, these circumstances create uncertainties over future results and cash flows. The Company had a working capital deficiency of \$23.2 million as at December 31, 2014. The Company will need to obtain additional financing in order to meet its near term operating cash requirements, debt payments and sustaining capital expenditures. There is no assurance that the Company's financing initiatives will be successful or sufficient. As at December 31, 2014, the Company had cash, cash equivalents and gold bullion of \$9.0 million compared to cash, cash equivalents and gold bullion of \$11.1 million as at December 31, 2013.

	December 31, 2014	December 31, 2013
Cash and equivalents	\$7,161	\$9,015
Gold bullion	\$1,801	2,045
Cash and gold bullion	\$8,962	\$11,060
Non-cash working capital		
Other current assets	\$31,263	33,575
Current liabilities	\$(63,466 )	(361,180 )
Working capital	\$(23,241 )	\$(316,545 )

Due to the implementation of the CCAA Plan and conversion of the debt into equity on April 22, 2014, working capital improved \$293.3 million from negative \$316.5 million at December 31, 2013 to negative \$23.2 million at December 31, 2014. The use of funds during the quarter is explained below.

#### Uses of funds

(\$ thousands)	Three months ended			Twelve months ended		
	December 31,			December 31,		
	2014	2013	2012	2014	2013	2012
Operating inflows (outflows)	\$(1,156 )	\$(3,199 )	\$5,380	\$(6,845 )	\$12,813	(2,789
Financing activities	\$(5,644 )	\$(969 )	(5,660	\$26,742	\$5,979	(13,306
Investing activities	\$(5,125 )	\$(4,652 )	(6,400	\$(21,701 )	\$(23,211 )	(51,261
Effect of exchange rate	(18 )	(365 )	545	(50 )	(422 )	6,737
Increase/(decrease) in cash and equivalent	\$(11,943 )	\$(9,185 )	(6,135	\$(1,854 )	\$(4,841 )	(60,619

The improvement of \$2.0 million in operating cash flow for the three months ended December 31, 2014 compared to the same period in 2013 is mainly due to lower costs and benefit of decline in the value of Brazilian Real as compared to the US dollar in Q4, 2014.

The Company's senior secured debt facility, starting July 2014, has been repaid at a rate of \$1.0 million of principal plus interest per month. The balance of the debt facility amount to \$14.4 million needs to be paid in full during the year 2015. The increase in investing activities for the three months ended December 31, 2014 compared to the same period in 2013 is primarily due to major rebuilds and capital repairs undertaken for the mining equipment, and offset by marginally lower primary development. Capital spending is outlined below:

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(\$ thousands)	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2014	2013	2014	2013
<b>Sustaining Capital</b>				
Primary development	\$2,426	\$3,768	\$12,887	\$14,053
Exploration - Brownfield	1,649	125	2,883	2,104
<b>Minesite sustaining</b>				
Engineering	360	46	982	3,008
Equipment	721	236	4,617	3,392
Total sustaining capital	5,156	4,175	21,369	22,557
<b>Non-sustaining Capital (including Capital Projects)<sup>1</sup></b>				
Gurupi	132	496	506	807
Others	93	167	546	481
Total non-sustaining capital	225	663	1,052	1,288
Total capital expenditures	\$5,381	\$4,838	\$22,421	\$23,845

<sup>1</sup>Sustaining and non-sustaining capital are non-gaap financial measures with no standard definition under IFRS.

Capital expenditure on the Gurupi Project has been minimal in 2013 and 2014. The Gurupi Feasibility Study was completed in 2011 and the Company is currently performing low cost metallurgical tests and desktop mine planning work to evaluate options to develop the project with the possibility of lowering the capital cost and diminishing the time of development.

Operating expenses

(\$ thousands)	Three months ended			Twelve months ended		
	December 31,			December 31,		
	2014	2013	Change	2014	2013	Change
Exploration and evaluation costs	\$63	\$183	(66 %)	\$280	\$944	(70 %)
Care & maintenance costs (Paciencia mine)	545	588	(7 %)	2,181	2,529	(14 %)
Stock-based compensation	333	10	3230 %	1,557	356	337 %
General and administration expenses	2,358	4,718	(50 %)	12,919	16,652	(22 %)
Restructuring costs	925	3,499	(74 %)	11,231	4,632	142 %
Amortization	258	277	(7 %)	1,062	1,138	(7 %)
Changes to legal provisions and Recoverable VAT	(7,877 )	30,409	(126 %)	(3,295 )	35,172	(109 %)
Impairment charges	88,938	98,653	(10 %)	88,938	145,487	(39 %)
Other expenses	3,747	(504 )	(843 %)	7,426	287	2487 %
Total operating expenses	\$89,290	\$137,833	(35 %)	\$122,299	\$207,197	(41 %)

Care & maintenance Costs – Paciência mine

Paciência mining complex continued on care and maintenance during the fourth quarter of 2014. No gold has been produced since the second quarter of 2012 when the mine was put on care and maintenance. No underground development or drilling work was carried out by the Company at Paciência mine during 2014. The Complex has been secured and the facilities are preserved and patrolled. A limited maintenance staff periodically turns the mills and equipment to maintain the plant in working order.

General and administrative expenses

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The 'General and Administration' (G&A) expenses, exclude mine site administrative costs which are charged directly to operations and includes legal, accounting, costs to maintain offices and personnel in Belo Horizonte, Brazil and Toronto, Canada and costs associated with being a publicly-traded company.

(\$ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2014	2013	Change	2014	2013	Change
Corporate office (Toronto)	\$331	\$1,541	(79 %)	\$4,325	\$5,352	(19 %)
Brazil office (Belo Horizonte)	1,935	\$3,100	(38 %)	8,291	10,739	(23 %)
Other	92	77	19 %	303	561	(46 %)
Total G&A expenses	\$2,358	\$4,718	(50 %)	\$12,919	\$16,652	(22 %)

The overall G&A expenses (Toronto and Belo Horizonte offices) decreased by 50% during the fourth quarter of 2014 compared to Q4 2013. The impact was due to headcount reductions as part of the ongoing organizational restructuring.

#### Restructuring costs

(\$ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2014	2013	Change	2014	2013	Change
Restructuring costs	\$ 925	\$ 3,499	(74 %)	\$ 11,231	\$ 4,632	142 %

Restructuring costs in the fourth quarter of 2014 are primarily related to severance provisions recorded during the quarter for the ongoing organizational restructuring. For the FY 2014 restructuring expenses include fees related to the capitalization and financing under the CCAA Plan, mainly legal fees, financial consulting expenses and severance costs.

#### Changes to legal and recoverable taxes provisions

(\$ thousands)	Three months ended December 31,			Twelve months ended December 31,		
	2014	2013	Change	2014	2013	Change
Changes to legal provisions	\$9,792	\$3,708	164 %	\$13,600	\$8,471	61 %
Changes to recoverable taxes provision	(17,669 )	26,701	(166 %)	(16,895 )	26,701	(163 %)
Changes to legal and recoverable taxes provisions	\$(7,877 )	\$30,409	(126 %)	\$(3,295 )	\$35,172	(109 %)

#### Legal Provisions

As at December 31, 2014, the Company is a defendant in 370 outstanding legal labor claims. For the FY 2014, the Company recorded a legal provision of \$13.6 million (FY 2013 - \$8.5 million) representing management's best estimate of expenditures required to settle present claims. The ultimate outcome or actual cost of settlement may vary materially from management estimates.

#### Recoverable Taxes Provision

During 2014, the Company initiated procedures to obtain approval and/or refund of R\$29.1 million of Federal VAT ('Value Added Tax') input tax credits with respect to the years 2009 through 2011 for MTL. Following an extensive audit process, in February 2015, 81.6% of the input tax credits were approved for refund. 29.7% of the approved amount was applied as a credit to reduce other federal taxes payable for prior years, while R\$16.7 million (approximately \$6.0 million) was refunded in cash. The reversal in the provision for recoverable taxes during Q4 2014 considers the (i) MTL VAT refund and possibility of additional refunds, (ii) offset of certain income taxes payable of \$629,000 and (iii) offset of withholding taxes on interest on intercompany balance of \$8 million.

## Impairment charges

In accordance with our accounting policy, we test impairment of non-current assets when there is an indicator of impairment. An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of each Cash Generating Unit ('CGU') is based on its Fair Value Less Cost of Disposal ('FVLCD'), which has been determined to be greater than the Value in Use ('VIU') amounts. A CGU is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets. For the Company, a CGU is an individual operating mine or development project.

In 2013, the Company recorded an impairment charge of \$145.5 million, primarily due to the impact of the decrease in our long term gold price assumption to \$1,300 per ounce. The volatility and the downward trend in the gold price continued during the FY 2014. The impairment test is based on a gold price of \$1,200 for 2015 and \$1,300 for the long term.

In 2014, as part of the 2015 budgeting exercise, management undertook a comprehensive review of the cost structure of all its operating mines. New mine plan and budgets were developed and they identified increases in cash operating costs for the Caeté mine complex. This led to a scenario where management calculated that, with continued operations, Caeté generated a negative net present value from operations. The results of the review are also in line with the past performance of the Caeté mine, where the Company has incurred significant operational losses. An impairment test was conducted and resulted in a 100% write down of the net book value of the Caeté mining complex and therefore an impairment charge of \$88.9 million was recorded for the three months and year ended December 31, 2014. Management also assessed impairment triggering events for the Turmalina Mine and Gurupi project, and reached the conclusion that no impairment test was required.

## Key Assumptions

The key assumptions and estimates used in determining the FVLCD are related to gold price, discount rates, operating costs, exchange rate, capital expenditures, inflation, life-of-mine production profile and continued license to operate. In addition, the Company also uses observable market evaluation metrics, including identification of comparable entities, and associated market values per ounce for benchmarking development projects.

For our CGUs, the FVLCD was determined by calculating the Net Present Value ('NPV') of the future cash flows expected to be generated by the mine. The estimates of future cash flows were derived from the most recent production plans. Based on observable market data, including spot prices and forward prices, we make assumptions of the future gold price.

The future cash flows for each mine are discounted using Weighted Average Cost of Capital ('WACC') of 9.87%, which reflects specific market risks in Brazil. Some gold mining companies trade at a market capitalization greater than the NPV of their expected cash flows i.e. a 'NAV multiple', which refers to a multiple which is applied to the NPV to arrive at the trading price. For purpose of the impairment test, we assumed a NAV multiple of 1 and long term gold price of \$1,300 per ounce.

## Sensitivities

We performed a sensitivity analysis on commodity price, which is the key assumption that impacts the impairment test. We assumed a negative \$100 change in gold price, taking the price down to \$1,200 per ounce, while holding other assumptions constant. We noted that this sensitivity identifies a possible impairment for MTL at a long term gold price between \$1,100 and \$1,200 per ounce. Should there be a significant long term decline in gold price, we will take actions to assess the implications on our LOM including the determination of reserves and resource, and the

future cost structure for the CGU.

Other expenses (income)

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(\$ thousands)	Three months ended			Twelve months ended		
	December 31,			December 31,		
	2014	2013	Change	2014	2013	Change
Foreign exchange loss	\$88	\$1,120	(92 %)	\$174	\$4,137	(96 %)
Financial instruments gain	(6,956 )	(89 )	7716 %	(272,818 )	(5,001 )	5355 %
Finance costs	3,724	28,046	(87 %)	12,479	54,247	(77 %)
Other non-operating expenses (recoveries)	146	(110 )	(233 %)	(315 )	1,862	(117 %)
Other expenses (income)	\$(2,998 )	\$28,967	(110 %)	\$(260,480 )	\$55,245	(571 %)

The gain on financial instruments during Q4 2014 is in relation to the renegotiation of a land acquisition agreement with Vale and associated note payable. The agreement relates to the purchase of mineral rights regarding the Caeté project for \$13.3 million (“Vale Purchase Agreement”). Payment under the Vale Purchase Agreement was subject to satisfaction of certain conditions including approval of the transfer of the mineral rights with the Departamento Nacional de Produção Mineral (“DNPM”). During 2010, the Company made a partial payment amounting to \$3.2 million to Vale. In November 2014 the agreement was amended whereby the Company agreed to surrender part of the mineral rights to be acquired under the agreement. As part of this renegotiation, the outstanding payable amount was reduced from \$9.0 million to \$3.0 million, payable in twelve installments of \$250,000, payable in December and July of each year. The first installment was paid in December 2014. The gain on financial instrument reflects the reduction of the note payable.

For the year ended December 31, 2014, the gain on financial instruments also reflects the \$265.6 million related to the forgiveness of the convertible notes and accrued interest on implementation of the CCAA Plan on April 22, 2014 (refer to the “Financial restructuring plan – CCAA proceedings” section of the MD&A).

Finance costs are composed of interest on debt, amortization of discount and transaction costs on debt and accretion expense. The decrease in interest expense and amortization of borrowing costs for Q4 2014 and FY 2014 compared to the same period in 2013 is related to the implementation of the CCAA plan and the overall reduction of the debt.

(\$ thousands)	Three months ended			Twelve months ended		
	December 31,			December 31,		
	2014	2013	Change	2014	2013	Change
Interest expense	\$1,795	\$29,966	(94 %)	\$9,220	\$54,851	(83 %)
Accretion	1,929	(1,920 )	(200 %)	3,259	(604 )	(640 %)
Total finance cost	\$3,724	\$28,046	(87 %)	\$12,479	\$54,247	(77 %)

#### Asset Retirement Obligation

Mining, extraction and processing activities normally give rise to obligations for environmental rehabilitation i.e. Asset Retirement Obligation (‘ARO’). Rehabilitation work can include facility decommissioning and dismantling; removal or treatment of waste materials; site and land rehabilitation, including compliance with and monitoring of environmental regulations; security and other site-related G&A costs required to perform the rehabilitation work; and operation of equipment designed to reduce or eliminate environmental effects. The extent of work required and the associated costs are dependent on the requirements of relevant authorities and our environmental policies.

Provisions for the cost of the rehabilitation programs are recognized at the time that an environmental disturbance occurs or a constructive obligation is determined. When the extent of disturbance increases over the life of an operation, the provision is accordingly updated. We record an ARO in our financial statements when the environmental disturbance is incurred and capitalize this amount as an increase in the carrying amount of the related

asset. AROs are recorded at the expected future cash flows, discounted to their present value using a pre-tax discount rate. The unwinding of the discount, referred to as accretion expense, is included in the finance costs and results in an increase in the amount of provision. Accretion expense for operating mines is disclosed as part of our All-In Sustaining Costs.

Each quarter, Jaguar updates the ARO estimate for changes in foreign exchange and discount rate. From time to time, the Company also carries out a more comprehensive review of its closure plan especially with relevance to the changes in footprint (i.e. extent of disturbance), new local regulations, improvements in understanding of estimations and any constructive obligations as a result of past precedence. Adjustments to the estimated amount and timing of cash flows are normal occurrence in light of the significant judgments and estimates involved.

In Q4 2014, the company reviewed the closure cost plan and made some revisions to the estimates. The impact was an increase of approximately \$10.8 million (undiscounted cash flow) in the closure cost, resulting in \$5.7 million increase in the ARO provision as at December 31, 2014 compared to December 31, 2013. Main estimate revisions were in the areas of plant dismantling costs, associated G&A costs during the closure period and contingencies to account for certain high risk areas of the closure plan.

	December 31, 2013	Additions (Reversals)	Accretion	Payments	Foreign exchange	December 31, 2014
Reclamation provision	\$15,670	\$4,822	\$3,259	\$(650)	\$(1,727)	\$21,374
Less: current portion	826					1,202
Non-current portion	\$14,844					\$20,172

Although the ARO liability increased as a result of the revisions, the net cash outflow from the settlement of the obligations is expected to be significantly lower, as part of the removal and dismantling cost is offset by the resale proceeds of the plant and remaining infrastructure. As most of the closure work expenditure is denominated in Brazilian Reais, part of the increase in the closure estimates will be offset in the future by expected devaluation of the Brazilian Reais as compared to the US dollar.

The Company expects to spend approximately \$32.1 million (gross amount not discounted or adjusted for inflation) which will be incurred between 2015 and 2026 to reclaim the areas disturbed as a result of mining, exploration and processing (2013 - \$21.3 million). All future cash payments for closure activities will be recorded against this liability. The actual future expenditures may differ from the amounts currently recorded.

The estimated future cash flows have been discounted using a 10 year projected Brazilian Selic rate of 12.28% and the inflation rate used to determine future expected cost ranges from 4.5% to 6.8% per annum. An increase in the discount rate by 1% (from 12.28% to 13.28%) results in reduction in the ARO liability (discounted cash flow) by approximately 3%.

#### NON-IFRS PERFORMANCE MEASURES

The Company has included the following non-IFRS performance measures: cash operating margin per ounce of gold produced, cash operating cost per tonne of ore processed, and cash operating cost per ounce of gold produced, all-in costs per ounce of gold sold and earnings before tax, depreciation and amortization (“EBITDA”) in this document. These non-IFRS performance measures do not have any standardized meaning prescribed by IFRS and, therefore, may not be comparable to similar measures presented by other companies. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, certain investors use this information to evaluate the Company’s performance. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. More specifically, management believes that these figures are a useful indicator to investors and management of a mine’s performance as they provide: (i) a measure of the mine’s cash margin per ounce, by comparison of the cash operating costs per ounce to the price of gold; (ii) the trend in costs as the mine matures; and (iii) an internal benchmark of

performance to allow for comparison against other mines. The definitions of these performance measures and reconciliation of the non-IFRS measures to reported IFRS measures are as follows:

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## Reconciliation of cash operating costs per ounce sold, all-in sustaining costs, all-in costs per ounce sold

(\$ thousands, except where indicated)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Cost of production (per statement of income)	\$23,508	\$22,074	\$90,431	\$89,304
Cost Adjustment <sup>1</sup>	(2,859 )	-	-	-
Adjusted cost of production	20,649	22,074	90,431	89,304
General & Administration Expenses	2,358	4,718	12,919	16,652
Corporate stock-based compensation	333	10	1,557	356
Sustaining capital expenditures <sup>3</sup>	5,156	4,175	21,369	22,557
All-in sustaining cash costs	28,496	30,977	126,276	128,869
Reclamation - accretion (operating sites)	236	253	899	1,036
All-in sustaining costs <sup>2</sup>	\$28,732	\$31,230	\$127,175	\$129,905
Non-sustaining capital expenditures <sup>3</sup>	225	663	1,052	1,288
Exploration and evaluation costs (greenfield)	63	183	280	944
Reclamation - accretion (non-operating sites)	1,692	(2,192 )	2,360	(1,639 )
Care and maintenance (non-operating sites)	545	588	2,181	2,529
All-in costs <sup>2</sup>	\$31,257	\$30,472	\$133,048	\$133,027
Ounces of gold sold	21,400	22,503	92,264	94,850
Cash operating costs per ounce sold <sup>2</sup>	\$965	\$981	\$980	\$942
All-in sustaining cash cost per ounce sold <sup>2</sup>	\$1,332	\$1,377	\$1,369	\$1,359
All-in sustaining cost per ounce sold <sup>2</sup>	\$1,343	\$1,388	\$1,378	\$1,370
All-in cost per ounce sold <sup>2</sup>	\$1,461	\$1,354	\$1,442	\$1,402

<sup>1</sup> Cost adjustment includes any unusual items recorded during the quarter that do not relate to the current quarter's cost of sales.

<sup>2</sup> Cash operating costs, all-in sustaining costs and all-in costs are all non-gaap financial performance measures with no standard definition under IFRS. Result may not calculate due to rounding.

<sup>3</sup> Capital expenditures are included in our calculation of all-in sustaining costs and all-in costs.

## Cash operating costs per ounce sold, all-in sustaining costs (by mine)

(\$ thousands, except where indicated)	Three Months Ended		Twelve Months Ended	
	2014	December 31, 2013	2014	December 31, 2013
<b>Turmalina</b>				
Cost of production	\$9,771	\$9,140	\$41,471	\$38,539
Cost Adjustment <sup>1</sup>	(1,898 )	-	-	-
Adjusted cost of production	7,873	9,140	41,471	38,539
Sustaining capital expenditures	2,398	2,351	9,917	10,608
All-in sustaining costs <sup>2</sup>	\$10,271	\$11,491	\$51,388	\$49,147
Ounces of gold sold	11,243	10,850	47,947	42,611
Cash operating costs per ounce sold <sup>2</sup>	\$700	\$842	\$865	\$904
All-in sustaining cost per ounce sold <sup>2</sup>	\$914	\$1,059	\$1,072	\$1,153
<b>Caeté Complex</b>				
Cost of production	\$13,738	\$12,934	\$48,960	\$50,765
Cost Adjustment <sup>1</sup>	(961 )	-	-	-
Adjusted cost of production	12,777	12,934	48,960	50,765
Sustaining capital expenditures	2,758	1,824	11,452	11,949
All-in sustaining costs <sup>2</sup>	\$15,535	\$14,758	\$60,412	\$62,714
Ounces of gold sold	10,157	11,653	44,317	52,239
Cash operating costs per ounce sold <sup>2</sup>	\$1,258	\$1,110	\$1,105	\$972
All-in sustaining cost per ounce sold <sup>2</sup>	\$1,529	\$1,266	\$1,363	\$1,201

<sup>1</sup> Cost adjustment includes any unusual items recorded during the quarter that do not relate to the current quarter's cost of sales.

<sup>2</sup> Cash operating costs and all-in sustaining costs are all non-gaap financial performance measures with no standard definition under IFRS. Result may not calculate due to rounding.

Reconciliation of Net Income to EBITDA

NOT INCLUDED ON EITHER EXCEL

Calculation of cash operating cost per ounce produced

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(\$ thousands, except where indicated)	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
<b>Consolidated</b>				
Production costs per income statement	\$23,508	\$22,074	\$90,431	\$89,304
Royalty and CFEM	(944 )	(747 )	(3,607 )	(2,253 )
Others Adjustments	(1,044 )	(1,029 )	(2,107 )	(4,148 )
Change in inventory	(1,456 )	(779 )	1,823	344
Operational cost of gold produced	\$20,064	\$19,519	\$86,540	\$83,247
Gold produced (ounces)	22,457	21,956	92,057	95,595
Cash operating costs (per ounce produced)	\$894	\$889	\$940	\$871
<b>Turmalina Plant</b>				
Production costs per income statement	\$9,771	\$9,140	\$41,471	\$38,539
Royalty and CFEM	(779 )	(541 )	(2,844 )	(2,558 )
Others Adjustments	(583 )	-	(1,832 )	(493 )
Change in inventory	(499 )	(8 )	(1,443 )	859
Operational cost of gold produced	\$7,910	\$8,591	\$35,352	\$36,347
Gold produced (ounces)	12,067	10,451	47,968	43,425
Cash operating costs (per ounce produced)	\$656	\$822	\$737	\$837
<b>Caeté Plant</b>				
Production costs per income statement	\$13,738	\$12,934	\$48,960	\$50,765
Royalty and CFEM	(165 )	(206 )	(763 )	305
Others Adjustments	(461 )	(1,310 )	(275 )	(3,655 )
Change in inventory	(957 )	(485 )	3,265	(514 )
Operational cost of gold produced	\$12,155	\$10,933	\$51,187	\$46,901
Gold produced (ounces)	10,389	11,505	44,089	52,170
Cash operating costs (per ounce produced)	\$1,170	\$950	\$1,161	\$899

1 Cash operating costs, all-in sustaining costs and all-in costs are all non-gaap financial performance measures with no standard definition under IFRS.



## C. Research and Development, Patents and Licenses

The Company conducts no research and development activities, nor is it dependent upon any patents or licenses.

## D. Trend information

Refer to Item 4 for a detailed discussion of Trend Information.

## E. Off-balance Sheet Arrangements

The Company does not have any off-balance sheet investment or debt arrangements.

## F. Contractual Obligations

The Company's contractual obligations as at December 31, 2014 are summarized as follows:

As at December 31, 2014 (\$ thousands, except where indicated)	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years	Total
<b>Financial Liabilities</b>					
<b>Notes payable</b>					
Principal	\$29,854	\$1,000	\$1,000	\$250	\$32,104
Bank indebtedness	14,954	-	-	-	14,954
Vale Note	500	1,000	1,000	250	2,750
Renvest credit facility	14,400	-	-	-	14,400
Interest	1,068	-	-	-	1,068
<b>Total financial liabilities</b>	<b>\$30,922</b>	<b>\$1,000</b>	<b>\$1,000</b>	<b>\$250</b>	<b>\$33,172</b>
<b>Other Commitments</b>					
Operating lease agreements	\$208	\$98	\$-	\$-	\$306
Suppliers' agreements	923	-	-	-	923
Other provisions and liabilities	16,605	-	-	-	16,605
Reclamation provisions	1,342	21,715	3,422	5,608	32,087
<b>Total other commitments</b>	<b>\$19,078</b>	<b>\$21,813</b>	<b>\$3,422</b>	<b>\$5,608</b>	<b>\$49,921</b>
<b>Total</b>	<b>\$50,000</b>	<b>\$22,813</b>	<b>\$4,422</b>	<b>\$5,858</b>	<b>\$83,093</b>

1 Represents the obligations and commitments for the remainder of the year.

2 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.

3 Purchase obligations for supplies and consumables - includes commitments related to new purchase obligations to secure a supply of cyanide, reagents, mill balls and other spares.

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

## a) Bank indebtedness

As at December 31, 2014, bank indebtedness include \$191,000 of notes payable secured by equipment. The notes bear interest at 6.35% and are repayable semi-annually over the life of the note. The notes mature August 2015 (2013 - \$378,000, maturing August 2015 at interest rate of 6.35%).

Bank indebtedness also includes \$14.8 million of unsecured promissory notes with maturities from January 2015 to August 2015. The notes bear interest at 4.5% to 8.0% (2013 - \$15.5 million, maturing from March 2014 to August 2014 at interest rates of 5.0% to 7.2%).

b) Vale note

The Vale note was generated in 2008, by the purchase of mineral rights regarding the Caeté Project for \$13.3 million (“Vale Purchase Agreement”). Payment under the Vale Purchase Agreement was subject to satisfaction of certain conditions including perfection of the transfer of the mineral rights before the Departamento Nacional de Produção Mineral (“DNPM”). During 2010, the Company paid \$3.2 million. In November 2014 the agreement was amended whereby the Company agreed to waive certain mineral rights expected to be transferred under the purchase agreement as they had not been duly conveyed. Accordingly, the outstanding indebtedness amount was reduced from \$9.0 million to \$3.0 million, payable in twelve installments of \$250,000, maturing December and July of every year, until fully paid in 2020. The first installment was paid in December 2014. The balance outstanding as at December 31, 2014 was \$2.8 million (\$ 9.0 million as at December 31, 2013).

The note payable is recognized at its fair value of \$2.0 million and the discount of \$754,000, is being accreted using the effective interest method.

c) 4.5% convertible notes

On April 22, 2014, the Company had successfully implemented the CCAA Plan. The CCAA Plan resulted in the extinguishment of the obligations of the 4.5% convertible notes. Please refer to Note 2.

d) 5.5% convertible notes

On April 22, 2014, the Company had successfully implemented the CCAA Plan. The CCAA Plan resulted in the extinguishment of the obligations of the 5.5% convertible notes. Please refer to Note 2.

e) Renvest Credit Facility

The original Facility was in the amount of \$30.0 million. As disclosed in Note 2, in connection with the implementation of the CCAA Plan, certain amendments were made to the Facility, including the division of the Facility into Facility A and B. The transaction costs related to these amendments totaled \$1.0 million and were included in restructuring fees in the consolidated statements of operations and comprehensive income (loss).

Capital Structure

(All figures in US\$ millions, except number of Common Shares)

	As at December 31, 2014
Bank Indebtedness	\$15.0
Renvest Facility	14.0
Vale Note	2.0
Total Debt	\$31.0
Less: Cash and Cash Equivalents	(7.2 )
Total Net Debt <sup>1</sup>	\$23.8
Number of Common Shares Outstanding	111.1 million

<sup>1</sup> Net debt is a Non-IFRS Performance Measure and is defined as total indebtedness excluding unamortized transaction costs and premiums or discounts associated with debt, less cash and cash equivalents. Net debt provides a measure of indebtedness in excess of the current cash available. We reduce gross indebtedness by cash and cash equivalents on the basis that they could be used to pay down debt.

G. Safe Harbor

Please see the “Cautionary Note Regarding Forward-Looking Statements”.

Item 6. Directors, Senior Management and Employees

A. Directors and Senior Management

The following is a list of the directors and executive officers of Jaguar as of December 31, 2014 (collectively, the “Directors and Officers”), and information regarding each individual including age, position with Jaguar, date of appointment to the position with Jaguar and their principal occupation during the past five years. As of December 31,

2014, the directors of Jaguar were George Bee, Richard D. Falconer, Luis Ricardo Miraglia, Edward V. Reeser, Jared Hardner, Stephen Hope and Robert Chadwick. All directors of the Company hold office until the next annual meeting of shareholders or until their successors are elected or until their earlier death, resignation or removal. The executive officers serve at the pleasure of the Board of Directors, subject to the terms of executive compensation agreements. As of December 31, 2014, there were no known family relationships between our directors and officers and there were no arrangements or understandings regarding the selection of directors or executive officers.

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Name & Municipality of Residence	Position and Date of Appointment (Resignation)	Principal Occupation (past five years)
George Bee Ontario, Canada	Director June 10, 2013	Chief Executive Officer of Jaguar Mining Inc. from April 22, 2014 Independent Director.
	Chief Executive Officer April 22, 2014	President and Chief Executive Officer of Andina Minerals Inc. from January 2009 to January 2013.
Richard D. Falconer Ontario, Canada	Director May 22, 2012 Chairman June 29, 2012	Vice Chairman and Managing Director of CIBC World Markets Inc. from the early 1990's until his retirement in 2011.
Luis Ricardo Miraglia Minas Gerais, Brazil	Director September 27, 2012	Partner of Azevedo Sette Advogados, a Brazilian law firm, since 2004.
Edward V. Reeser Ontario, Canada	Director June 10, 2013	Owner and President of Celco Inc. since 2001.
Stephen Hope	Director April 22, 2014	Portfolio Manager at Outrider Management, LLC, since January 2004
Jared Hardner	Director May 12, 2014	Managing Partner at Hardner & Gullison Associates, LLC
Robert Chadwick	Director April 22, 2014	Partner and a member of the Executive Committee at Goodmans LLP
Derrick Weyrauch Ontario, Canada	Director June 10, 2013 to April 22, 2014  Chief Financial Officer April 22, 2014	Chief Financial Officer of Jaguar Mining Inc. since April 22, 2014. Chief Financial Officer of Temex Resources Corp. since January 2014. President of Weyrauch and Associates Inc. since May 2010. Chief Financial Officer of Andina Minerals Inc. from November 2010 to January 2013. Chief Financial Officer of Malbex Resources Inc. from October 2009 until February, 2011. Director of Finance and Treasury, Corporate Controller and Consultant for Gabriel Resources Ltd. from May 2007 to November 2009.

Current Director and Senior Manager Biographies

Richard D. Falconer (Director): Mr. Falconer was elected to the Board on May 22, 2012 and was appointed Chairman of the Board on June 29, 2012. Mr. Falconer retired from CIBC after 40 years with the bank. At the time of retirement, Mr. Falconer was Vice Chairman and Managing Director, CIBC World Markets Inc. Current directorships include Chorus

Aviation Inc., Resolute Forest Products Inc., Bridgepoint Health Foundation; LOFT Community Services; and Member, Shaw Festival Theatre Endowment Foundation Board of Governors. He is a Chartered Financial Analyst and holds a Master of Business Administration degree, York University, and Honours B.A., University of Toronto.

George Bee (Director and Chief Executive Officer): Mr. Bee was elected to the Board on June 10, 2013 and was appointed Chief Executive Officer of the Company on April 22, 2014. Mr. Bee is a mining engineer and has over 30 years' experience in the mining industry, developing world-class gold mining projects. Recently, he was the President and Chief Executive Officer and a director of Andina Minerals Inc. Prior to that, Mr. Bee was Chief Operating Officer of Aurelian Resources and spent over 16 years at Barrick Gold Corporation where he was responsible for a number of operating and development projects. Mr. Bee is a graduate of the Camborne School of Mines in Cornwall, United Kingdom. Mr. Bee currently serves on the boards of Stillwater Mining Company and Sandspring Resources Inc. and holds ICD.D designation from the Institute of Corporate Directors.

Edward V. Reeser (Director): Mr. Reeser was appointed to the Board on June 10, 2013. Mr. Reeser is the owner and President of Celco Inc. (Food Service Equipment), one of Canada's major commercial food service equipment importers and distributors. Mr. Reeser was a director and member of the Finance and Audit Committee of Bridgepoint Health between September 2011 and December 2014 and is currently a director of Temex and Chairman of the Audit Committee of Temex Resources Corp. Mr. Reeser has over 15 years' experience as a senior financial officer of TSX-listed companies in the metallurgical, aviation and energy utility industries. Mr. Reeser has also served as a director and officer of a number of private companies and non-profit organizations. Mr. Reeser holds a Master of Business Administration degree (finance concentration) from York University, a Bachelor of Arts from York University and an ICD.D designation from the Institute of Corporate Directors.

Luis Miraglia (Director): Mr. Miraglia was appointed as a director of the Company on September 27, 2012. Mr. Miraglia is a native of Minas Gerais, Brazil and is a Partner at the law firm of Azevedo Sette Advogados with 19 years of experience in legal practice specializing in corporate law, mergers and acquisitions, project finance, infrastructure projects and mining. He holds a degree (Juris Doctorate equivalent) from the Universidade Federal de Minas Gerais in Belo Horizonte, Brazil and a Master of Laws degree from the University of Chicago Law School.

Stephen Hope (Director): Mr. Hope has worked in fixed-income investment management for over fifteen years. Prior to forming Outrider Management ("Outrider") in January 2004, he was a portfolio manager with Dalton Investments LLC where he managed a fund with a substantially similar investment strategy to that of Outrider. Prior to joining Dalton, he managed an emerging markets debt fund focused on distressed debt for two years at San Francisco Sentry Investment Group. Prior to San Francisco Sentry, he worked at Bracebridge Capital as an analyst and trader for their Asian operations. From 1995 to 1997, Stephen was a currency and bond trader for the Asian and Dollar Bloc markets for Eaton Vance Management. Stephen began his career at the First National Bank of Maryland as a corporate credit analyst and trader. Stephen Hope holds a Bachelor of Arts in Economics from Princeton University. Mr Hope is a principal of Outrider Management, LLC ("Outrider") which holds 36,044,388 shares at Jaguar, equivalent to 32.4% of the total issued and outstanding shares.

Jared Hardner (Director): Mr. Hardner has worked in the environmental field for 21 years. Over the past decade his work has focused increasingly on the mining industry and he includes among his clients Rio Tinto, Barrick Gold, Teck, First Quantum, and Newmont Mining. His geographic experience includes the U.S., Canada, Africa, Asia, Australia, and numerous countries in Latin America including Brazil. He holds a Bachelor of Arts in Economics and Certificate in Latin American Studies from Princeton University, and a Masters of Forest Science from Yale University.

Robert J. Chadwick (Director): Mr. Chadwick is a partner and a member of the Executive Committee at Goodmans. He practices corporate and commercial law and in the areas of corporate restructuring and insolvency, financial services and private equity law. Mr. Chadwick focuses his practice on corporate, banking, private equity, insolvency and reorganization law and mergers and acquisitions. He also has expertise in national, cross-border and international transactions. Mr. Chadwick has participated in significant financings and acquisitions and other transactional matters in various industries on behalf of a diverse group of clients. He has been an advisor in many of the major Canadian and cross-border commercial matters and restructurings. He is a director of TSX-listed Ainsworth Lumber Co. Ltd.

Derrick Weyrauch (Chief Financial Officer): Mr. Weyrauch served as an independent director of the Company from June 10, 2013 until April 22, 2014, and was appointed Chief Financial Officer of the Company on April 22, 2014. Mr. Weyrauch is a Chartered Professional Accountant and a Chartered Accountant and has over 15 years' experience as a senior financial officer of TSX/TSXV-listed companies in the mining, contract manufacturing and medical device industries. Mr. Weyrauch is an independent director of Banro Corporation and is currently the Chief Financial Officer of Temex Resources Corp. Prior to its sale in 2013, Mr. Weyrauch served as the Chief Financial Officer of Andina Minerals Inc. Mr. Weyrauch earned his CA designation in 1990 while employed at KPMG LLP. He is a member of the Institute of Chartered Accountants of Ontario, the Institute of Corporate Directors and holds a Bachelor of Arts degree in Economics from York University.

## B. Compensation

The following describes the formal compensation policy of the Company.

The Board administers the Company's compensation policy with advice from the Compensation Committee, since renamed Governance, Compensation and Nominating Committee (the "Governance, Compensation and Nominating Committee"). The Governance, Compensation and Nominating Committee is responsible for ensuring that the Company has in place an appropriate plan for executive compensation and for making recommendations to the Board with respect to the compensation of certain of the Company's executive officers. The Governance, Compensation and Nominating Committee ensures that total compensation paid to the executive officers of the Company is fair, reasonable and consistent with the Company's compensation philosophy.

The Company's compensation policies and practices are based on the following objectives and fundamental principles:

- o executives should receive compensation that is competitive in value and structure with the compensation paid by companies of similar size and stature, and the Company should not pay excessively;
- o the compensation policy should attract, motivate and retain individuals who are highly qualified, experienced, and who will perform according to their individual and corporate objectives;
- o emphasis should be placed on providing incentive compensation to executives to align their interests with what is in the best interests of the Company instead of copying the compensation practices of competitors and other companies in the industry;
- o compensation should be based on the Board's consideration of the Company's desired performance and the recommendations of the Governance, Compensation and Nominating Committee instead of developing specific formulae that assign weighting to each element of compensation;
- o the goals and performance objectives of the executive officers should be aligned with maximizing long term shareholder value; and
- o compensation should be significantly performance based, linking compensation criteria directly to operation and market performance of the Company.

For the year ended December 31, 2014, the key elements of the Company's compensation policy were base salary and long term incentive plans.

### Base Salary

The Governance, Compensation and Nominating Committee and the Board approved the 2014 salary ranges for the executive officers of the Company. The base salary amount for each executive officer is determined by reference to an assessment of factors such as current competitive market conditions, compensation levels within the peer group and particular skills, such as management effectiveness, experience, responsibility and proven or expected performance of the particular individual. Comparative data for the Company's peer group is also accumulated from a number of external sources. The Governance, Compensation and Nominating Committee, using this information together with



budgetary guidelines and other internally generated planning and forecasting tools, performs an annual assessment of the compensation of all executive officers. The salaries paid to each of the executive officers in 2014 are set forth below.

#### Long Term Incentive Compensation

The Company believes that security based compensation arrangements and similar plans are a critical component of the Company's compensation arrangements and are necessary and vital to attracting and retaining key individuals. The Company also believes that these plans promote a greater alignment of interests between the plan participants and shareholders and assist in attracting and retaining qualified individuals.

The equity-based compensation arrangements of the Company existing immediately prior to implementation of the CCAA Plan were cancelled pursuant to the terms the CCAA Plan. The Board has approved a new 10% rolling stock option plan which has received conditional approval from the TSX-V and was approved by disinterested shareholders at the Company's annual general meeting of shareholders ("AGM"), which was held late in the second quarter of 2014. The Board has also approved a new deferred share unit plan (the "DSU Plan"). The DSU Plan has received conditional approval from the TSXV and was approved by shareholders at the AGM. See also Item 13.

## Executives' Compensation

## Summary Compensation for the fiscal year ended December 31, 2014

	Base Salary (US\$)	Bonus (US\$)	Options (#)	DSUs (#)	All Other Compensation (US\$)	Total Compensation (US\$)
David M. Petroff, President and Chief Executive Officer(1)	185,646	-	-	-	645,807(1)	831,453
T. Douglas Willock, Chief Financial Officer (2)	102,105	-	-	-	355,054(2)	457,159
Gordon Babcock, Chief Operating Officer(3)	222,989	-	-	-	428,30(3)	651,019
George Michael Bee, President and Chief Executive Officer(4)	356,134	-	1,000,000	750,000	-	356,134
Derrick Weyrauch, Chief Financial Officer(5)	207,745	-	600,000	500,000	-	207,745
Neil Hepworth, Chief Operating Officer(6)	116,210	-	400,000	100,000	-	116,210

(1) Mr. Petroff's employment with the Corporation terminated effective April 22, 2014 and the executive was paid severance upon termination.

(2) Mr. Willock's employment with the Corporation terminated effective April 22, 2014 and the executive was paid severance upon termination.

(3) Mr. Babcock resigned his executive position with the Corporation effective April 22, 2014, and the executive was paid severance upon termination.

(4) Mr. Bee's employment with the Corporation is effective as at April 22, 2014.

(5) Mr. Weyrauch's employment with the Corporation is effective as at April 22, 2014.

(6) Mr. Hepworth's employment with the Company is effective as at August 25, 2014. Mr. Hepworth resigned effective as at April 1, 2015

## Options Granted in the fiscal year ended December 31, 2014

Name of Holder	Options (#)	Exercise Price (C\$)	Purchase Price (\$)	Expiration Date
Derrick Weyrauch	600,000	1.35	N/A	22-Apr-22
George Bee	1,000,000	1.35	N/A	12-May-22
Neil Hepworth (1)	400,000	1.35	N/A	8-Oct-19

## Non- Executive Directors' Compensation

## Summary Compensation for the fiscal year ended December 31, 2014

	Base Retainer (US\$)	Bonus (US\$)	Options (#)	DSUs (#)	All Other Compensation (US\$)	Total Compensation (US\$)
Richard Falconer (1)	65,512	-	78,947	83,522(10)	43,460(6)	108,972
George Michael Bee (2)	16,795	-			14,275(6)	31,070
Edward Reeser (3)	63,557	-	78,947	83,522(10)	47,530(6)	111,087
Luis Miraglia (4)	52,083	-	78,947	83,522(10)	9,058(7)	61,141
Jared Hardner	27,628	-	78,947			27,628
Stephen Hope	37,093	-	78,947		9,051(7)	46,41
Robert Chadwick	24,941	-	-		9,051(7)	33,29
Derrick Weyrauch (5)	14,678	-			40,435(6)	55,113
David Russell (8)	27,154	-			N/A	27,154
Fred Hermann (9)	16,089	-			N/A	16,089

(1) Mr. Falconer is the Chair of the Board of the Directors.

(2) Mr. Bee was appointed President and Chief Executive Officer of the Company effective April 22, 2014 and hence continued as an executive director.

(3) Mr. Reeser is the Chair of the Audit and Risk Committee.

(4) Mr. Miraglia is the Chair of the Governance, Compensation and Nominating Committee.

(5) Mr. Weyrauch resigned as a director of the Company effective April 22, 2014, on the same date he was appointed Chief Financial Officer of the Company.

(6) Special Committee fees in connection with the CCAA Plan.

(7) Special Committee fees after restructuring.

(8) Mr. Russell resigned as a director of the Company effective April 22, 2014.

(9) Mr. Hermann resigned as a director of the Company effective April 22, 2014.

(10) DSUs issued in recognition of foregoing equity participation prior to the CCAA Plan and the work required to steward the recapitalization process.

## Options Granted in the fiscal year ended December 31, 2014

Name of Holder	Options Granted(1)	Exercise Price (C\$)	Purchase Price (\$)	Expiration Date
Edward Reeser	78,947	1.35	N/A	12-May-22
Jared Hardner	78,947	1.35	N/A	12-May-22
Luis Miraglia	78,947	1.35	N/A	12-May-22
Richard Falconer	78,947	1.35	N/A	12-May-22
Steve Hope	78,947	1.35	N/A	12-May-22

## C. Board Practices

Please see Item 6.A above for full details on Jaguar's directors during the Financial Year ended December 31, 2014. All directors of the Company hold office until the next annual meeting of shareholders or until their successors are

elected or until their earlier death, resignation or removal.

This Statement of Board Practices has been approved by the Board.

#### General

The TSX, the TSXV and the applicable Canadian securities law and regulation require that the Company comply with National Instrument 58-101 (Disclosure of Corporate Governance Practices) or any replacement of that instrument. The Company is also, under applicable Canadian securities law and regulation, required to comply with National Policy 58-201 (Corporate Governance Guidelines). National Instrument 58-101 and National Policy 58-201 (for convenience referred to in the aggregate as the “guidelines”) deal with matters such as the constitution and independence of corporate boards, their functions, the effectiveness and education of the board members and other matters. The Company’s statement as to compliance with the guidelines and its approach to corporate governance is set forth below.

## Composition of the Board

Based on the definition of "independence" in National Instrument 52-110 – Audit and Risk Committees, Messrs. Falconer, Reeser, Miraglia, Chadwick and Hardner are all independent directors of the Corporation. Messrs. Bee and Hope are not considered to be independent. Mr. Bee is not considered to be independent as he is the CEO of the Corporation. Mr. Hope is not considered to be independent as he is a principal of Outrider Management, LLC. On April 22, 2014, a fund managed by Outrider Management, LLC acquired ownership of 36,045,291 Shares pursuant to the CCAA Plan representing approximately 32.4% of the total number of Shares outstanding following the implementation of the CCAA Plan.

Independence of the Board from management results from (i) a majority of the current directors and Nominees being independent directors, (ii) an independent Chairman, (iii) the Audit and Risk Committee, the Governance, Compensation and Nominating Committee being comprised solely of independent directors, and (iv) the Chairman of each Board committee being independent.

A number of the directors are directors of other listed issuers. Mr. Falconer is a director of Resolute Forest Products Inc. and Chorus Aviation Inc. Mr. Bee is a director of Stillwater Mining Company and Sandspring Resources Ltd. Mr. Chadwick is a director of Ainsworth Lumber Co. Ltd.

Mr. Falconer, an independent director, is the Chairman of the Board. Mr. Falconer's role as Chairman is to provide leadership to the Board and to be a liaison between the Board and the management of the Corporation. His responsibilities include leading the Board meetings, establishing procedures to assist the Board's work, facilitating ongoing communication between the Board and the management of the Corporation, overseeing the responsibilities delegated to the Board committees, representing the Corporation in his capacity as Chairman of the Board, and performing such other functions as established in the Corporation's formation documents and as set forth in the Chairman of the Board position description. Mr. Falconer calls meetings of the independent directors when he determines appropriate. The independent directors hold meetings separately from the other directors from time to time.

## Mandate of the Board

The Board has expressly assumed responsibility for supervising the management of the business and affairs of the Corporation. It is the Board's policy and goal to enhance shareholder value by careful oversight (including approval of all material actions) of the Corporation's businesses, and by continuously assessing long-range opportunities to expand these businesses. The Board sets long-term goals, reviews strategic planning and policies established by senior management, supervises the implementation of such goals and policies, and critically reviews the progress of such goals and policies at its meetings.

## Nomination of Directors

The Board keeps itself informed of the leaders in the business world and particularly leaders in the mining industry. Any member of the Board may submit a potential candidate to be a nominee for the position of director. The Board reviews the field of potential nominees having regard to the competencies and skills desired of the Board as a whole, and discusses the achievements, skills and competencies, leadership qualities, professional acumen and availability of such potential nominees, and agrees on which candidates are presented as official nominees supported by the Board. The Board currently does not have a nominating committee. The Corporate Governance Committee will continue to examine whether the Board should establish a nominating committee if circumstances warrant.

## Board Assessment

The Corporate Governance Committee of the Board has been tasked with developing a formal process for evaluating individual directors, the entire Board and each committee. In addition, the Board shall annually conduct a self-evaluation.

## Orientation and Continuing Education

The Company provides education (through management and outside professional advisers) on specific issues as they arise. The Board's practice is to conduct an initial orientation session for new directors and an annual orientation meeting to update all directors regarding relevant matters. In addition, management presentations are made to the Board as required on developments relating to the business of the Company. The Company also sponsors director attendance at appropriate education seminars. The Corporate Governance Committee maintains responsibility under its written charter to provide orientation training and continuing education to all directors of the Company.

## Board Committees

The Board maintains such committees as required by applicable corporate or securities laws and the rules or guidelines of any stock exchange upon which shares of the Company are listed for trading. In addition, the Board maintains any committee it deems appropriate (on an ad hoc basis or otherwise) and delegates to such committee such authority as the Board sees fit and as permitted by applicable law. Notwithstanding any such delegation, the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. At present, the Board maintains (a) a Governance, Compensation and Nominating Committee, (b) an Audit and Risk Committee, and (c) a Health, Safety and Environmental Committee.

## Audit and Risk Committee

As of December 31, 2014, the members of the Audit and Risk Committee were Messrs. Reeser (chair), Falconer and Weyrauch (the "2014 Audit Committee"). The current members of the Audit Committee are Messrs. Reeser (chair), Hope and Falconer (the "Current Audit Committee"). On April 22, 2014, a fund managed by Outrider Management, LLC acquired ownership of 36,045,291 Shares pursuant to the CCAA Plan representing approximately 32.4% of the total number of Shares outstanding following the implementation of the CCAA Plan. All three members are financially literate within the meaning of National Instrument 52-110. The Audit Committee assists the Board in fulfilling its oversight responsibilities by conducting reviews and discussions with management and the independent auditors relating to the audit and financial reporting; assessing the integrity of internal controls and financial reporting procedures of the Company and ensuring implementation of such controls and procedures; monitoring the quality and integrity of the Company's financial statements and other financial information; and selecting and monitoring the independence and performance of the Company's outside auditors. The Audit Committee is also responsible for overseeing the Company's whistleblower procedures and administering the whistleblower policy. As part of its role, the Audit Committee receives recommendations from management and the external auditor appointed by the Shareholders regarding the matters described in the preceding sentence, examines such recommendations and advises the Board concerning actions that should be taken.

## Corporate Governance Committee and the Compensation Committee

In 2014, the Board combined the Corporate Governance Committee and the Compensation Committee to form the Governance, Compensation and Nominating Committee for the purpose of advising and making recommendations to the Board concerning responsibilities relating to various corporate governance matters of the Corporation. The current members of the Governance, Compensation and Nominating Committee are Messrs. Miraglia, Hope and Reeser, all of whom are independent directors except for Mr. Hope. Mr. Miraglia is the current Chairman of the Governance, Compensation and Nominating Committee.

In November 2006, the Governance, Compensation and Nominating Committee adopted a written Charter, which was updated in July 2007 and affirmed on March 20, 2013. Generally, the Governance, Compensation and Nominating Committee assists the Board in discharging its duties relating to the safeguarding of assets, develops, recommends and



oversees the operation of adequate corporate governance systems in compliance with applicable laws, stock exchange rules and accounting standards, identifies individuals qualified to become Board members, and assists in the selection of director nominees. In addition, the Governance, Compensation and Nominating Committee is responsible for developing and administering director orientation and continuing education programs, reviewing the size and composition of the Board and its Committees and their functions and effectiveness, making recommendations to the Board with respect to fraud prevention policies, and recommending sound corporate governance practices on an ongoing basis.

The Governance, Compensation and Nominating Committee also reviews industry standards and considers the recommendations of consultants in developing the written Board compensation policy and subsequent updates thereto. For additional information concerning the process of determining compensation for the directors and executive officers of the Corporation, see "Statement of Executive Compensation" and "Compensation of Directors" elsewhere in this Circular.

Generally, the Governance, Compensation and Nominating Committee is responsible for establishing, administering and evaluating the compensation philosophy, policies and plans for non-employee directors and executive officers, and reviewing and making recommendations to the Board concerning director and executive compensation. In addition, the Governance, Compensation and Nominating Committee is responsible for making recommendations to the Board with respect to the CEO's compensation and setting goals and objectives relevant to the CEO, reviewing peer group and other industry compensation data, reviewing and making recommendations to the Board in respect of equity-based and incentive compensation plans, overseeing the appointment, promotion, performance and compensation of the Corporation's non-executive officers, and evaluating the effectiveness of its Charter and recommending any necessary changes to the Board.

The Governance, Compensation and Nominating Committee members' experience in leadership roles, their extensive knowledge of the mining industry and their mix of experience in operations, financial matters and corporate strategy provides the Governance, Compensation and Nominating Committee with the collective skills, knowledge and experience necessary to effectively carry out its mandate. The Governance, Compensation and Nominating Committee ensures that the Corporation develops and implements an effective and efficient approach to corporate governance that enables the business and affairs of the Corporation to be carried out, directed and managed with the objective of enhancing shareholder value. Further, each member fully understands the Corporation's business model, the key value drivers and the performance metrics arising from achieving the Corporation's annual goals.

The Governance, Compensation and Nominating Committee also have a complementary range of skills in areas such as finance, corporate governance, risk assessment, public company leadership and board experience, which allow them to make effective decisions on the Corporation's compensation practices. Through such skills, they have acquired direct experience relevant to their responsibilities in reviewing and considering executive compensation.

The following comprises a brief summary of each member's direct experience that is relevant to his responsibilities in executive compensation and that contributes to the ability of the Governance, Compensation and Nominating Committee to make decisions on the suitability of the Corporation's compensation policies and practices.

Mr. Miraglia · Partner at Azevedo Sette Advogados law firm in Brazil  
· Nineteen years of experience in legal practice specializing in corporate law, mergers and acquisitions, project finance, infrastructure projects and mining  
· Holds Juris Doctorate from the Universidade Federal de Minas Gerais in Belo Horizonte, Brazil and a Master of Laws degree from the University of Chicago Law School

Mr. Hope · Founder of Outrider Management  
· Over fifteen years of experience in fixed-income investment management  
· Former portfolio manager of Dalton Investments LLC  
· Former manager of emerging markets debt fund San Francisco Sentry Investment Group  
· Former analyst and trader at Bracebridge Capital  
· Former currency and bond trader at Eaton Vance Management  
· Holds Bachelor of Arts in Economics from Princeton University

- Mr. Reeser
- Owner and President of Celco Inc., one of Canada's major commercial food service equipment importers and distributors
  - Director and member of the Finance and Audit and Risk Committee of Bridgepoint Health from September 2011 to December 2014
  - Director and Chair of the Audit Committee of Temex Resources Inc.
  - Over 15 years of experience as a senior financial officer of TSX-listed companies in the metallurgical, aviation and energy utility industries
  - Has served as a director and officer of a number of private companies and non-profit organizations
  - Holds a Master of Business Administration degree (finance concentration) from York University, a Bachelor of Arts from York University and an ICD.D designation from the Institute of Corporate Directors.

## Health, Safety and Environmental Committee

The Board established a Safety, Environmental, Technical and Reserves Committee in 2014 for the purpose of reviewing, advising and making recommendations to the Board concerning the fulfillment of responsibilities relating to various human resources and environmental issues applicable to the Corporation. The current members of the Safety, Environmental, Technical and Reserves Committee are Messrs. Hardner, Reeser and Falconer, all of whom are independent directors. Mr. Falconer is the current Chairman of the Safety, Environmental, Technical and Reserves Committee.

## Board Compensation

Provided below is a summary of the current annual retainers and other fees paid to the directors of Jaguar:

Position	Retainer (C\$)
Non-Management Director Annual Retainer	40,000
Chairman Annual Retainer	10,000
Committee Annual Retainer	7,500
Retainer for Chair of the Audit and Risk Committee	10,000
Retainer for Chair of the Safety, Environmental, Technical and Reserves Committee	10,000
Retainer for Chair of the Governance, Compensation and Nominating Committee	7,500
Special Committee Annual Retainer	10,000
Retainer for Chair of the Special Committee	5,000
Special Committee Meeting Attendance Fee	1,000
Special Committee per diem Fee	1,600

(1) \_\_\_\_\_ Expressed in C\$

(2) Non-executive directors are also reimbursed for all reasonable travel and other expenses incurred by them in attending Board or committee meetings.

(3) All amounts above are cumulative based on the functions and roles assumed by each Director individually.

## D. Employees

As at December 31, 2014, Jaguar had 1217 employees, 1211 of whom are based in Brazil. There are no full time employees in the U.S. Employees of Jaguar's principal projects are unionized, and the collective bargaining agreements between Jaguar and the unions which represent these employees must be renegotiated on an annual basis. There were no significant changes in the number of employees in the financial year ended December 31, 2014.

## E. Share Ownership

## Shareholdings of Directors and Executive Officers as of May 12, 2014

Title of Class	Name of Beneficial Owner	Amounts and Nature of Beneficial	
		Ownership	Percent of Class*
Common	Richard D. Falconer	*	*
Common	George Bee	*	*
Common	Stephen Hope	36,044,388(1)	32.4%
Common	Luis Ricardo Miraglia	*	*
Common	Jared Hardner	*	*
Common	Edward V. Reeser	*	*
Common	Derrick Weyrauch	*	*
Common	Robert Chadwick	*	*
Common	Total Directors/Officers	36,044,388	

\*This director or officer beneficially owns less than 1% of the class indicated.

(1) Held through Outrider Management, LLC ("Outrider"). Mr. Hope is a principal of Outrider.

## Item 7. Major Shareholders and Related Party Transactions

## A. Major Shareholders

To the best of the Company's knowledge, the following are the only shareholders of the Company that beneficially own, directly or indirectly, or exercise control over, shares carrying more than 5% of the outstanding voting rights attached to the Company's Common Shares as at December 31, 2014:

Name of Shareholder	No. of Shares	% of Issued Shares
Outrider Management, LLC	36,044,388	32.4%

The Company's major shareholders do not have different voting rights from other shareholders.

To the best of the Company's knowledge, there are no arrangements which may result in a change in control of the Company.

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

## Shares held in the United States

As of December 31, 2014, there were 62 holders of record resident in the United States holding common shares equal to approximately 68.13% of the Company's total issued and outstanding common shares at that time.

## B. Related Party Transactions

None of the directors, executive officers or principal shareholders of Jaguar and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction for the period beginning on January 1, 2014 to April 29, 2015 or in any proposed transaction that has materially affected or will materially affect

Jaguar or any of its subsidiaries, except for:

- consulting expenses paid to Hermann Consulting Inc. (“Hermann”), a company owned by Fred Hermann, a former director of Jaguar who resigned as at April 22, 2014. Fees paid to Hermann amount to US\$83,000 for the period above;
- legal fees paid to Azevedo Sette Advogados (“ASA”), a company whose partner is Luis Miraglia, a director of Jaguar. Fees paid to ASA amount to US\$63,000 for the period above; and
- legal fees paid to Goodmans LLP (“Goodmans”), a law firm where Robert Chadwick, a director of Jaguar is a partner. Fees paid to Goodmans are recorded at the exchange amount – being the amount agreed to by the parties and included in restructuring fees in the statements of operations and comprehensive loss – and amount to \$115,000 since April 22, 2014 (date when Chadwick became a director) until April 29, 2015.

C. Interests of Experts and Counsel

Not applicable.

Item 8. Financial Information

The financial statements required to be filed as part of this Annual Report on 20-F are filed under Item 18, attached hereto, found immediately following the text of this Annual Report and incorporated herein by reference.

Legal Proceedings

Recapitalization and Emergence from CCAA Proceedings

See Item 13.

Daniel Titcomb Litigation

On July 30, 2013, Daniel R. Titcomb (“Titcomb”), the Company’s former President and Chief Executive Officer, and a group of former officers, a former Director and Brazilian, filed a complaint (the “Complaint”) in New Hampshire against the Company and selected current and former directors (the “Named Directors”) of the Company. The Company removed the Complaint to the U.S. District Court for the District of New Hampshire (the “Federal Court”) where it is pending as Civil Action Number: 1:13-cv-00428-JL.

Among other items, the Complaint alleges wrongful termination of Titcomb on December 6, 2011 and mismanagement of the strategic review process regarding a possible change of control of Jaguar which ended May 8, 2012.

Effective September 19, 2013, the Board of Directors formed a special committee (“SC1”) to oversee, review and evaluate various legacy issues, including the Complaint, and to make recommendations to the Board thereon. SC1 is chaired by Derrick Weyrauch and is comprised of Mr. Weyrauch, Edward Reeser and George Bee, all being independent of the Complaint and independent members of Jaguar’s Board of Directors.

Jaguar and the Board of Directors believe the Complaint to be without merit and are taking any steps necessary to protect their interests. On November 1, 2013, the Company and the Named Directors of the Company filed Defendants’ Answer, Affirmative Defenses and Counterclaims (the “Defense”). The Defense denies the allegations in the Complaint and sets out counterclaims against Titcomb for breach of contract, and against Titcomb and the Company’s former Corporate Secretary and General Counsel, Robert Lloyd, for breach of fiduciary duty and fraud.

On November 21, 2013, the Company and the Named Directors filed motions to dismiss various aspects of the Complaint on a number of grounds (the “Motions to Dismiss”).

On December 27, 2013, the plaintiffs in the Complaint filed a motion to (i) stay the Complaint until the Court in Ontario lifts the stay in the CCAA Proceedings or the CCAA Proceedings are concluded; and (ii) stay and suspend the deadline for the plaintiffs in the Complaint to respond to the Motions to Dismiss. The Company and the Named Directors did not object to this motion. An order granting the requested stay was issued by the Federal Court on December 30, 2013.

On February 5, 2014, the Company entered into an agreement with the plaintiffs in the Complaint providing, among other things, that upon implementation of the CCAA Plan the plaintiffs in the Complaint shall have no right to, and

shall not, make any claim or seek any recoveries under the Complaint, other than enforcing such plaintiff's rights, if any, to be paid from the proceeds of an enumerated company or director and officer insurance policy by the applicable insurers. The Company agreed that, upon implementation of the CCAA Plan and if requested by the plaintiffs in the Complaint, it would withdraw its counterclaims against the plaintiffs in the Complaint.



On April 22, 2014, the CCAA Plan was implemented, thereby giving effect to the February 5, 2014 agreement between the Company and the Plaintiffs. The Plaintiffs have not at this time requested that the Company withdraw its counterclaims against them.

On August 15, 2014, Titcomb filed an amended complaint against the Company and the former directors named in the original suit in the federal court in New Hampshire. That claim was intended to be limited to Titcomb's employment claims, but Titcomb also included aspects of the claims relating to the strategic review process. The Company will move to dismiss those additional claims. On September 30, 2014, the Company filed an amended answer for the Company and the directors. This claim was intended to be dropped, which it was, as at the date of filing. No discovery has been taken in that action as of this date. The Company has been informed that the Plaintiffs filed a Notice of Action with the Ontario Superior Court of Justice (Commercial List) on May 7, 2014. The Notice of Action is subject to the terms of the February 5, 2014 agreement and the CCAA Plan. The Complaint in the Canadian action was served in late 2014.

#### Dividends

Jaguar has paid no dividends on its common shares since incorporation and does not anticipate doing so in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including operating results, financial condition, capital requirements, business opportunities and restrictions contained in any financing agreements.

#### B. Significant Changes

On February 27, 2015, Jaguar announced that its board of directors (the "Board") has formed a special committee ("Special Committee") to initiate a strategic review process to explore alternatives for the enhancement of shareholder value. As such, the Special Committee appointed Origin Merchant Partners as its exclusive financial advisor in conjunction with the process. The review will consider various alternatives for the Company, including: merger opportunities, the potential sale of the Company's assets, potential partnership or joint venture agreements and any other options with the objective of maximizing value for the Company's shareholders. There can be no assurance that the Company's efforts will be successful or that this process will result in any transaction.

Also on February 27, 2015, the Company announced its intention to issue up to \$20.0 million principal amount of Debentures on a non-brokered private placement basis (the "Offering"). The Offering is subject to receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange.

#### Item 9. The Offer and Listing

##### A. Offer and Listing Details

On December 3, 2012, Jaguar announced that the NYSE had notified the Company that the closing price of its common shares on the NYSE over the past 30 days was less than \$1.00. As of November 30, 2012, the date of the NYSE notice, the 30 trading-day average closing price of Jaguar's common stock was \$0.94 per share. The NYSE's continued listing standards require that the average closing price of a listed company's common shares be above \$1.00 per share over a consecutive 30 trading-day period. Under the NYSE's rules, Jaguar had a period of six months to bring its share price and 30 trading-day average share price back above \$1.00. On June 3, 2013, NYSE Regulations, Inc. ("NYSE Regulation") commenced proceedings to delist the common shares of the Corporation from the NYSE and trading in the common shares was suspended prior to the opening on Friday, June 7, 2013. The Company did not appeal the NYSE Regulation staff's decision and continued to focus on its turnaround and restructuring plan for a long-term financial solution.

Trading in the common shares of Jaguar on the TSX was suspended on December 23, 2013 as a result of the commencement of the CCAA Proceedings. Jaguar's common shares were delisted from the TSX on April 30, 2014. Following the implementation of the CCAA Plan, the common shares of Jaguar began trading on the TSX-V on May 1, 2014. See also Item 13.

With respect to each of TSX and NYSE, the following tables set forth information relating to the trading of Jaguar's common shares for the periods indicated. The trading prices and volume data for the TSX was obtained from TMX Datalinx and the trading prices and volume data for NYSE was obtained from Bloomberg Finance L.P. The trading prices and volume data for the TSX-V was obtained from infoventuresx.com.

a) The tables below lists the annual high and low prices for shares of Jaguar common stock on NYSE MKT, the TSX and the TSX-V for the five most recent full financial years.

Jaguar Mining Inc. - Stock Trading Activity  
NYSE MKT  
(expressed in US\$)

Year Ended	High	Low
12/31/2013(1)	\$ 1.01	\$ 0.37
12/31/2012	\$ 7.35	\$ 0.58
12/31/2011	\$ 8.18	\$ 4.03
12/31/2010	\$ 14.01	\$ 5.67
12/31/2009	\$ 12.76	\$ 3.84

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Exchange  
(expressed in C\$)

Year Ended	High	Low
12/31/2013	\$ 0.99	\$ 0.045
12/31/2012	\$ 7.41	\$ 0.61
12/31/2011	\$ 8.36	\$ 4.07
12/31/2010	\$ 14.18	\$ 6.02
12/31/2009	\$ 13.30	\$ 4.76

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Venture Exchange  
(expressed in C\$)

Year Ended	High	Low
12/31/2014	\$ 0.95	\$ 0.31

b) The tables below lists the quarterly high and low prices for shares of Jaguar common stock on NYSE MKT, TSX and TSX-V for the two most recent full financial years.

Jaguar Mining Inc. - Stock Trading Activity  
NYSE MKT  
(expressed in US\$)

Quarter Ended	High	Low
06/30/2013	\$ 0.63	\$ 0.37
03/31/2013	\$ 1.01	\$ 0.45
12/31/2012	\$ 1.30	\$ 0.58
09/30/2012	\$ 1.45	\$ 0.60
06/30/2012	\$ 4.94	\$ 1.11
03/31/2012	\$ 7.35	\$ 4.59

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Exchange  
(expressed in C\$)

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Quarter Ended	High	Low
12/31/2013	\$ 0.210	\$ 0.045
09/30/2013	\$ 0.380	\$ 0.180
06/30/2013	\$ 0.640	\$ 0.355
03/31/2013	\$ 0.990	\$ 0.460
12/31/2012	\$ 1.29	\$ 0.61
09/30/2012	\$ 1.40	\$ 0.61
06/30/2012	\$ 4.95	\$ 1.14
03/31/2012	\$ 7.41	\$ 4.59

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Venture Exchange  
(expressed in C\$)

Quarter Ended	High	Low
12/31/2014	\$ 0.770	\$ 0.310
09/30/2014	\$ 0.950	\$ 0.540
06/30/2014	\$ 0.950	\$ 0.530

c) The table below lists the high and low prices for shares of Jaguar Mining Inc. common stock on TSX and TSX-V for the most recent six months.

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Exchange  
(expressed in C\$)

Month Ended	High	Low
12/31/2013	\$ 0.090	\$ 0.045
11/30/2013	\$ 0.185	\$ 0.060
10/31/2013	\$ 0.210	\$ 0.145
09/30/2013	\$ 0.290	\$ 0.180

Jaguar Mining Inc. - Stock Trading Activity  
The Toronto Stock Exchange  
(expressed in C\$)

Month Ended	High	Low
12/31/2014	\$ 0.59	\$ 0.31
11/30/2014	\$ 0.75	\$ 0.51
10/31/2014	\$ 0.77	\$ 0.53
09/30/2014	\$ 0.63	\$ 0.54
08/31/2014	\$ 0.81	\$ 0.64
07/31/2014	\$ 0.95	\$ 0.78

B Plan of Distribution

Not applicable.

C. Markets

Jaguar's common shares were delisted from the NYSE on June 7, 2013 and from the TSX on April 30, 2014. Following the implementation of the CCAA Plan, the common shares of Jaguar began trading on the TSX-V on May 1, 2014. See Item 13.

D. Selling Shareholders

Not applicable.

F. Expenses of the Issue

Not applicable.

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Item 10 Additional Information

A. Share Capital

Not applicable.

B. Memorandum and Articles

Articles

Jaguar was incorporated on March 1, 2002 pursuant to the Business Corporations Act (New Brunswick) under corporation number 516303 (the “Articles of Incorporation”). Jaguar was continued into the Province of Ontario in October 2003 pursuant to the OBCA and is currently a corporation existing under the laws of Ontario (the “Articles of Continuance”). On October 9, 2003, Jaguar amalgamated with a New Brunswick corporation pursuant to articles of amalgamation dated July 16, 2003 (the “Articles of Amalgamation”). As discussed in Item 13, on April 22, 2014 the CCAA Plan was implemented and in accordance with the provisions of the CCAA Plan, the common shares of the Company issued and outstanding immediately prior to the implementation of the CCAA Plan were consolidated at a ratio of one (1) post-consolidation common share for each 86.39636 pre-consolidation common shares (the “Consolidation”). Jaguar filed articles of re-organization dated April 22, 2014 to effect the Consolidation (the “Articles of Re-organization” and, together with the Articles of Incorporation, the Articles of Continuance and the Articles of Amalgamation, the “Articles”).

By-laws

Jaguar adopted by-law no. 2 on March 18, 2009 and the advance notice by-law on March 20, 2013 (the “By-laws” and together with the Articles, the “Constituting Documents”).

Powers, Functions and Qualifications of Directors

The powers and functions of directors are set forth in the OBCA, the Securities Act (Ontario) and in the Constituting Documents.

Under the Constituting Documents, the directors must manage or supervise the management of the business and affairs of the Company and have the authority to exercise all such powers which are not required to be exercised by the shareholders, or as governed by the OBCA. Under the By-laws the directors may, by resolution, create and appoint one or more committees consisting of such member or members of their body as they think fit and may delegate to any such committee such powers of the Board as the Board may designate or prescribe.

The By-laws provide that the quorum necessary for the transaction of the business of the directors is a majority of the directors.

With respect to the voting powers of directors, a director (or senior officer) has a disclosable interest in a contract or transaction if the contract or transaction is material to the Company and the director has a material interest in the contract. A director or senior officer who has, directly or indirectly, a material interest in an existing or proposed material contract or transaction of the Company or who holds any office or possesses any property whereby, directly or indirectly, a duty or interest might be created to conflict with his duty or interest as a director or senior officer, has to disclose the nature and extent of this interest or conflict with his duty and interest as a director or senior officer. A director is also prohibited from voting in respect of any such proposed material contract or transaction and if he does so, his vote shall not be counted, but he shall be counted in the quorum at the meeting at which such vote is taken.



The Articles provide that the directors may, on behalf of the Company:

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- o borrow money on the credit of the Company;
- o issue, reissue, sell or pledge debt obligations of the Company;
- o subject to the provisions of the OBCA, give a guarantee on behalf of the Company to secure performance of an obligation of any person; and
- o mortgage, hypothecate, pledge or otherwise create a security interest in all or any property of the Company, owned or subsequently acquired, to secure any obligation of the Company.

The directors may from time to time delegate to such one or more of the directors and officers of the Company as may be designated by the directors all or any one of the powers conferred on the directors (as described above) to such extent and in such manner as the directors shall determine with respect to such delegation.

Subject to the provisions of the Ontario Securities Act, the directors may vote on compensation for themselves or any members of their body. A contract relating primarily to a fiduciary's remuneration as a director, officer, employee or agent of the Company or its affiliates is a permitted conflict of interest under the Company's Corporate Governance Policy.

There are no limitations on the exercise by the Board of the Company's borrowing powers.

There are no provisions for the retirement or non-retirement of directors under an age limit.

There is no requirement for any director to hold any common shares in the Company.

#### Advance Notice By-law

On March 20, 2013, the Board approved the adoption of an advance notice by-law (the "Advance Notice By-law") which requires advance notice to the Company in circumstances where nominations of persons for election as a director of the Company are made by shareholders other than pursuant to: (i) a requisition of a meeting made pursuant to the provisions of the OBCA; or (ii) a shareholder proposal made pursuant to the provisions of the OBCA. Shareholders confirmed and ratified the Advance Notice By-law at the annual general and special meeting of shareholders on June 10, 2013. Among other things, the Advance Notice By-law fixes a deadline by which shareholders must submit a notice of director nominations to the Company prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of shareholders (which is not also an annual meeting), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. The Company believes that adopting the Advance Notice By-law is

considered to be good corporate governance. The Advance Notice By-law facilitates an orderly and efficient annual or special meeting process and it ensures that all shareholders receive adequate notice of director nominations with sufficient information with respect to all nominees. This allows the Company and its shareholders to evaluate the proposed nominees' qualifications and suitability as directors, which further allows shareholders to cast an informed vote for the election of directors.

#### Rights and Restrictions Attached to Common Shares

Jaguar is authorized to issue an unlimited number of common shares of which there were 111,111,038 issued and outstanding as of December 31, 2014. Holders of Jaguar's common shares are entitled to receive notice of any meetings of shareholders, to attend and to cast one vote per common share at all such meetings. Holders of Jaguar's common shares do not have cumulative voting rights with respect to the election of directors, and holders of a majority of Jaguar's common shares entitled to vote in any election of directors may therefore elect all directors standing for election. Holders of Jaguar's common shares are entitled to receive on a pro-rata basis such dividends, if any, as and when declared by the Board at its discretion from funds legally available therefore and upon the liquidation, dissolution or winding up of Jaguar are entitled to receive on a pro-rata basis the net assets of Jaguar after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro-rata basis with the holders of common shares with respect to dividends or liquidation. Jaguar's common shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions. As all of the authorized and issued common shares of the Company are of one class, there are no special rights or restrictions of any nature or kind attached to any of the common shares.

In connection with the CCAA Plan, Jaguar entered into a registration rights agreement with certain Noteholders, dated April 22, 2014 (the "Registration Rights Agreement"), pursuant to which Jaguar is required to file with the SEC a "shelf" registration statement in order to permit re-sales of certain common shares on a non-underwritten basis. Under the Registration Rights Agreement, Jaguar is required to maintain the effectiveness of such registration statement until such time as the common shares covered by such registration statement become freely tradable under the SEC's Rule 144 (but in any event, no longer than one year).

To alter the rights of holders of issued common shares of the Company, such alteration must be approved by a vote of not less than two-thirds of the shareholders voting in person or by proxy at a meeting of the shareholders of the Company.

#### Annual General Meetings

Annual general meetings are called and scheduled upon decision by the board of directors. The directors may also convene a general meeting of shareholders at any time. There are no provisions in the Company's Bylaws for the requisitioning of special meetings by shareholders. However, OBCA provides that the holders of not less than 5% of the issued shares of the Company may requisition the directors to call a general meeting of the shareholders for the purposes stated in the requisition. All meetings of the shareholders may be attended by registered shareholders or persons who hold powers of attorney or proxies given to them by registered shareholders.

#### Foreign Ownership Limitations

There are no limitations prohibiting non-residents or foreigners from holding or exercising rights on the common shares of the Company.

#### Change of Control

There are no provisions in the Company's Articles or Bylaws that would have the effect of delaying, deferring or preventing a change in the control of the Company, or that would operate with respect to any proposed merger, acquisition or corporate re-structuring of the Company.

#### Share Ownership Reporting Obligations

There are no provisions in the By-laws requiring share ownership to be disclosed. The securities laws of the Province of Ontario and other provinces in Canada having jurisdiction over the Company require disclosure of shareholdings by:

- o insiders who are directors or senior officers of the Company; and
- o a person who has direct or indirect beneficial ownership of, control or direction over, or a combination of direct or indirect beneficial ownership of and of control or direction over securities of the Company carrying more than 10% of the voting rights attached to all the Company's outstanding voting securities.

The threshold of share ownership percentage requiring disclosure of ownership is higher in the jurisdiction of Ontario than in the United States where United States law prescribes a 5% threshold for ownership disclosure.

#### C. Material Contracts

Other than contracts entered into in the ordinary course of business, the only material contracts that Jaguar has entered into the most recently completed two financial years, or prior thereto and are still in effect, are as follows:

The Support Agreement

See Item 4.

The Backstop Agreement

See Item 4.

The Renvest Credit Facility

See Item 13.

The CCAA Plan

See Item 13.

The Amendment to the Renvest Credit Facility

See Item 13

#### D. Exchange controls

Except as discussed above, the Company is not aware of any Canadian federal or provincial laws, decrees or regulations that restrict the export or import of capital, including foreign exchange controls, or that affect the remittance of interest, dividends or other payments to non-Canadian holders of the common shares. There are no limitations on the right of non-Canadian owners to hold or vote the common shares imposed by Canadian federal or provincial law or by the charter or other constituent documents of the Company.

#### E. Taxation

##### Certain Canadian Federal Income Tax Consequences

The following summary describes the material Canadian federal income tax consequences generally applicable to a holder of common shares who, at all relevant times for purposes of the Income Tax Act (Canada) and the regulations thereunder (collectively, the "Tax Act"), is not, and is not deemed to be, resident in Canada, ("holder") deals at "arm's length" and is not "affiliated" with the Company, holds their common shares as capital property and has not and will not enter into a "derivative forward transaction" (as defined in the Tax Act) with respect to their common shares of the Company.

Common shares of the Company will generally be considered to be capital property of a holder unless such common shares is held in the course of carrying on a business in Canada or was acquired in a transaction considered to be an

adventure in the nature of trade for purposes of the Tax Act. Special rules, which are not discussed in this summary, may apply to a non-resident holder that is an insurer that carries on and insurance business in Canada and elsewhere.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act or the Regulations publicly announced by or on behalf of the Minister prior to the date hereof (the "Tax Proposals"), and the current published administrative and assessing policies and practices of the Canada Revenue Agency ("CRA"). This summary assumes that all Tax Proposals will be enacted in the form proposed but no assurance can be given that the Tax Proposals will be enacted in the form proposed or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, administrative or legislative decision or action or changes in CRA's administrative and assessing policies and practices, nor does it take into account provincial, territorial or foreign income tax legislation or considerations, which may differ from those described herein. This summary is not exhaustive of all possible Canadian federal income tax consequences that may affect holders of common stock. This summary is of a general nature only and is not, and is not intended to be, legal or tax advice to any particular holder. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, holders should consult their own tax advisors with respect to their particular circumstances.

## Dividends on Common Shares

Under the Tax Act, a non-resident of Canada is generally subject to Canadian withholding tax at the rate of 25 percent on dividends paid or credited or deemed to have been paid or credited by the Company. The Canada-United States Income Tax Convention (the “Convention”) generally limits the rate of withholding tax on dividends to 15 percent if the shareholder is a resident of the U.S., the dividends are beneficially owned by and paid to such shareholder, and such shareholder is entitled to benefits under the Convention. The rate of withholding tax may be reduced to 5 percent if the US resident shareholder is a company that beneficially owns at least 10 percent of the voting stock of the Company.

## Dispositions of Common Shares

A holder will not be subject to tax under the Tax Act on any capital gain realized on a disposition or deemed disposition of a common share, unless the common share is or is deemed to be “taxable Canadian property” of the holder for the purposes of the Tax Act and the holder is not entitled to relief under an applicable income tax convention between Canada and the country in which the holder is resident.

Generally, provided the common shares of the Company are listed on a “designated stock exchange” (as defined in the Tax Act) (which includes the TSX and the TSXV) at the time of disposition or deemed disposition, a common share will not constitute taxable Canadian property of a holder, unless at any time during the 60-month period immediately preceding the disposition or deemed disposition, (i) the holder, persons with whom the holder did not deal at arm’s length, or partnerships in which the holder or persons with whom the holder did not deal at arm’s length holds a membership interest directly or indirectly through one or more partnerships, or the holder together with all such persons and such partnerships, owned 25% or more of the issued common shares or any other class of shares of the Company, and (ii) more than 50% of the fair market value of the common share was derived, directly or indirectly, from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act) or an option in respect of, an interest in, or for civil law rights in, such property. Notwithstanding the foregoing, a Common Share may be deemed to be taxable Canadian property in certain circumstances set out in the Tax Act. Holders whose Common Shares may constitute taxable Canadian property should consult with their own tax advisors.

## Certain U.S. Federal Income Tax Consequences

The following is a discussion of material U.S. federal income tax consequences generally applicable to a U.S. Holder (as defined below) of common shares of the Company. This discussion does not cover any state, local or foreign tax consequences.

The following discussion is based upon the sections of the Internal Revenue Code of 1986, as amended (“the Code”), Treasury Regulations, published Internal Revenue Service (“IRS”) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possible on a retroactive basis, at any time. In addition, the discussion does not consider the potential effects, both adverse and beneficial, or recently proposed legislation which, if enacted, could be applied, possibly on a retroactive basis, at any time. The following discussion is for general information only and it is not intended to be, nor should it be construed to be, legal or tax advice to any Holder or prospective holder and not an opinion or representation with respect to the U.S. Federal income tax consequences to any such Holder or prospective holder is made. The following summary was not written and is not intended to be used, and cannot be used, by any person for the avoidance of any penalties with respect to taxes that may be imposed on such person. Holders and prospective holders of common shares of the Company are urged to consult their own tax advisors about the federal, state, local, and foreign tax consequences of purchasing, owning and disposing of common shares of the Company.





## U.S. Holders

As used herein, a U.S. Holder includes a holder of common shares of the Company who is a citizen or resident of the U.S., a company (or an entity which has elected to be treated as a company under Treasury Regulation Sections 301.7701-3) created or organized in or under the laws of the U.S. or of any political subdivision thereof, any estate other than a foreign estate (as defined in Section 7701(a)(31)(A) of the Code or, a trust subject to the primary supervision of a court within the U.S. and control of a U.S. fiduciary as described in Section 7701(a)(30)(E) of the Code). This summary does not address the tax consequences to, and U.S. Holder does not include, persons subject to special provisions of Federal income tax law, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals, persons or entities that have a “functional currency” other than the U.S. dollar, shareholders who hold common shares as part of a straddle, hedging or conversion transaction, and shareholders who acquired their common shares through the exercise of employee stock options or otherwise as compensation for services. This summary is limited to U.S. Holders who own common shares as capital assets. This summary does not address the consequences to a person or entity holding an interest in a shareholder of the Company or the consequences to a person of the ownership, exercise or disposition of any options, warrants or other rights to acquire common shares of the Company.

## Distribution on Common Shares of the Company

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to common shares of the Company are required to include in gross income for U.S. federal income tax purposes the gross amount of such distributions equal to the U.S. dollar value of such distributions on the date of receipt (based on the exchange rate on such date), to the extent that the Company has current or accumulated earnings and profits, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder’s U.S. federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder’s U.S. federal taxable income. (See more detailed discussion at “Foreign Tax Credit” below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder’s adjusted basis in the common shares and thereafter as gain from the sale or exchange of the common shares. Dividend income will be taxed at marginal tax rates applicable to ordinary income while preferential tax rates for long-term capital gains are applicable to a U.S. Holder which is an individual, estate or trust. There are currently no preferential tax rates for long-term capital gains for a U.S. Holder which is a company.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Gain or loss may be recognized upon a subsequent sale of other disposition of the foreign currency, including the exchange for U.S. dollars.

Dividends paid on the common shares of the Company will not generally be eligible for the dividends received deduction provided to companies receiving dividends from certain U.S. companies. A U.S. Holder which is a company may, under certain circumstances, be entitled to a 70% deduction of the U.S. source portion of dividends received from the Company (unless the Company qualifies as a “foreign personal holding company” or a “passive foreign investment company”, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Company. The availability of this deduction is subject to several complex limitations which are beyond the scope of this discussion.

## Foreign Tax Credit

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of common shares of the Company may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces U.S. Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign income taxes (or taxes in lieu of income tax) paid by (or withheld from) the U.S. Holder during the year. There are significant and complex limitations which apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holder's U.S. income tax liability that the U.S. Holder's foreign source income bears to his/her or its worldwide taxable income. The various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. In addition, this limitation is calculated separately with respect to specific classes of income such as "passive income", "high withholding tax interest", "financial services income", "shipping income", and certain other classifications of income. Dividends distributed by the Company will generally constitute "passive income" or, in the case of certain U.S. Holders, "financial services income" for these purposes. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of common shares of the Company should consult their own tax advisors regarding their individual circumstances.

For individuals whose entire income from sources outside the U.S. consists of qualified passive income and whose total amount of creditable foreign taxes paid or accrued during the taxable year does not exceed \$300 (\$600 in the case of a joint return) and for whom an election is made under section 904(j), the general limitation on the foreign tax credit under section 904(a) does not apply.

#### Disposition of Common Shares of the Company

A U.S. Holder will recognize gain or loss upon the sale of common shares of the Company equal to the difference, if any, between (I) the amount of cash plus the fair market value of any property received, and (ii) the shareholder's tax basis in the common shares of the Company. Preferential tax rates apply to long-term capital gains of U.S. Holders which are individuals, estates or trusts. This gain or loss will be capital gain or loss if the common shares are capital assets in the hands of the U.S. Holder, which will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. For U.S. Holders which are not companies, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted, but individuals may not carry back capital losses. For U.S. Holders which are companies (other than companies subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

#### Other Considerations

In the following circumstances, the above sections of the discussion may not describe the U.S. federal income tax consequences resulting from the holding and disposition of common shares of the Company.

#### Passive Foreign Investment Company

As a foreign company with U.S. Holders, the Company could potentially be treated as a passive foreign investment company ("PFIC"), as defined in Section 1297 of the Code. Section 1297 of the Code defines a PFIC as a company that is not formed in the U.S. and, for any taxable year, either (i) 75% or more of its gross income is "passive income", which includes among other types of income, interest, dividends and certain rents and royalties or (ii) the average percentage, by fair market value (or, if the company is a controlled foreign company or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of "passive income" is 50% or more.

The rule governing PFICs can have significant tax effects on U.S. shareholders of foreign companies who are subject to U.S. Federal income taxation under one of three alternative methods at the election of each such U.S. shareholder. As a PFIC, each U.S. shareholder's income or gain, with respect to a disposition or deemed disposition of the PFIC's shares or a distribution payable on such shares will generally be subject to tax at the highest marginal rates applicable to ordinary income and certain interest charges as discussed below, unless the U.S. shareholder has timely made a "qualified electing fund" election or a "mark-to-market" election for those shares.

Under one method, a U.S. shareholder who elects in a timely manner to treat the PFIC as a Qualified Electing Fund (“QEF”), as defined in the Code, (an “Electing U.S. Holder”) will be required to currently include in his income for any taxable year in which the company qualifies as a PFIC his pro-rata share of the company’s (i) “net capital gain” (the excess of net long-term capital gain over net short-term capital loss), which will be taxed as long-term capital gain to the Electing U.S. Holder, and (ii) “ordinary earnings” (the excess of earnings and profits over net capital gain), which will be taxed as ordinary income to the Electing U.S. Holder, in each case, for the U.S. Holder’s taxable year in which (or with which) the Company’s taxable year ends, regardless of whether such amounts are actually distributed. A QEF election also allows the Electing U.S. Holder to (i) generally treat any gain realized on the disposition of his common shares (or deemed to be realized on the pledge of his common shares) as capital gain; (ii) treat his share of the company’s net capital gain, if any, as long-term capital gain instead of ordinary income, and (iii) either avoid interest charges resulting from PFIC status altogether (see discussion of interest charge below), or make an annual election, subject to certain limitations, to defer payment of current taxes on his share of the company’s annual realized net capital gain and ordinary earnings which will then be subject, however, to an interest charge.

The procedure a U.S. Holder must comply with in making a timely QEF election will depend on whether the year of the election is the first year in the U.S. Holder’s holding period in which the Company is a PFIC. If the U.S. shareholder makes a QEF election in such first year, (sometimes referred to as a “Pedigreed QEF Election”), then the U.S. shareholder may make the QEF election by simply filing the appropriate documents at the time the U.S. Holder files its tax return for such first year. If, however, the Company qualified as a PFIC in a prior year during the U.S. shareholder’s holding period, then the U.S. shareholder may make a retroactive QEF election, provided he has preserved his right to do so under the protective statement regime or he obtains IRS permission.

If a U.S. shareholder has not made a QEF Election at any time (a “Non-electing U.S. Holder”), then special taxation rules under Section 1291 of the Code will apply to (i) gains realized on the disposition (or deemed to be realized by reason of a pledge) of his common shares and (ii) certain “excess distributions” by the company. An excess distribution is a current year distribution received by the U.S. shareholder on PFIC stock to the extent that the distribution exceeds its ratable portion of 125% of the average amount received by the U.S. shareholder during the preceding three years.

A Non-electing U.S. shareholder generally would be required to pro-rate all gains realized on the disposition of his common shares and all excess distributions over the entire holding period for the common shares. All gains or excess distributions allocated to prior years of the U.S. shareholder (other than years prior to the first taxable year of the Company during such U.S. Holder’s holding period and beginning after January 1, 1987 for which it was a PFIC) would be taxed at the highest marginal tax rate for each such prior year applicable to ordinary income. The Non-electing U.S. shareholder also would be liable for interest on the foregoing tax liability for each such prior year calculated as if such liability had been due with respect to each such prior year. A Non-electing non-corporate U.S. shareholder must treat this interest charge as “personal interest” which is wholly non-deductible. The balance of the gain or the excess distribution will be treated as ordinary income in the year of the disposition or distribution, and no interest charge will be incurred with respect to such balance.

If a company is a PFIC for any taxable year during which a Non-electing U.S. shareholder holds common shares, then the company will continue to be treated as a PFIC with respect to such common shares, even if it is no longer by definition a PFIC. A Non-electing U.S. shareholder may terminate this deemed PFIC status by electing to recognize a gain (which will be taxed under the rules discussed above for Non-Electing U.S. Holders) as if such common shares had been sold on the last day of the last taxable year for which it was a PFIC. If the company no longer qualifies as a PFIC in a subsequent year, then normal Code rules and not the PFIC rules will apply with respect to a U.S. shareholder who has made a Pedigreed QEF election.

If a U.S. shareholder makes a QEF Election that is not a Pedigreed Election (i.e., it is made after the first year during which the company is a PFIC and the U.S. shareholder holds shares of the company) (a “Non-Pedigreed Election”), the

QEF rules apply prospectively but do not apply to years prior to the year in which the QEF first becomes effective. U.S. Holders are encouraged to consult their tax advisors regarding the specific consequences of making or not making a QEF Election.

Under an alternative method, U.S. Holders who hold (actually or constructively) marketable stock of a PFIC may elect to mark such stock to the market annually (a “mark-to-market election”). If such an election is made, such U.S. Holder will generally not be subject to the special taxation rules of Section 1291 discussed above. However, if the mark-to-market election is made by a Non-Electing U.S. Holder after the beginning of the holding period for the PFIC stock, then the Section 1291 rules will apply to certain dispositions of, distributions on and other amounts taxable with respect to the Company common shares. A U.S. Holder who makes the mark-to-market election will include in income for each taxable year for which the election is in effect an amount equal to the excess, if any, of the fair market value of the common shares of the Company as of the close of such tax year over such U.S. Holder’s adjusted basis in such common shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder’s adjusted tax basis in the common shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any, of (a) the mark-to-market gains for the common shares in the Company included by such U.S. Holder for prior tax years, including any amount which would have been treated as a mark-to-market gain for any prior tax year but for the Section 1291 rules discussed above with respect to Non-Electing U.S. Holders, over (b) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder’s adjusted tax basis in the common shares of the Company will be adjusted to reflect the amount included in or deducted from income as a result of a mark-to-market election. A mark-to-market election applies to the taxable year in which the election is made and to each subsequent taxable year, unless the Company’s common shares cease to be marketable, as specifically defined, or the IRS consents to revocation of the election. U.S. Holders should also be aware that if we were a PFIC, they would generally be required to file IRS Form 8621, which is also where they would make a QEF election, if applicable. The Treasury and IRS continue to issue new guidance regarding these information reporting requirements, and U.S. Holders should consult their own tax advisors regarding the application of the information reporting rules to our common shares and their particular situations.

#### Controlled Foreign Company

If more than 50% of the voting power of all classes of stock entitled to vote is owned, actually or constructively, by U.S. Holders, each of whom own actually or constructively 10% or more of the total combined voting power of all classes of stock of the Company, the Company would be treated as a “controlled foreign company” or “CFC” under Subpart F of the Code. This classification would effect many complex results, one of which requires such 10% U.S. Holders to include in their income their pro rata shares of the Subpart F income of the CFC and the CFC’s earnings invested in U.S. property. The foreign tax credit described above may reduce the U.S. tax on these amounts. In addition, under Section 1248 of the Code, gain from the sale or exchange of shares by a U.S. Holder of common shares of the Company which is or was a U.S. Shareholder at any time during the five-year period ending with the sale or exchange is treated as ordinary income to the extent of earnings and profits of the Company (accumulated only while the shares were held by the U.S. Shareholder and while the Company was a CFC attributable to the shares sold or exchanged. If a foreign company is both a PFIC and a CFC, the foreign company generally will not be treated as a PFIC with respect to certain 10% U.S. Shareholders of the CFC. This rule generally will be effective for taxable years of U.S. Shareholders beginning after 1997 and for taxable years of foreign company’s ending with or within such taxable years of U.S. Shareholders. The PFIC provisions continue to apply in the case of a PFIC that is also a CFC with respect to the U.S. Holders that are less than 10% shareholders. Because of the complexity of Subpart F, a more detailed review of these rules is outside of the scope of this discussion.

#### Filing of Information Returns

Under a number of circumstances, U.S. persons acquiring shares of the Company may be required to file an information return with the Internal Revenue Service Center where they are required to file their tax returns with a duplicate copy to the Internal Revenue Service Center, Philadelphia, PA 19255. In particular, under Section 6046 of the Code, any U.S. person who becomes the owner, directly or indirectly, of 10% or more of the shares of the Company will be required to file such a return. Other filing requirements may apply, such U.S. persons should consult

their own tax advisors concerning these requirements.

F. Dividends and Paying Agents

Not applicable.

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G. Statement by Experts

Not applicable.

H. Documents on Display

Any of the documents referred to above can be viewed at the principal executive office of the Company located at 67 Yonge St., Suite 1203, Toronto, ON M5E 1J8 Canada.

This Annual Report on Form 20-F and the Company's recent 6-K filings can be viewed on the U.S. Securities and Exchange EDGAR web-site at [www.sec.gov](http://www.sec.gov).

I. Subsidiary Information

Not applicable.

Item 11. Quantitative and Qualitative Disclosures about Market Risk

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

Credit risk:

Credit risk arises from cash held with banks, derivative financial instruments with positive fair values and credit exposure to customers. The credit risk is limited to the carrying amount on the balance sheet.

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

Liquidity risk:

The Company had a working capital deficiency of \$23.2 million as at December 31, 2014. The Company will need to obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. There is no assurance that the Company's financing initiatives will be successful or sufficient.

Derivative financial instruments:

Hedging

The Company assesses its financial instruments and non financial contracts on a regular basis to determine the existence of any embedded derivatives which would be required to be accounted for separately at fair value and to ensure that any embedded derivatives are accounted for in accordance with the Company's policy. The Company entered into forward contracts to hedge against the risk of declining gold prices for a portion of its forecasted gold sales.



As at December 31, 2014, the Company had the following outstanding gold forward contracts:

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Settlement Date	Ounces Hedged	Average US\$ per ounce	Unrealized gain (loss)
January 15, 2015	2,500	\$ 1,200	\$2
January 30, 2015	6,000	1,171	(168 )
February 27, 2015	2,000	1,184	(31 )
Total	10,500	\$ 1,180	\$(197 )

The Company enters into gold forward contracts to hedge against the risk of declining gold prices for a portion of its forecasted gold sales. The Company closely monitors the changes in gold price and, as deemed appropriate, may enter into gold forward contracts with the aim of minimizing the impact of adverse changes to the price of gold.

Forward exchange contracts are derivative financial instruments and are used for risk management purposes and not for generating trading profits. The Company closely monitors exchange rates and, as deemed appropriate, may enter into forward currency contracts (to the extent that credit facilities are available) with the aim of minimizing the impact of adverse changes of the R\$ and US\$ relationship. As at December 31, 2014, the Company did not have any outstanding forward foreign exchange contracts.

To the extent that derivative instruments are in assets or unrealized gain position, the Company is exposed to credit-related losses in the event of non-performance by its financial counterparties to the derivative financial instruments, but does not expect these counterparties to fail to meet their obligations.

Hedge accounting is applied to cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement ("IAS39"). Under hedge accounting, derivative instruments are recorded on the statement of financial position at fair value. The effective portion of any gain or loss on the hedging instrument, net of any tax effects, is recognized in other comprehensive income ("OCI") and recycled into earnings when the hedge item affects earnings. The ineffective portion is reported as an unrealized gain (loss) on derivatives contracts in the statements of operations and comprehensive loss.

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

#### 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, and deferred compensation liabilities.

The exposure of the Company's financial assets and liabilities (and certain other assets and liabilities) to currency risk is as follows, as at December 31, 2014:

	Denominated in Brazilian reais	Denominated in Canadian dollars
Financial assets		
Cash and cash equivalents	\$ 2,899	\$ 538
Recoverable taxes	30,825	1,343
Other accounts receivable	1,636	-
Prepaid expenses and advances	1,985	-
Total financial assets	\$ 37,345	\$ 1,881
Financial liabilities		
Accounts payable and accrued liabilities	14,962	667
Deferred income taxes	8,338	-
Reclamation provision	21,374	-
Other provision and liability	16,606	-
Total financial liabilities	61,280	667
Net financial assets/(liabilities)	\$ (23,935 )	\$ 1,214

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments (and certain other assets and liabilities) as at December 31, 2014 and 2013 with all other variables held constant. It shows how income before taxes would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

Exchange Rates	Change for Sensitivity Analysis	Gain/(loss) of change to 2014 Foreign Exchange	Gain/(loss) of change to 2013 Foreign Exchange
USD per Brazilian reais	10% increase	\$ 2,176	\$ (1,884 )
USD per Brazilian reais	10% decrease	(2,176 )	1,884
USD per Canadian dollar	10% increase	(110 )	(121 )
USD per Canadian dollar	10% decrease	110	121

The results of our operations are affected by the foreign currency movements of the Brazilian Reais versus the US dollar. Approximately 90% of our expenditures in Brazil are denominated in Brazilian Reais and therefore the cash flows are highly sensitive to any movements in Brazilian Reais as compared to the US dollar.

During the second half of 2014 and continuing into the beginning of 2015, the US dollar has significantly strengthened against a basket of global currencies as well as against Brazilian Reais. The US dollar strength has mainly occurred due to a reduction in monetary stimulus measures by the US Federal Reserve and the continued European debt crisis. During the FY 2014, the Brazilian Reais traded in the range of R\$2.19 to R\$2.69 against the US dollar, with a further sharp decline in the Brazilian Reais, which reached R\$3.3 per US dollar in the first quarter of 2015.

The overall movements in foreign exchange rate has beneficial impacts on Jaguar's profitability:

Approximately 90% of the Company's operating cash outflows are denominated in Reais and therefore its devaluation as compared to the US dollar results in a reduction in the Company's operating cash costs. However in the longer run, the benefit of the devalued Reais is expected to be partially offset by local inflationary pressures in Brazil.



### 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 100% of its debt with interest rates ranging from 0% to 11.0% per annum (2013 – 0% to 11.0% per annum).

### Price risk:

The Company is exposed to price risk with respect to gold prices on gold production. The Company entered into hedge contracts during 2014 to manage this risk. As at December 31, 2014, the Company had 10,500 ounces of gold hedged (Note 14(d)) (2013 – 3,589 ounces).

### Financial instruments:

#### a) Financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts its valuation models to incorporate a measure of credit risk.

The fair value of the following financial assets and liabilities approximate their carrying amount due to the limited term of these instruments:

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

The fair value of the notes payable is based on their market price, if available, and it is disclosed in Note 10 to the Financial Statements included in Item 17 to this Form 20-F.

### Fair value estimation:

IFRS 7 Financial Instruments - Disclosures prescribes the following three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair values of financial assets and liabilities:

- a. Level 1 – quoted prices (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.
- b. Level 2 – inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- c. Level 3 – one or more significant inputs used in a valuation technique that are unobservable for the instruments.

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

The fair value of the Company’s financial assets and financial liabilities that are measured at fair value on a recurring basis as at December 31, 2014 and December 31, 2013 are as follows:

	Level 1	Level 2	Level 3
December 31, 2014			
Derivative liabilities	\$ -	\$ 197	\$ -
Option component of Renvest Credit Facility	-	3	-
December 31, 2013			
Derivative assets	\$ -	\$ 508	\$ -

The valuation techniques that are used to measure fair value are as follows:

Derivative:

The fair value of derivative contracts is based on quoted market prices for comparable contracts and represents the amount the Company would have received from, or paid to, a counterparty to unwind the contract at the quoted market rates in effect at the consolidated balance sheet date and therefore derivative contracts are classified within Level 2 of the fair value hierarchy.

Option component of Renvest Credit Facility:

The fair value of the option component of Renvest Credit Facility is determined using the Black-Scholes model, as disclosed on Note 10(e).

Restricted cash:

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

Item 12. Description of Securities

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

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C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

CCAA Proceeding

The CCAA Proceedings were commenced in contemplation of the CCAA Plan which was the result of Jaguar's review of strategic alternatives and negotiations conducted by representatives of Jaguar, its legal and financial advisors and a number of stakeholders with an economic interest in Jaguar. In developing the CCAA Plan, Jaguar sought to treat all stakeholders fairly and reasonably while providing for the financial stability and future economic viability of its business.

The CCAA Plan was designed to respond to Jaguar's operating liquidity and leverage concerns and to provide additional capital for future investment.

Jaguar's Financial Circumstances Prior to the CCAA Proceedings

In May 2012, Jaguar announced the implementation of a comprehensive restructuring and turnaround plan to improve costs and efficiency at its operations. The plan incorporated objectives and initiatives identified by Jaguar's management and a number of expert industry consultants who were retained to assist with operational and cost improvements. Key elements of the plan were administrative cost reductions, improved safety, optimization of the workforce, converting to properly scaled mining methodology, advanced development and definition drilling, and the continuation of the Paciência operations of MSOL on care and maintenance.

As is typical for companies engaged in the operation and development of gold producing properties, the price of gold is the largest single factor in determining profitability and cash flow from operations. The financial performance of the Company has therefore been, and is expected to continue to be, closely linked to the price of gold. Historically, the price of gold has been subject to volatile price movements over short periods of time and is affected by numerous macroeconomic and industry factors that are beyond the Company's control. Major influences on the gold price include currency exchange rate fluctuations and the relative strength of the U.S. dollar, the supply of and demand for gold, interest rates and inflation expectations. The Company's mines (including the Paciência mine, which is now on care and maintenance) are not low-cost gold producers, despite recent cost reductions. For this reason, the operations of the Company are particularly sensitive to gold prices. The average price of gold declined substantially since September of 2011, from nearly \$2,000 per ounce at that time to \$1,231 per ounce as of December 17, 2013, just prior to the commencement of the CCAA Proceedings, which impacted the Company significantly. At the commencement of the CCAA Proceedings in December of 2013, Jaguar forecasted that it would face a liquidity crisis in the very near future and that additional liquidity would be required to preserve operations in a lower gold price environment. Moreover, Jaguar's mining operations and exploration activities are located in Brazil and a portion of operating costs and capital expenditures are denominated in Brazilian reais which has weakened against the U.S. dollar in 2013.



Despite its cost reduction efforts, Jaguar was not able to generate sufficient net revenues to optimally fund its operations, or generate sufficient net revenues to service its substantial debts going forward. As of December 31, 2013, the Company had outstanding funded debt obligations of approximately US\$323 million in principal value. Jaguar incurred interest payments of approximately US\$13.7 million in 2013. On November 1, 2013, Jaguar deferred payment of approximately US\$3.7 million of interest on the 4.5% Notes and the deferral eventually resulted in an event of default under the indenture governing such notes. Excluding the consideration of any events of default or acceleration obligations, Jaguar would be obligated to repay or refinance approximately US\$195 million in principal value of debt under the Renvest Credit Facility and the 4.5% Convertible Notes in the year ended December 31, 2014.

## Strategic Review

For the reasons outlined above, Jaguar concluded that additional restructuring efforts would be required to address Jaguar's financial needs. Canaccord Genuity Corp. ("Canaccord Genuity") was engaged as Jaguar's financial advisor in May 2013 in connection with the design and implementation of a recapitalization strategy for Jaguar. The scope of Canaccord Genuity's assignment was to:

- o review Jaguar's business plans, budgets and financial projections and conduct appropriate sensitivity analyses;
- o assess the capital structure of Jaguar with a view to determining an appropriate debt load and debt structure for Jaguar;
- o advise Jaguar on the design and execution of potential transactions to improve Jaguar's capital structure;
- o conduct a process to raise new money capital; and
- o advise Jaguar on the implementation of a recapitalization plan, and conduct negotiations with Jaguar's stakeholders.

With the assistance of Canaccord Genuity, Jaguar analyzed the possibility of divesting certain of its assets in order to provide increased liquidity to sustain the Company during a period of unfavorable gold prices and to allow continued investment in cost reduction options. However, Jaguar and the Board of Directors did not believe that such a transaction was feasible.

Canaccord Genuity had discussions with potential sources of third party financing. Those parties who expressed interest in potentially providing financing were not willing to provide financing in the amount, of the type or on the timeline required by Jaguar at that time.

## Reasons for the CCAA Plan

The review of potential alternatives showed that a comprehensive restructuring involving a debt to equity exchange and an investment of new money was the best available alternative to address Jaguar's financial situation. The Board created a special committee ("SC") on October 30, 2013 to consider and advise the Board on strategic matters relating to Jaguar's financial difficulties. The Board and SC determined that the completion of a recapitalization transaction offered substantial benefits to the Company and was in the best interests of the Company and its stakeholders. The Company concluded that it would be important to deleverage its balance sheet and to reduce the debt service payments that it must make to the extent possible in the circumstances. The process ultimately led to the negotiations of the Support Agreement and the Backstop Agreement and the resulting terms of the CCAA Plan and the commencement of the CCAA Proceedings. On December 23, 2013, the Company filed for protection under the CCAA. A full description of events that have occurred under the CCAA Proceedings is set out below under "CCAA Proceeding Events". Additional information about the CCAA Proceedings, including copies of all Court orders, are available at the following website <http://cfcanada.fticonsulting.com/jaguar> (which materials are not incorporated by reference herein).

## CCAA Proceeding Events

On December 23, 2013, the Company filed for protection under the CCAA and an Initial Order, Claims Procedure Order and Meeting Order were granted by the Court.

Among other things, the Initial Order imposed a general stay of proceedings against Jaguar as well as a stay of proceedings against Jaguar's subsidiaries with respect to any guarantee, contribution or indemnity obligation, liability or claim in respect of, or that relates to, any agreement involving the Company, or the obligations, liabilities and claims of, against or affecting the Company or its business. The Claims Procedure Order provided for, among other things, the establishment of a claims procedure for the identification, quantification and determination of certain claims against the Company.

Pursuant to the Meeting Order, Jaguar was authorized to call a meeting (the “Meeting”) of Affected Unsecured Creditors (as defined in the CCAA Plan) to consider and, if deemed advisable, to pass a resolution approving the CCAA Plan. The Meeting was held on January 31, 2014 and the CCAA Plan was approved by 100% of the Affected Unsecured Creditors that voted, in person or by proxy, at the Meeting. Following the Meeting, Jaguar obtained an order from the Court on February 6, 2014 sanctioning the CCAA Plan.

On April 22, 2014, the Company implemented the CCAA Plan and emerged from CCAA protection. A full description of the steps of the CCAA Plan is set out below under “Effect of the Implementation of the CCAA Plan”.

#### Effect of the Implementation of the CCAA Plan

The purpose of the CCAA Plan was to facilitate the continuation of the business of Jaguar as a going concern, address certain liabilities of the Company, and effect a recapitalization and financing transaction on an expedited basis to provide a stronger financial foundation for Jaguar going forward and additional liquidity to allow the Company to continue to work towards its operational and financial goals from and after its implementation in the expectation that all persons with an economic interest in Jaguar will derive a greater benefit from the implementation of the CCAA Plan than would otherwise result.

Common shares of the Company were issued as follows as a result of the implementation of the CCAA Plan:

- o Holders (the “Noteholders”) of the Notes and other affected unsecured creditors of the Company with proven claims received their pro rata share of 14,000,000 common shares of the Company in exchange for their Notes and in satisfaction of their claims, respectively, and Noteholders who signed the Support Agreement, or a consent agreement thereto, as of November 26, 2013 received their pro rata share of an additional 5,000,000 common shares of the Company in exchange for their Notes. Pursuant to the CCAA Plan, the Notes and the indentures governing such Notes were irrevocably and finally cancelled and all unsecured claims of affected unsecured creditors of the Company were fully and finally released.
- o Noteholders who elected to participate in a backstopped US\$50 million share offering (the “Share Offering”) purchased up to their pro rata share of 70,955,797 common shares of the Company (the “Offering Shares”) and such Noteholders received their pro rata share of 9,044,203 common shares of the Company (the “Accrued Interest Offering Shares”) (based on the percentage that the unpaid interest on their Notes bore to the aggregate of all unpaid interest owing to all Noteholders who participated in the Share Offering as at December 31, 2013) in exchange for their Notes.
- o Noteholders who agreed to backstop the Share Offering by committing to purchase their pro rata share (based on their backstop commitments) of the Offering Shares not subscribed for under the Share Offering received their pro rata share of an additional 11,111,111 common shares of the Company (the “Backstop Commitment Shares”) in exchange for their Notes.

In connection with and as a step in the CCAA Plan, the common shares of the Company issued and outstanding immediately prior to the implementation of the CCAA Plan were consolidated at a ratio of one (1) post-consolidation common share for each 86.39636 pre-consolidation common shares (the “Consolidation”). Any fractional common

shares of the Company resulting from the Consolidation were rounded down to the next whole share without any additional compensation therefor. As a result of the implementation of the CCAA Plan, such shareholders represent approximately 0.9% of the equity of Jaguar in the aggregate. The shareholder rights plan dated May 2, 2013 and all rights issued thereunder were cancelled pursuant to the terms of the CCAA Plan.

The equity-based compensation arrangements of the Company existing immediately prior to implementation of the CCAA Plan were cancelled pursuant to the terms the CCAA Plan. The Board has approved a new 10% rolling stock option plan (the "New Stock Option Plan"). The New Stock Option Plan has received conditional approval from the TSX-V was approved by disinterested shareholders of the Company at the Company's annual general meeting of shareholders ("AGM"), which was held late in the second quarter of 2014. The Board has also approved a new deferred share unit plan (the "DSU Plan"). The DSU Plan has received conditional approval from the TSXV and will be presented for approval by shareholders at the Company's AGM.

In connection with the CCAA Plan, Jaguar negotiated amendments (the “Renvest Amendments”) to certain terms of the Renvest Credit Facility. The Renvest Amendments provide, among other things, that:

- o the maturity date of the Renvest Credit Facility was extended to December 31, 2015 from July 25, 2014;
- o mandatory repayments of US\$1.0 million of principal amount plus accrued and unpaid interest shall be made each month from and including July 2014 to and including November 2015, with the balance of all outstanding obligations to be repaid on December 31, 2015;
- o the Lender shall have a right to convert up to \$5.0 million of the outstanding obligations under the Renvest Credit Facility into equity at a specified conversion price (subject to certain anti-dilution protections);
- o the Lender shall have a right to participate in certain offerings of equity securities by the Company if the offering occurs at a prescribed price;
- o the Company shall maintain certain minimum levels of cash on hand;
- o Renvest shall be entitled to appoint an observer to the Board of Directors;
- o the Company and the Lender entered into a Right of First Refusal Agreement with respect to assignments of the Renvest Credit Facility by the Lender; and
- o existing breaches, defaults and events of default under the Renvest Credit Facility were waived by the Lender. Certain events of default under the Renvest Credit Facility were also amended to reflect the Company’s current financial circumstances.

The Company paid a fee of US\$1.0 million in connection with the amendments to the Renvest Credit Facility (\$0.6 million payable in cash and \$0.4 million payable as an increase in the principal amount of the Renvest Credit Facility).

In connection with the above amendments, the Company agreed to repay immediately to the Lender \$10.0 million on account of the outstanding obligations under the Renvest Credit Facility. The above amendments were conditional upon, among other things, this repayment.

In connection with the above amendments, the Lender waived its rights under the Renvest Credit Facility to receive any portion of the net proceeds of the Share Offering, with the exception of the agreed upon US\$10.0 million repayment described above.

#### Directors and Senior Management of Jaguar

The Board was reconstituted in connection with the implementation of the CCAA Plan so as to be comprised of seven individuals, four of whom are incumbent directors of the Company. In addition, in connection with the CCAA Plan, Mr. David Petroff and Mr. Douglas Willock resigned from their positions as Chief Executive Officer and Chief Financial Officer of the Company, respectively, and Mr. George Bee and Mr. Derrick Weyrauch were appointed as Chief Executive Officer and Chief Financial Officer, respectively. Please see Item 6 – Directors, Senior Management and Employees for biographies of the current directors and executive officers of the Company.

Implementation of the CCAA Plan resulted in two unrelated investment managers each owning or exercising control or direction over in excess of 10% of the outstanding common shares of the Company: (i) Outrider Management, LLC has beneficial ownership, or exercises control or direction, directly or indirectly, over approximately 32.4% of the common shares of the Company; and (ii) an unrelated investment manager exercises control over approximately 10.8% of the common shares of the Company. Mr. Stephen Hope, one of the new directors of the Company, is the principal of Outrider Management, LLC.

## Listing of the Common Shares

In connection with the CCAA Plan, trading in the common shares of the Company was suspended on December 23, 2013. The common shares were delisted from the TSX on April 30, 2014 and commenced trading on the TSXV on May 1, 2014. See also Item 4.

### Item 14. Material Modifications to the Rights of Securities Holders and use of Proceeds

A shareholder rights plan (the “Shareholder Rights Plan”), effective May 2, 2013, was approved by shareholders at the annual general and special meeting of shareholders on June 10, 2013.

The Shareholder Rights Plan was intended to: (a) ensure, to the extent possible, that all holders of common shares and the Board had adequate time to consider and evaluate any unsolicited take-over bid for the common shares of Jaguar; (b) provide the Board with adequate time to identify, solicit, develop and negotiate value-enhancing alternatives, as considered appropriate, to any such unsolicited take-over bid; (c) provide the Board with adequate time to continue to identify, solicit, develop and negotiate value-enhancing transactions, as considered appropriate; (d) encourage the fair treatment of Jaguar’s securityholders in connection with any unsolicited take-over bid made for its common shares; and (e) generally assist the Board in enhancing shareholder value. The rights issued under the Shareholder Rights Plan would have become exercisable if a person, together with its affiliates, associates and joint actors (all as defined in the Shareholder Rights Plan), acquired or announced an intention to acquire beneficial ownership of common shares of the Company which, when aggregated with its current holdings, totaled 20% or more of the Company’s outstanding common shares (determined in the manner set out in the Shareholder Rights Plan) without complying with the “Permitted Bid” provisions of the Shareholder Rights Plan or without approval of the Board. In the event that the rights became exercisable, the rights would have entitled shareholders, other than the acquiring person and its affiliates and associates and persons acting jointly or in concert with it, to purchase additional common shares at a substantial discount to the market price of the Company’s common shares at that time.

The Shareholder Rights Plan was cancelled pursuant to the terms of the CCAA Plan on April 22, 2014. Please See Item 13 for more information.

### Item 15. Controls and Procedures

#### Disclosure Controls and Procedures

Based on their evaluation as of the end of the period covered by this report, the Company’s Chief Executive Officer and Chief Financial Officer have concluded that the Company’s disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission (“SEC”) rules and forms.

#### Management’s Annual Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure. Management is also responsible for establishing and maintaining adequate internal controls over financial reporting (as such term is defined under rules adopted by the SEC). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.





## Changes in Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting (as such term is defined under rules adopted by the U.S. Securities Exchange Commission and National Instrument 52-109 as issued by the Canadian Securities Administrator). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes during the year ended December 31, 2014 that, in management's view, would have materially affected, or that are reasonably likely to materially affect, the Company's internal controls over financial reporting. The Company's management has attested to its internal controls over financial reporting for the year ended December 31, 2014.

### Item 16A. Audit Committee Financial Expert

The Board of Directors of the Company has determined that each of the members that served on the 2014 Audit Committee and each of the members that serves on the Current Audit Committee is an audit committee financial expert, within the meaning of applicable U.S. securities rules and regulations. Each of the members of the 2014 Audit Committee was independent and each of the Members of the Current Audit Committee is independent, as that term is defined in rule 803 of the NYSE and Rule 10A-3 of the Exchange Act.

### Item 16B. Code of Ethics

The Company has adopted a Code of Conduct and Ethics Policy ("Code"). This policy applies to all directors, officers, employees, contractors, consultants, temporary worker, and other workers including personnel affiliated with related parties. The Code is included in Exhibit 11.1 to this Annual Report on Form 20-F, which is incorporated by reference herein. The Code has also been posted to the Registrant's website at [www.jaguarmining.com](http://www.jaguarmining.com).

All amendments to the Code and all waivers of the Code with respect to any of the officers covered by it will be posted on the Company's website within five business days of the amendment or waiver, and provided in print to any shareholder who requests them.

The Code of Ethics was revised in September, 2014. There have been no waivers or implicit waivers to the Code during the Company's fiscal year ended December 31, 2014.

### Item 16C. Principal Accountant Fees and Services

#### Audit Fees

During the fiscal years ended December 31, 2014 and December 31, 2013, KPMG LLP, Chartered Professional Accountants (“KPMG”), charged Jaguar a total of \$667,500 and \$706,400 respectively, for audit services.

Audit-Related Fees

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During the fiscal years ended December 31, 2014 and December 31, 2013, KPMG charged \$nil and \$25,000 respectively, for assurance and related services that are reasonably related to the performance of audit-related services but are not reported above in "Audit Fees".

#### Tax Fees

During the fiscal years ended December 31, 2014 and December 31, 2013, KPMG billed \$28,900 and \$76,000 respectively, for tax compliance, tax advice and tax planning services.

#### All Other Fees

In each of the fiscal years ended December 31, 2014 and December 31, 2013, KPMG billed Cdn.\$0 and Cdn.\$0 respectively, for services other than those reported under "Audit Fees", "Audit-Related Fees", and "Tax Fees".

#### Pre-approval Policies and Procedures

We have adopted certain policies and procedures intended to ensure our principal accountants will maintain objectivity and independence in their audit of our financial statements. To minimize relationships that could appear to impair the objectivity of our principal accountants, our Audit Committee has restricted the non-audit services that our principal accountants may provide to us primarily to tax services and review assurance services.

In general, we seek to obtain non-audit services from our principal accountants only when the services offered by our principal accountants are more effective or economical than services available from other service providers, and, to the extent possible, only after competitive bidding. The Board has adopted policies and procedures for pre-approving work performed by our principal accountants. Before engaging the auditors in additional services, the Audit Committee considers how these services will impact the entire engagement and independence factors.

After careful consideration, the audit committee of the Board has determined that payment of the above non-audit fees is in conformance with the independent status of our company's principal independent accountants.

#### Item 16D. Exemptions from the Listing Standards for Audit Committees

Not applicable.

#### Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company did not repurchase any common shares in the fiscal year ended December 31, 2014.

#### Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

#### Item 16G. Corporate Governance

Not applicable.

Item 16H. Mine Safety Disclosure

Not applicable.

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PART III

Item 17. Financial Statements

The Company's consolidated financial statements and notes thereto are stated in U.S. Dollars and are prepared in accordance with International Financial Reporting Standards as issued by the IASB.

Item 18. Financial Statements

The Company has provided financial statements pursuant to Item 17.

Item 19. Exhibits

The financial statements and notes thereto as required under Item 17 are attached hereto and found immediately following the text of this Annual Report.

Exhibit	Notes
Exhibit 1.1	Articles of Incorporation
Exhibit 1.2	Articles of Continuance
Exhibit 1.3	Articles of Amalgamation
Exhibit 1.4	Articles of Reorganization
Exhibit 1.5	Bylaw No. 2
Exhibit 1.6	Advance Notice Bylaw
Exhibit 1.7	Support Agreement (and all amendments thereto)
	Previously filed as exhibits to the Company's Form 6Ks filed on November 18, 2013, November 22, 2013, December 27, 2013, January 9, 2014, February 10, 2014 and April 30, 2014 and incorporated by reference herein.
Exhibit 1.8	Backstop Agreement (and all amendments thereto)
	Previously filed as exhibits to the Company's Form 6Ks filed on November 18, 2013, November 22, 2013, December 27, 2013, January 9, 2014, February 10, 2014 and April 30, 2014 and incorporated by reference herein.
Exhibit 2.2	CCAA Plan
	Filed under Exhibit 1.1.
Exhibit 4.3	Renvest Credit Facility

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Previously filed as an exhibit to the Company's Form 6K filed on February 1, 2013 and incorporated by reference herein.

Exhibit 4.4 Stock Option Plan

Exhibit 4.5 DSU Plan

Exhibit 8.1 Subsidiary list

Exhibit 11.1 Code of Ethics

Exhibit 12.1 Certification

Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 12.2 Certification

Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 13.1 Certification

Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 13.2 Certification

Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Jaguar Mining Inc.  
Registrant

/s/George Bee  
George Bee, CEO

Dated: April 30, 2015



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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Jaguar Mining Inc.

We have audited the accompanying consolidated statements of financial position of Jaguar Mining Inc. as of December 31, 2014 and December 31, 2013 and the related consolidated statements of operations and comprehensive income (loss), cash flows and changes in shareholders' equity (deficiency) for each of the years in the three-year period ended December 31, 2014. These consolidated financial statements are the responsibility of Jaguar Mining Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Jaguar Mining Inc. as of December 31, 2014 and December 31, 2013, and its consolidated financial performance and its consolidated cash flows for each of the years in the three- year period ended December 31, 2014 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that Jaguar Mining Inc. will need to obtain additional financing in order to discharge its liabilities. These conditions, along with other matters as set forth in Note 2 in the consolidated financial statements, indicate the existence of a material uncertainty that casts substantial doubt about Jaguar Mining Inc.'s ability to continue as a going concern.

Chartered Professional Accountants, Licensed Public Accountants April 30, 2015  
Toronto, Canada

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

KPMG Canada provides services to KPMG LLP.



JAGUAR MINING INC.

Consolidated Financial Statements

As at December 31, 2014 and 2013 and  
For the years ended December 31, 2014, 2013 and 2012

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## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2014 and 2013

(Expressed in thousands of US dollars)

		December 31, 2014	December 31, 2013
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 7,161	\$ 9,015
Inventory	Note 5	19,175	23,080
Recoverable taxes	Note 6	10,614	3,985
Other accounts receivable		1,636	6,293
Prepaid expenses and advances		1,639	1,754
Derivatives	Note 14(d)	-	508
<b>Total Current Assets</b>		<b>40,225</b>	<b>44,635</b>
<b>Non-current assets</b>			
Property, plant and equipment	Note 7	63,773	155,952
Mineral exploration projects	Note 8	68,544	67,885
Recoverable taxes	Note 6	21,368	25,220
Other assets		1,354	1,096
<b>Total assets</b>		<b>\$ 195,264</b>	<b>\$ 294,788</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	Note 9	\$ 16,049	\$ 24,651
Notes payable	Note 10	29,413	316,076
Current tax liability		-	11,642
Reclamation provisions	Note 12	1,202	826
Derivatives	Note 14(d)	197	-
Other provisions and liabilities	Note 13	16,605	7,985
<b>Total Current Liabilities</b>		<b>63,466</b>	<b>361,180</b>
<b>Non-current liabilities</b>			
Notes payable	Note 10	1,538	5,911
Deferred income taxes	Note 11	8,338	6,350
Other taxes payable		101	-
Reclamation provisions	Note 12	20,172	14,844
Other liabilities		61	62
<b>Total liabilities</b>		<b>\$ 93,676</b>	<b>\$ 388,347</b>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>			
Capital Stock	Note 14(a)	434,465	371,077
Stock options		525	917
Deferred shares units		965	-
Contributed surplus		18,666	17,638
Deficit		(352,836 )	(483,699 )
Hedging Reserve	Note 14(d)	(197 )	508
<b>Total shareholders' equity (deficiency)</b>		<b>101,588</b>	<b>(93,559 )</b>
Financial liabilities and other commitments	Note 21		
<b>Total liabilities and shareholders' equity (deficiency)</b>		<b>\$ 195,264</b>	<b>\$ 294,788</b>

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

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## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2014 and 2013

(Expressed in thousands of US dollars)

		Year Ended December 31,		
		2014	2013	2012
Gold Sales		\$ 116,362	\$ 134,140	\$ 172,430
Production costs	Note 16	(90,431 )	(89,304 )	(127,394 )
Depletion and amortization		(30,521 )	(32,050 )	(38,893 )
Gross profit (loss)		(4,590 )	12,786	6,143
Exploration and evaluation costs		280	944	700
Care and maintenance costs (Paciencia mine)		2,181	2,529	4,350
Stock-based compensation	Note 14	1,557	356	(1,864 )
General and administration expenses		12,919	16,652	19,437
Restructuring fees		11,231	4,632	2,568
Amortization		1,062	1,138	1,168
Adjustment to legal and VAT tax provisions	Note 17	(3,295 )	35,172	-
Impairment charges	Note 18	88,938	145,487	102,997
Other expenses		7,426	287	506
Operating loss		(126,889 )	(194,411 )	(123,719 )
Foreign exchange loss		174	4,137	5,882
Financial instruments gain	Note 19	(272,818 )	(5,001 )	(76,193 )
Finance costs	Note 20	12,479	54,247	32,096
Other non-operating expenses (recoveries)		(315 )	1,862	801
Income (loss) before income taxes		133,591	(249,656 )	(86,305 )
Current income tax recovery		(9 )	(921 )	(466 )
Deferred income tax expense	Note 11(e)	2,737	572	(1,302 )
Total income tax expense (recovery)		2,728	(349 )	(1,768 )
Net income (loss)		130,863	(249,307 )	(84,537 )
Other comprehensive loss		(565 )	508	-
Total comprehensive income (loss)		130,298	(248,799 )	(84,537 )
Earnings per share	Note 15			
Income (loss) per share				
Basic		\$ 1.69	\$(251.29 )	\$(86.53 )
Diluted		\$ 1.64	\$(251.29 )	\$(86.53 )
Weighted average shares outstanding				
Basic		77,323,349	992,118	977,004
Diluted		79,997,967	992,118	977,004

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(Expressed in thousands of US dollars)

	Year Ended December 31,		
	2014	2013	2012
<b>OPERATING ACTIVITIES</b>			
Net income (loss) for the year	130,863	(249,307 )	(84,537 )
Adjusted for non-cash items			
Unrealized foreign exchange (gain) loss	(425 )	1,514	(4,184 )
Stock-based compensation expense	1,557	341	(2,321 )
Interest expense	9,220	54,851	28,511
Accretion of interest expense	3,259	(604 )	3,585
Deferred income tax expense	2,737	572	(1,302 )
Depletion and amortization	31,583	33,188	40,061
Provision and loss on disposition of property, plant and equipment	194	2,951	4,460
Write-down of inventory	Note 5 1,566	3,459	1,825
Impairment of properties	Note 18 88,938	145,487	102,997
Provision (recovery) of VAT and other taxes	Note 17 (16,895 )	26,701	-
Legal provisions	Note 17 13,600	8,471	-
Gain on debt extinguishment	Note 19 (265,566 )	-	-
Gain on Vale note amendment	Note 19 (6,769 )	-	-
Loss on Renvest ammendment	400	-	-
Unrealized gain on derivatives and option component of notes	(343 )	(4,415 )	(75,516 )
Reclamation expenditure	(650 )	(287 )	(298 )
	(6,731 )	22,922	13,281
Adjusted for changes in non-cash operating assets and liabilities			
Inventory	1,045	779	7,146
Other accounts receivable	4,657	2,117	(1,117 )
Recoverable taxes	581	3,032	(1,187 )
Prepaid expenses and other assets	(252 )	2,574	(9,879 )
Accounts payable and accrued liabilities	(1,159 )	(9,345 )	(5,597 )
Taxes payable	(6 )	(3,809 )	(3,502 )
Other provisions	(4,980 )	(5,286 )	449
Deferred compensation liabilities	-	(171 )	(2,383 )
Net cash provided by (used in) operating activities	(6,845 )	12,813	(2,789 )
<b>FINANCING ACTIVITIES</b>			
Share issuance	50,000	-	-
Repayment of debt	(32,811 )	(22,139 )	(20,703 )
Increase in debt	15,054	41,306	23,200
Decrease in restricted cash	109	500	300
Interest paid	(5,615 )	(13,663 )	(14,370 )
Other liabilities	5	(25 )	(1,733 )
Net cash provided by financing activities	26,742	5,979	(13,306 )
<b>INVESTING ACTIVITIES</b>			
Mineral exploration projects	(659 )	(806 )	(8,554 )

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Purchase of property, plant and equipment	(21,762 )	(23,039 )	(44,263 )
Proceeds from disposition of property, plant and equipment	720	634	1,556
Net cash used in investing activities	(21,701 )	(23,211 )	(51,261 )
Effect of exchange rate changes on cash and cash equivalents	(50 )	(422 )	6,737
Net decrease in cash and cash equivalents	(1,854 )	(4,841 )	(60,619 )
Cash and cash equivalents at the beginning of year	9,015	13,856	74,475
Cash and cash equivalents at the end of year	7,161	9,015	13,856

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



## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)

For the years ended December 31, 2014 and 2013

(Expressed in thousands of US dollars)

		Common Shares		Stock Options		Deferred Shares		Contributed Surplus	Deficit	Hedging Reserve(
		Shares	Amount	Options	Amount	Units	Amount			
Balance as at January 1, 2012		84,409,648	\$ 370,043	4,005,000	\$ 14,207	\$-	\$-	3,414	(149,855)	-
Stock options granted	Note 14(b)	-	-	1,326,250	531	-	-	-	-	-
Vested options expired		-	-	(3,495,000)	(12,601)	-	-	12,601	-	-
Net loss		-	-	-	-	-	-	-	(84,537)	-
Balance as at December 31, 2012		84,409,648	\$ 370,043	1,836,250	\$ 2,137	\$-	\$-	\$ 16,015	\$(234,392)	\$-
Balance as at January 1, 2013		84,409,648	\$ 370,043	1,836,250	\$ 2,137	-	-	\$ 16,015	(234,392)	-
Shares issued	Note 14(a)	1,986,708	\$ 1,034	-	-	-	-	-	-	-
Stock options issued	Note 14(b)	-	-	277,778	403	-	-	-	-	-
Vested options forfeited		-	-	(70,000 )	(231 )	-	-	231	-	-
Vested options expired upon termination		-	-	(440,000 )	(1,392 )	-	-	1,392	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	508
Net loss		-	-	-	-	-	-	-	(249,307)	-
Balance as at December 31, 2013		86,396,356	\$ 371,077	1,604,028	\$ 917	-	\$-	\$ 17,638	\$(483,699)	\$ 508
Balance as at January 1, 2014		86,396,356	\$ 371,077	1,604,028	\$ 917	-	-	\$ 17,638	\$(483,699)	\$ 508
Share consolidation	Note 2	(85,396,429 )	-	-	-	-	-	-	-	-
Shares issued	Note 2	110,111,111	77,591	-	-	-	-	-	-	-
Shares issued cost			(14,203 )							
Options cancelled	Note 14(b)	-	-	(1,604,028)	(917 )	-	-	1,028	-	-
Stock options issued	Note 14(b)	-	-	2,679,735	525	-	-	-	-	-

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Deferred shares units	Note 14(c)	-	-	-	-	1,600,566	965	-	-	-
Realized gain on statement of operations		-	-	-	-	-	-	-	-	(140)
Other comprehensive loss		-	-	-	-	-	-	-	-	(565)
Net income		-	-	-	-	-	-	-	130,863	-
Balance as at December 31, 2014		111,111,038	\$434,465	2,679,735	\$525	1,600,566	\$965	\$18,666	\$(352,836)	\$(197)

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

1. Nature of business

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

These consolidated financial statements of the Company as at December 31, 2014 and 2013 and for the years ended December 31, 2014, 2013 and 2012 include the accounts of the Company and its wholly-owned subsidiaries: Mineração Serras do Oeste Ltda. (“MSOL”), Mineração Turmalina Ltda. (“MTL”) and MCT Mineração Ltda. (“MCT”). All significant intercompany accounts and transactions have been eliminated on consolidation.

2. Going concern and recapitalization plan

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

The Company has reported an operating loss for the year ended December 31, 2014. The Company considers that the near term economic outlook presents challenges in terms of commodity prices. Whilst the Company has instituted measures to preserve cash, improve operations and is seeking to secure additional financing, these circumstances create uncertainties over future results and cash flows.

The Company had a working capital deficiency of \$23.2 million as at December 31, 2014. The Company will need to obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. There is no assurance that the Company’s financing initiatives will be successful or sufficient.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current operations or exploration programs will result in profitable mining operations. This fact, along with the factors discussed in the preceding paragraphs results in a material uncertainty that casts substantial doubt as to the Company’s ability to continue to operate as a going concern. The recoverability of the carrying value of property, plant and equipment and mineral exploration projects is dependent upon the success of the above operating, exploration and financing activities and the future gold price. Changes in future conditions could require material write-downs of the carrying value of property, plant and equipment and mineral exploration projects.

If the going concern assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses, and the statement of financial position classifications used, and such adjustments could be material.

On November 13, 2013, the Company and its subsidiaries entered into a support agreement (as amended, the “Support Agreement”) with holders (the “Noteholders”) of approximately 81% of its \$165.0 million 4.5% Senior Unsecured Convertible Notes due November 1, 2014 (“4.5% Convertible Notes”) and 82% of its \$103.5 million 5.5% Senior Unsecured Convertible Notes due March 31, 2016 (together with the 4.5% Convertible Notes, the “Notes” – see Note 10) to effect a recapitalization and financing transaction that would eliminate approximately \$268.5 million of the Company’s outstanding indebtedness by exchanging the Notes for common shares of Jaguar and inject approximately \$50.0 million into the Company by way of a backstopped share offering (the “Share Offering”) by the Noteholders pursuant to a backstop agreement dated November 13, 2013 (as amended, the “Backstop Agreement”) between the Company, its subsidiaries and certain Noteholders. Additional Noteholders signed consent agreements to the Support Agreement such that as of November 26, 2013, holders of approximately 93% of the Notes had signed the Support

Agreement or a consent agreement thereto.

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On December 23, 2013, the Company filed for creditor protection (the “CCAA Proceedings”) under the Companies’ Creditors Arrangement Act (Canada) (the “CCAA”) in the Ontario Superior Court of Justice (Commercial List) (the “Court”). The CCAA Proceedings were commenced in order to implement a recapitalization transaction as contemplated in the Support Agreement through a plan of compromise and arrangement (as amended, supplemented or restated from time to time, the “CCAA Plan”). The Court granted an Initial Order, Claims Procedure Order and Meeting Order, each dated December 23, 2013.

The Claims Procedure Order provided for, among other things, the establishment of a claims procedure for the identification, quantification and determination of certain claims against the Company. Pursuant to the Meeting Order, Jaguar was authorized to call a meeting (the “Meeting”) of Affected Unsecured Creditors (as defined in the CCAA Plan) to consider and, if deemed advisable, to pass a resolution approving the CCAA Plan. The Meeting was held on January 31, 2014 and the CCAA Plan was approved by 100% of the Affected Unsecured Creditors that voted, in person or by proxy, at the Meeting. Following the Meeting, Jaguar obtained an order from the Court, on February 6, 2014, sanctioning the CCAA Plan.

Thereafter, on April 22, 2014, the Company successfully implemented the CCAA Plan. Based on the CCAA Plan a series of steps leading to an overall capital reorganization of Jaguar were implemented. These steps included:

- The common shares of the Company issued and outstanding immediately prior to the implementation of the CCAA Plan were consolidated at a ratio of one (1) post-consolidation common share for each 86.39636 pre-consolidation common shares (the “Consolidation”);
- The Noteholders and certain other Affected Unsecured Creditors of the Company with proven claims received their pro-rata share of 14,000,000 common shares of the Company in exchange for their Notes and in satisfaction of their claims, respectively, and Noteholders who signed the Support Agreement, or a consent agreement thereto, as of November 26, 2013, received their pro rata share of an additional 5,000,000 common shares of the Company in exchange for their Notes. Pursuant to the CCAA Plan, the Notes (and the indentures under which such Notes were issued) have been irrevocably and finally cancelled and all unsecured claims of certain affected unsecured creditors of the Company are fully and finally released;
- Noteholders who participated in the Share Offering purchased up to their pro rata share of 70,955,797 common shares of the Company (collectively, the “Offering Shares”) and such Noteholders received their pro-rata share of 9,044,203 common shares of the Company (the “Accrued Interest Offering Shares”) in exchange for their Notes;
- Noteholders who backstopped the Share Offering pursuant to the Backstop Agreement purchased their pro-rata share (based on their backstop commitments) of the Offering Shares not subscribed for under the Share Offering and received their pro rata share of an additional 11,111,111 common shares of the Company (the “Backstopped Commitment Shares”) in exchange for their Notes.

The gain on debt extinguishment resulting from implementing the CCAA Plan is summarized as follows:

Extinguishment of principal portion of the Notes (Note 10(c)(d))	\$268,500
Extinguishment of interest accrued on the Notes	10,454
Fair value of 19,000,000 common shares issued in exchange for extinguishment of the Notes	(13,388 )
Gain on debt extinguishment	\$265,566

In connection with the CCAA Plan, the Company negotiated amendments to certain terms of the Renvest Credit Facility (as defined in Note 10(e)). The Facility amendments provide among other things the following key changes:

- the maturity date of the Facility was extended to December 31, 2015 from July 25, 2014;



- mandatory repayments of \$1.0 million of principal amount plus accrued and unpaid interest shall be made each month from and including July 2014 to and including November 2015, with the balance of all outstanding obligations to be repaid on December 31, 2015;
- the Lender shall have a right to convert up to \$5.0 million of the outstanding obligations under the Facility into equity at a specified conversion price (subject to certain anti-dilution protections); and
- existing breaches, defaults and events of default under the Facility were waived by the Lender.

In connection with the above amendments, the Company agreed to repay immediately to the Lender \$10.0 million on account of the outstanding obligations under the Facility and the Lender waived its rights under the Facility to receive any portion of the net proceeds of the Share Offering, with the exception of the agreed upon \$10.0 million repayment described above.

3. Basis of preparation

a) Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, effective as of December 31, 2014. IFRS comprises of International Financial Reporting Standards ("IFRS"), and interpretations issued by the IFRS Interpretations Committee ("IFRICs") and the former Standards Interpretations Committee ("SICs"). The Company's significant accounting policies are described in note 4 of these consolidated financial statements for the year ended December 31, 2014.

These consolidated financial statements were authorized for issuance by the Board of Directors on April 10, 2015.

b) Basis of measurement

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

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

c) Functional and presentation currency

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

In line with the Company's functional currency, these consolidated financial statements are presented in U.S. dollars. All financial information presented in U.S. dollars has been rounded to the nearest thousand.

d) Use of estimates and judgments

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

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

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

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

(i) Unit of production depletion and amortization

The Company's mineral exploration projects and mining properties are depleted and amortized on a unit-of-production basis, using the expected amount of recoverable reserves. Changes to these estimates, which can be significant, could be caused by a variety of factors, including future production differing from current forecasts, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and other factors impacting mineral reserves or the expected life of the mining operation.

(ii) Inventory

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

The nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is monitored and the engineering estimates are refined based on actual results over time. The ultimate recovery of gold from a leach pad is not known until the leaching process is concluded.

(iii) Mine reserve estimates

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



requirements.

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

(iv) Capitalization of mineral exploration projects

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

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

(v) Production start date

The determination of the date on which a mine enters the production stage is a significant judgment since capitalization of certain costs ceases upon entering production. As a mine is constructed, costs incurred are capitalized and proceeds from incidental mineral sales prior to commencement of commercial production are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgment in its determination. The production start date assessment impacts the commencement of amortization and depreciation.

(vi) Reclamation provision

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

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

(vii) Stock-based compensation

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

(viii) Determination of functional currency

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

(ix) Capitalization of borrowing costs

Borrowing costs are identified for capitalization to property, plant and equipment construction projects until such time that the constructed asset is substantially complete and ready for its intended use. Borrowing costs related to specific borrowings are identified for capitalization to mineral exploration projects until such time that the mine is substantially complete and ready for its intended use. Amounts to be capitalized are estimated based on costs incurred to date and the interest rate of specific borrowings or the weighted average borrowing costs of general borrowings. The judgment used to identify mines or assets that require capitalization of borrowing costs could impact the carrying value of those assets, depletion and amortization and interest expense.

(x) Identification of impairment

The Company considers, at the end of each annual reporting period, whether or not there has been an impairment of the capitalized mineral exploration projects, or property, plant and equipment. For producing and non-producing mining properties, this assessment is based on the expected future cash flows to be generated from the asset. Assumptions, such as gold price, discount rate, foreign exchange rate and expenditures underlying the fair value estimates are subject to risks and uncertainties. If the Company determines there has been an impairment because its prior estimates of discounted future cash flows have proven to be inaccurate, due to reductions in the price of gold, increases in the costs of production, reductions in the amount of reserves expected to be recovered or otherwise, the Company would be required to write-down the recorded value of its mineral explorations projects, or property, plant & equipment, which would reduce the Company's earnings and net assets.

(xi) Recoverable taxes

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

(xii) Deferred taxes

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

(xiii) Other provisions and contingent liabilities

On an ongoing basis, the Company is subject to various claims and other legal disputes, the outcomes of which cannot be assessed with a high degree of certainty. A liability is recognized where, based on the Company's legal views and advice, it is considered probable that an outflow of resources will be required to settle a present obligation that can be measured reliably.

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

4. Significant accounting policies

a) Existing accounting policies

(i) Basis of consolidation

Subsidiaries are entities controlled by the Company. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(ii) Cash and cash equivalents

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

(iii) Inventory

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

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

(iv) Property, Plant and Equipment ('PP&E')

Buildings, Plant & Equipment

At acquisition, we record buildings, plant and equipment at cost, including all expenditures incurred to prepare an asset for its intended use. These expenditures consist of: the purchase price; brokers' commissions; and installation costs including architectural, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, duties, testing and preparation charges. We capitalize costs that meet the asset recognition criteria. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance expense and are accounted for as a cost of the inventory produced in the period.



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

#### Leasing Arrangements

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

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

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

#### Construction-in-progress

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

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

#### Depreciation

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

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

(1) Depletion of mining properties and amortization of pre-production and development costs are calculated and recorded on the unit-of-production basis over the mine's estimated and economically proven and probable reserves.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Amortization is adjusted prospectively if there is a

change in useful lives, reserve base or residual values.

(v)

Underground Mine Development Costs

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

Capitalized underground development costs incurred to enable access to specific ore blocks or areas of the underground mine, and which only provide an economic benefit over the period of mining that ore block or area, are depreciated on a units of production basis, whereby the denominator is estimated ounces of gold in proven and probable reserves and the portion of resources within that ore block or area that is considered probable of economic extraction.

(vi) Impairment

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

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

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

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

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

(vii) Income taxes:

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

Current income taxes

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

Deferred income taxes

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

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

(viii) Reclamation provisions

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

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

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



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

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

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

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

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

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

(ix) Legal and other provisions

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

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against us or un-asserted claims that may result in such proceedings, the Company with assistance from its legal counsel evaluate the perceived merits of any legal

proceedings or un-asserted claims as well as the perceived merits of the amount of relief sought or expected to be sought. If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated, and then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case we disclose the nature of the guarantee. Legal fees incurred in connection with pending legal proceedings are expensed as incurred. Contingent gains are only recognized when the inflow of economic benefits is virtually certain.

(x) Foreign currency translation

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

(xi) Revenue recognition

We record revenue when evidence exists that all of the following criteria are met:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- Neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, has been retained;
  - The amount of revenue can be reliably measured;
- It is probable that the economic benefits associated with the sale will flow to us; and
- The costs incurred or to be incurred in respect of the sale can be reliably measured.

The Company produces gold doré which is further refined by a third party. Revenue from gold doré is recognized when title is transferred, delivery is completed, and when the Company has reasonable assurance with respect to measurement and collectability.

(xii) Stock-based compensation

The Company has stock-based compensation plans, which are described in Note 14(b)(c). The Company accounts for all equity-settled stock-based payments based on the fair value.

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

The Company treats awards that call for settlement in cash, including share appreciation rights and performance awards, as liabilities. The value of these liabilities is re-measured at each reporting period at fair value. Any gains or losses on re-measurement are recorded in the consolidated statements of operations and comprehensive income (loss). For any changes in the estimated forfeiture of the awards, the accrued compensation cost will be adjusted in the period in which the change of estimate is determined.

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

(xiii) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. The dilutive effect of outstanding options and their equivalents are reflected in diluted earnings (loss) per share by the application of the treasury method. The computation of diluted earnings (loss) per share assumes conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share.



(xiv) Financial instruments - recognition and measurement:

The Company classifies all financial instruments as held-to-maturity, fair value through profit & loss (“FVTPL”), loans and receivables, available-for-sale, or other financial liabilities.

- Held-to-maturity financial assets are initially recognized at their fair values and subsequently measured at amortized cost using the effective interest method. Impairment losses are charged to earnings in the period in which they arise.
- FVTPL financial instruments are carried at fair value with changes in fair value charged or credited to earnings in the period in which they arise.
- Loans and receivables are initially recognized at their fair values, with any resulting premium or discount from the face value being amortized to earnings using the effective interest method. Impairment losses are charged to earnings in the period in which they arise.
- Available-for-sale financial instruments are carried at fair value with changes in the fair value charged or credited to other comprehensive income (loss). Impairment losses are charged to earnings in the period in which they arise.
- Other financial liabilities are initially measured at cost or amortized cost, net of transaction costs and any embedded derivatives that are not closely related to the financial liability, depending upon the nature of the instrument with any resulting premium or discount from the face value being amortized to earnings using the effective interest method.
- The following is a summary of the financial instruments outstanding and classifications as at December 31, 2014:

Cash and cash equivalents	- Loans and receivables
Other accounts receivable	- Loans and receivables
Derivative assets and liabilities	- FVTPL
Restricted cash	- Loans and receivables
Accounts payable and accrued liabilities	- Other financial liabilities
Notes payable	- Other financial liabilities
Other provisions	- Other financial liabilities
Option component of convertible notes	- FVTPL

The Company has used certain derivative financial instruments, principally forward sales contracts and commodity option contracts to manage commodity price exposure on gold sales, and forward foreign exchange contracts to manage exposure to changes in foreign exchange rates. Derivative financial instruments are used for risk management purposes and not for generating trading profits. Derivative instruments are recorded at fair value. Changes in the fair values of derivative instruments are recognized in interest income/expense in the consolidated statements of operations and comprehensive income (loss) with the exception of derivatives designated as effective cash flow hedges.



For cash flow hedges that qualify under the hedging requirements of IAS 39 Financial Instruments: Recognition and Measurement (“IAS39”), the effective portion of any gain or loss on the hedging instrument is recognized in OCI and the ineffective portion is reported as an unrealized gain (loss) on derivatives contracts in the consolidated statement of operations and comprehensive loss.

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

(xv) **Borrowing costs**

We capitalize interest or borrowing costs for qualifying assets. Qualifying assets are assets that require a significant amount of time to prepare for their intended use, including projects that are in the exploration and evaluation, development or construction stages. Qualifying assets also include significant expansion projects at our operating mines. Capitalized interest costs are considered an element of the cost of the qualifying asset which is determined based on gross expenditures incurred on an asset. Capitalization ceases when the asset is substantially complete or if active development is suspended or ceases.

Where the funds used to finance a qualifying asset form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to the relevant borrowings during the period. Where funds borrowed are directly attributable to a qualifying asset, the amount capitalized represents the borrowing costs specific to those borrowings. Where surplus funds available out of money borrowed specifically to finance a project are temporarily invested, the total capitalized interest is reduced by income generated from short-term investments of such funds.

b) **Accounting standards adopted during the year 2014**

- IFRIC 21 – Levies (“IFRIC 21”) - In May 2013, the IFRS Interpretations Committee (IFRIC), with the approval of the IASB, issued IFRIC 21 – Levies. IFRIC 21 provides guidance on when to recognize a liability to pay a levy imposed by government that is accounted for in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, and is to be applied retrospectively. The adoption of IFRIC 21 had no material impact on the Company’s audited consolidated financial statements.
- IAS 32 – Offsetting of Financial Instruments (“IAS 32”) - The amendments to IAS 32, Financial Instruments: Presentation, clarify the criteria that should be considered in determining whether an entity has a legally enforceable right of set off in respect of its financial instruments. Amendments to IAS 32 are applicable to annual periods beginning on or after January 1, 2014, with retrospective application required. There was no material impact on the Company’s audited consolidated financial statements upon adoption of these amendments.
- IAS 36 - Impairments of Assets (“IAS 36”) was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. There was no impact on the Company’s audited consolidated financial statements upon adoption of these amendments.

c) **Accounting standards issued but not yet effective**



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

- IFRS 9 Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments measured at fair value in OCI, and guidance on financial liabilities and derecognition of financial instrument.

The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

- IFRS 15 Revenue from Contracts with Customers was issued by IASB in May 2014. It specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2017. The impact of IFRS 15 on the Company's consolidated financial statements has not yet been determined.

5. Inventory

Inventory is comprised of the following:

	December 31, 2014	December 31, 2013
Raw material	\$2,524	\$2,852
Mine operating supplies	6,472	7,456
Ore in stockpiles	258	871
Gold in process	3,664	6,323
Unrefined gold at refinery	4,456	3,533
Finished goods (gold bullion)	1,801	2,045
Total Inventory	\$19,175	\$23,080

	2014	Year Ended December 31,	
		2013	2012
Inventory amounts recorded in production costs	\$88,324	\$85,156	\$118,205
Inventory amounts recorded in depletion and amortization	30,521	32,050	38,893

	2014	Year Ended December 31,	
		2013	2012
Inventory write down	\$1,566	\$3,463	\$1,825

6. Recoverable taxes



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	December 31, 2013	Additions/Reversals	Write-off and sales of credits	Applied to taxes payable	Foreign exchange	December 31, 2014
Value added taxes and other <sup>1</sup>	\$ 43,641	\$ 6,987	\$ (2,009 )	\$ - 17,059	\$ - 4,901	\$ 26,659
Provision for VAT and other <sup>2</sup>	(26,701 )	16,895	-	-	2,291	(7,515 )
Net VAT and other taxes	\$ 16,940	\$ 23,882	\$ (2,009 )	\$ (17,059 )	\$ (2,610 )	\$ 19,144
ICMS <sup>3</sup>	\$ 14,527	\$ 4,393	\$ (637 )	\$ (996 )	\$ (2,201 )	\$ 15,086
Reserve for ICMS <sup>3</sup>	(2,262 )	(134 )	-	-	148	(2,248 )
Net ICMS	\$ 12,265	\$ 4,259	\$ (637 )	\$ (996 )	\$ (2,053 )	\$ 12,838
Total recoverable taxes	\$ 29,205	\$ 28,141	\$ (2,646 )	\$ (18,055 )	\$ (4,663 )	\$ 31,982
Less: current portion	3,985					10,614
Non-current portion	\$ 25,220					21,368

Receivable from sales of ICMS tax credits <sup>4</sup>	\$ 5,866					\$ 889
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	December 31, 2012	Additions	Write-off and sales of credits	Applied to taxes payable	Foreign exchange	December 31, 2013
Value added taxes and other <sup>1</sup>	\$ 47,229	\$ 5,890	\$ -	\$ (3,412 )	\$ (6,066 )	\$ 43,641
Provision for VAT and other <sup>2</sup>	-	(26,701 )	-	-	-	(26,701 )
Net VAT and other taxes	\$ 47,229	\$ (20,811 )	\$ -	\$ (3,412 )	\$ (6,066 )	\$ 16,940
ICMS <sup>3</sup>	\$ 19,182	\$ 3,765	\$ (6,153 )	\$ -	\$ (2,267 )	\$ 14,527
Reserve for ICMS <sup>3</sup>	(2,922 )	(69 )	617	-	112	(2,262 )
Net ICMS	\$ 16,260	\$ 3,696	\$ (5,536 )	\$ -	\$ (2,155 )	\$ 12,265
Total recoverable taxes	\$ 63,489	\$ (17,115 )	\$ (5,536 )	\$ (3,412 )	\$ (8,221 )	\$ 29,205
Less: current portion	9,031					3,985
Non-current portion	\$ 54,458					\$ 25,220

1)The Company is required to pay certain taxes in Brazil that are based on purchases of consumables and property, plant and equipment. These taxes are recoverable from the Brazilian tax authorities through various methods, including as cash refund or as a credit against current taxes payable.

2)The Company recorded a provision against its recoverable taxes given limited methods available to recover such taxes and the length of time it will take to recover such taxes. The provision reduces the net carrying amount of

value added taxes and other taxes to their estimated present value based on the manner and timing of expected recovery, discounted at a rate of 12.95% (Brazilian Central Bank's Selic rate).

During 2014, the Company initiated procedures to obtain approval and/or refund of R\$29.1 million of Federal VAT input tax credits with respect to the years 2009 through 2011 for its MTL operating subsidiary. MTL is the operating subsidiary for the Turmalina Mine.

Following an extensive audit process by the Brazilian tax authorities, which was concluded in December 2014, 81.6% of the input tax credits were approved for refund. Out of the approved amount, 29.7% was applied as a credit to reduce other federal taxes payable for the years 2012 through 2014, while R\$16.7 million (approximately \$6.0 million) was refunded in cash to the Company, on February 6, 2015. The Company plans to request additional approvals and refunds of Federal VAT input tax credits for MTL for the years 2012 through 2014.

Separately, the Company also continues to pursue approval of Federal VAT input tax credits with respect to the years 2009 through 2011 for its MSOL operating subsidiary. MSOL is the operating subsidiary for the Caeté complex comprising the Pilar and Roça Grande mines. Additionally the Company plans to request additional approvals and refunds of Federal VAT input tax credits for MSOL for the years 2012 through 2014.

- 3) ICMS – Imposto sobre circulação de mercadorias e prestação de serviços is a type of value added tax which can either be sold to other companies (usually at a discount rate of approximately 13%) or be used to purchase specified machinery and equipment. The ICMS credits can only be realized in the state where they were generated; in the case of Jaguar, in the State of Minas Gerais, Brazil.
- 4) Recorded as part of Other accounts receivable is \$889,000 related to ICMS tax credits sold to and still receivable from other companies (December 31, 2013 - \$5.9 million).

## 7. Property, plant and equipment ("PP&amp;E")

	Plant	Vehicles	Equipment	Leasehold1	CIP2	Mining properties	Total
Cost							
Balance as at							
January 1, 2014	\$15,717	\$13,793	\$230,879	\$2,380	\$3,150	\$333,731	\$599,650
Additions	-	449	3,182	-	2,351	21,667	27,649
Disposals	(3,755 )	(2,797 )	(5,429 )	-	(346 )	-	(12,327 )
Reclassify within PP&E	1,533	77	1,069	-	(2,679 )	-	-
Reclassify to MP	-	-	-	-	-	(1,782 )	(1,782 )
Balance as at December 31, 2014	\$13,495	\$11,522	\$229,701	\$2,380	\$2,476	\$353,616	\$613,190
Balance as at							
January 1, 2013	\$15,680	\$13,634	\$232,442	\$2,364	\$2,393	\$318,470	\$584,983
Additions	19	156	2,199	16	3,421	15,261	21,072
Disposals	-	(131 )	(8,088 )	-	(397 )	-	(8,616 )
Transfer from assets held for sale	-	134	1,680	-	397	-	2,211
Reclassify within PP&E	18	-	2,646	-	(2,664 )	-	-
Balance as at December 31, 2013	\$15,717	\$13,793	\$230,879	\$2,380	\$3,150	\$333,731	\$599,650
Accumulated amortization and impairment							
Balance as at							
January 1, 2014	\$10,891	\$9,575	\$132,766	\$1,459	\$-	\$289,007	\$443,698
Amortization for the period	923	1,842	16,308	464	-	10,756	30,293
Impairment loss	3,275	50	58,740	-	1,142	23,635	86,842
Disposals	(3,812 )	(2,233 )	(5,371 )	-	-	-	(11,416 )
Balance as at December 31, 2014	\$11,277	\$9,234	\$202,443	\$1,923	\$1,142	\$323,398	\$549,417
Balance as at							
January 1, 2013	\$9,338	\$7,634	\$118,466	\$994	\$-	\$147,168	\$283,600
Amortization for the year	1,077	1,932	16,074	465	-	14,540	34,088
Impairment loss	1,192	-	-	-	-	127,299	128,491
Disposals	(716 )	(81 )	(2,761 )	-	-	-	(3,558 )
Transfer from assets held for	-	90	987	-	-	-	1,077



sale							
Balance as at December 31, 2013	\$10,891	\$9,575	\$132,766	\$1,459	\$-	\$289,007	\$443,698

Carrying amounts							
As at December 31, 2014	\$2,218	\$2,288	\$27,258	\$457	\$1,334	\$30,218	\$63,773
As at December 31, 2013	\$4,826	\$4,218	\$98,113	\$921	\$3,150	\$44,724	\$155,952

1Refers to leasehold improvements in corporate office in Brazil.

2Refers to Construction in progress.

As at December 31, 2014, mining properties include the following properties which are in production, or are under development:

a) Turmalina project

The terms of the acquisition of MTL included a royalty payable by the Company to an unrelated third party. The royalty is a net revenue interest of 5% of annual net revenue up to \$10 million and 3% thereafter.

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

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

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

On November 21, 2007, the Company reached an agreement with AngloGold whereby it transferred Zone C to AngloGold for an agreed upon value of \$8.1 million. Part of the purchase price was satisfied by the settlement of \$350,000 in existing liabilities payable by MSOL to AngloGold. The remaining balance will be paid through a reduction of future royalty payments on the sliding scale NSR for the properties purchased from AngloGold in 2003. MSOL will not be required to make royalty payments on the equivalent of approximately 280,000 ounces of gold. As at December 31, 2007, the Company recorded a gain of \$381,000 based on the difference between the carrying value of Zone C and the amount of the liabilities settled in the transaction. Since the future royalty payments are contingent on the production and sale of gold at the related properties, the Company is recognizing additional gains over the life of the mine as the royalty obligation is reduced. Since the Paciência operation was placed on temporary care and maintenance in May 2012, no gains were recorded during the year ended December 31, 2013 (2012 - additional gains of \$400,000 were recognized relating to this property).

c) Caeté Project - Roça Grande and Pilar mines

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

d) Impairment

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

An impairment loss is recognized when the carrying amount exceeds the recoverable amount. The recoverable amount of the properties was determined using a fair value less cost of disposal approach (“FVLCD”). FVLCD for the properties was determined by considering the net present value of future cash flows expected to be generated by the properties. Net future cash flows were derived from life of mine plans for the properties. The following significant assumptions were used to value the properties:

Discount rate: 9.87%

Gold price: year 2015 - \$1,200

year 2016 onwards - \$1,300



Expected future cash flows used to determine the FVLCD used in the impairment testing of the Paciência, Turmalina and Caeté projects are inherently uncertain and could materially change over time. The cash flows are significantly affected by a number of factors including estimates of production levels, operating costs and capital expenditures reflected in the life of mine plans, as well as economic factors beyond management's control, such as gold prices and discount rates. Should management's estimate of the future not reflect actual events, further impairments may be identified or reversal of the existing impairment may occur.

During the year ended December 31, 2014, the Company performed its impairment test based on current estimates of recoverable mineral reserves and mineral resources and the gold price. This resulted in an impairment charge of \$88.9 million, related to the Caeté project (2013 - \$145.5 million, being \$37.3 million related to the Paciência project, \$18.7 million related to the Turmalina project and \$89.5 million for the Caeté project). This has resulted in Caeté having a zero net book value as at December 31, 2014 (\$92.6 million as at December 31, 2013).

The impairment charge of \$88.9 million for the year ended December 31, 2014 was allocated to the following balance sheet lines: \$86.8 million to property, plant and equipment and \$2.1 million to mineral exploration projects (2013 - \$128.5 million was allocated to property, plant and equipment and \$17.0 million was allocated to mineral exploration projects).

During the year ended December 31, 2012, the Company recorded impairment charges in the amount of \$90.1 million for the Paciência property and \$12.9 million for the Turmalina property. The total impairment charge for the year ended December 31, 2012 was \$103.0 million, \$91.6 million allocated to property, plant and equipment and \$11.4 million allocated to mineral properties.

8. Mineral exploration projects

	Gurupi	Turmalina	Caeté	Pedra Branca	Total
Balance as at January 1, 2014	\$67,494	\$-	\$-	\$391	\$67,885
Additions	645	-	314	14	973
Reclass from PP&E	-	-	1,782	-	1,782
Impairment loss	Note 7(d)	-	(2,096 )	-	(2,096 )
Balance as at December 31, 2014	\$68,139	\$-	\$-	\$405	\$68,544
Balance as at January 1, 2013	\$67,126	\$-	\$16,910	\$39	\$84,075
Additions	368	82	4	352	806
Impairment loss	Note 7(d)	(82 )	(16,914 )	-	(16,996 )
Balance as at December 31, 2013	\$67,494	\$-	\$-	\$391	\$67,885

a) Caeté

The project includes the following properties: Pilar-sulphide, Catita-sulphide, Camará, Roça Grande, Serra Paraíso-sulphide, Juca Vieira and Trindade. The Roça Grande and Pilar mines are included in property, plant and equipment.

b) Gurupi



Jaguar has a 100% equity ownership of MCT, which holds all of the mineral licenses for the Gurupi Project, a gold project located in the state of Maranhão, Brazil.

c) Pedra Branca

The Company is engaged in gold exploration at a green field site, the Pedra Branca Project (the “Project”), in the State of Ceará in Northeastern Brazil, covering 87,000 acres. The Project previously was a joint venture with Glencore Xstrata plc. (formerly known as Xstrata plc.) On March 7, 2012, Jaguar executed a binding Memorandum of Understanding (“MOU”) with Glencore Xstrata plc. to acquire the remaining 40% interest in the Project. In accordance with the terms of the MOU, Jaguar committed to (a) a cash consideration in the amount of \$400,000; (b) a NSR of 1.00% payable to Xstrata on future gold production; and (c) rights of first refusal on any Base Metal Dominant Deposit (as defined in the MOU) discovered. Upon such discovery, Glencore Xstrata plc. may elect to form a new company owned 30% by MSOL and 70% by Glencore Xstrata plc., by paying 300% of MSOL’s exploration expenditures incurred exclusively on the relevant Base Metal Dominant Area of the property.

## 9. Accounts payable and accrued liabilities

	December 31, 2014	December 31, 2013
Accounts payable (suppliers)	\$9,212	\$9,237
Accrued payroll	6,483	7,730
Interest payable	72	7,468
Others	282	216
<b>Total accounts payable and accrued liabilities</b>	<b>\$16,049</b>	<b>\$24,651</b>

## 10. Notes payable

	December 31, 2014	December 31, 2013
Notes payable - current portion		
Bank indebtedness (a)	\$14,954	\$15,667
Vale note (b)	458	1,909
Renvest credit facility (e)	14,001	30,000
4.5% convertible notes (c)	-	165,000
5.5% convertible notes (d)	-	103,500
	29,413	316,076
Notes payable - non-current portion		
Bank indebtedness (a)	-	183
Vale note (b)	1,538	5,728
	1,538	5,911
<b>Total notes payable</b>	<b>\$30,951</b>	<b>\$321,987</b>
Fair value of notes payable	\$30,951	\$53,487

## f) Bank indebtedness

As at December 31, 2014, bank indebtedness includes \$191,000 of notes payable secured by equipment. The notes bear interest at 6.35% and are repayable semi-annually over the life of the note. The notes mature August 2015 (2013 - \$378,000, maturing August 2015 at interest rate of 6.35%).

Bank indebtedness also includes \$14.8 million of unsecured promissory notes with maturities from January 2015 to August 2015. The notes bear interest at 4.5% to 8.0% (2013 - \$15.5 million, maturing from March 2014 to August 2014 at interest rates of 5.0% to 7.2%).

## g) Vale note

The Vale note was generated in 2008, by the purchase of mineral rights regarding the Caeté Project for \$13.3 million ("Vale Purchase Agreement"). Payment under the Vale Purchase Agreement was subject to satisfaction of certain conditions including perfection of the transfer of the mineral rights before the Departamento Nacional de Produção Mineral ("DNPM"). During 2010, the Company paid \$3.2 million. In November 2014 the agreement was amended whereby the Company agreed to waive certain mineral rights expected to be transferred under the purchase agreement

as they had not been duly conveyed. Accordingly, the outstanding indebtedness amount was reduced from \$9.0 million to \$3.0 million, payable in twelve installments of \$250,000, maturing December and July of every year, until fully paid in 2020. The first installment was paid in December 2014. The balance outstanding as at December 31, 2014 was \$2.8 million (\$ 9.0 million as at December 31, 2013).



The note payable is recognized at its fair value of \$2.0 million and the discount of \$754,000, is being accreted using the effective interest method.

h) 4.5% convertible notes

On April 22, 2014, the Company had successfully implemented the CCAA Plan. The CCAA Plan resulted in the extinguishment of the obligations of the 4.5% convertible notes. Please refer to Note 2.

i) 5.5% convertible notes

On April 22, 2014, the Company had successfully implemented the CCAA Plan. The CCAA Plan resulted in the extinguishment of the obligations of the 5.5% convertible notes. Please refer to Note 2.

j) Renvest Credit Facility

The original Facility was in the amount of \$30.0 million. As disclosed in Note 2, in connection with the implementation of the CCAA Plan, certain amendments were made to the Facility, including the division of the Facility into Facility A and B. The transaction costs related to these amendments totaled \$1.0 million and were included in restructuring fees in the consolidated statements of operations and comprehensive income (loss).

The features of Facility A and B are as follows:

Facility A

This facility, in the amount of \$5.0 million, includes a conversion feature whereby the holder can convert the debt into common shares of the Company at the greater of \$200.0 million divided by the total number of fully diluted issued and outstanding common shares and Cdn\$0.91. This conversion feature meets the accounting definition of a derivative instrument.

The Company performed a valuation of this feature to determine its fair value at inception and subsequently revalued it on December 31, 2014. As at December 31, 2014 there is \$3,000 recorded as current liability (\$nil as at December 31, 2013). The change in the fair value for the year ended December 31, 2014, in the amount of \$343,000 was recorded as a gain on conversion option embedded in convertible debt as financial instruments gain in the consolidated statements of operations and comprehensive income (loss) (December 31, 2013 - \$nil).

The estimated fair value of the derivative liability is classified as level 2 and was determined using the Black-Scholes model, with the following assumptions:

Black-Scholes model	Assumptions	
Remaining contractual life	1 year	
Interest rate	11	%
Volatility	70	%
Risk free rate	1.02	%
Share price	\$ 0.28	
Conversion price	\$ 1.79	

The embedded derivative will be revalued and marked to market at each subsequent balance sheet date with the resulting difference being recorded as a gain or loss in the consolidated statements of operations and comprehensive income (loss). The debt discount will be accreted over the life of the convertible debt using the effective interest method.

This facility bears interest at 11% per annum and matures on December 31, 2015.

#### Facility B

This non-revolving facility is in the amount of \$25.0 million. As described in Note 2, \$10.0 million was repaid immediately and \$400,000 of the \$1.0 million of transaction costs was capitalized to the Facility. The Company performed a valuation of the debt to determine its fair value at inception. The debt discount will be accreted over the life of the debt using the effective interest method.

This facility bears interest at 11% per annum, repayable \$1.0 million plus accrued interest per month, which commenced in July 2014 and matures on December 31, 2015.

Security for Facility A and Facility B is provided by security agreements comprising all the Company's and its subsidiaries' present and future assets, the shares of the Company's subsidiaries and loan guarantees by the Company's subsidiaries. Facility A and Facility B require among other things that the Company adhere to specific financial covenants. As at December 31, 2014, the Company was in compliance with these covenants.

#### 11. Income taxes

##### a) Income tax expense

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

	December 31, 2014	December 31, 2013	December 31, 2012
Current income tax recovery	\$(9 )	\$(921 )	\$(466 )
Deferred income tax expense	2,737	572	(1,302 )
Total income tax expense (recovery)	\$2,728	\$(349 )	\$(1,768 )

##### b) Tax rate reconciliation

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



	December 31, 2014	December 31, 2013	December 31, 2012
Income (loss) before income taxes	\$133,591	\$(249,656 )	\$(86,305 )
Combined federal and provincial income tax rate	26.50 %	26.50 %	26.50 %
Expected income tax expense (recovery)	\$35,402	\$(66,159 )	\$(22,871 )
Increase (decrease) in tax expense resulting from:			
Foreign exchange	18,653	14,369	8,762
Change in benefit of non-capital losses not recognized	(21,274 )	5,290	28,364
Change in benefit of other temporary differences not recognized	26,373	55,329	11,980
Difference in foreign tax rate and Canadian tax rate	(9,813 )	(15,216 )	(11,766 )
Gain on debt extinguishment	(44,471 )	-	-
Other non-deductible (taxable) expense	(2,508 )	4,948	(17,453 )
Withholding tax on intercompany interest	366	1,090	1,216
Income tax expense (recovery)	\$2,728	\$(349 )	\$(1,768 )

c) Deferred tax assets

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

NOT INCLUDED IN EITHER EXCEL FILE

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

d) Tax losses

As at December 31, 2014, the Company's non-capital losses that can be applied against future taxable profit amount to \$8.5 million and expire on year 2034 (2013 - \$96.1 million). The reduction of the available income tax losses carried forward and other tax attributes was due to the impacts of implementing the CCAA Plan, mentioned in Note 2.

The Company also has non-capital losses of \$121.3 million (equivalent to R\$322.3 million) in Brazil which can be carried forward indefinitely, however only 30% of taxable income in one year can be applied against the loss carry-forward balance.

e) Movement in net deferred tax liabilities

NOT INCLUDED IN EITHER EXCEL FILE

f) Recognized deferred tax assets and liabilities

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

NOT INCLUDED IN EITHER EXCEL FILE

12. Reclamation provisions

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The reclamation provisions relate to the cost to reclaim land that has been disturbed as a result of mining activity. The estimated future cash flows have been discounted using a rate of 12.28% and the inflation rate used to determine future expected cost ranges from 4.5% to 6.8% per annum.

The Company expects to spend approximately \$32.1 million (amount not discounted or adjusted for inflation) which will be incurred between 2015 and 2026 to reclaim the areas explored (2013 - \$21.3 million).

13. Other provisions and liabilities

Various legal, environmental, tax and regulatory matters are outstanding from time to time due to the nature of the Company's operations. In the event that management's estimate of the future resolution of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

As at December 31, 2014, the Company has recognized a provision of \$16.6 million (December 31, 2013 - \$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.

	December 31, 2013	Additions (Reversals)	Payments	Foreign exchange	December 31, 2014
Labour litigation	\$ 5,156	\$ 12,266	\$ (2,104 )	\$ (827 )	\$ 14,491
Civil litigation	1,861	488	(396 )	(393 )	1,560
Other provisions	968	(370 )	(44 )	-	554
	\$ 7,985	\$ 12,384	\$ (2,544 )	\$ (1,220 )	\$ 16,605

	December 31, 2012	Additions (Reversals)	Payments	Foreign exchange	December 31, 2013
Labour litigation	\$ 2,500	\$ 3,751	\$ (470 )	\$ (625 )	\$ 5,156
Civil litigation	1,727	374	-	(240 )	1,861
Other provisions	569	530	-	(131 )	968
	\$ 4,796	\$ 4,655	\$ (470 )	\$ (996 )	\$ 7,985

On July 30, 2013, Daniel R. Titcomb ("Titcomb"), the Company's former President and Chief Executive Officer, and a group of former officers, a former Director and a former related party (Brazilian Resources Inc. - "BZI", a company of which Titcomb is a Director) ("Plaintiffs"), filed a complaint (the "Complaint") in New Hampshire against the Company and selected current and former directors (the "Named Directors") of the Company. Among other items, the Complaint alleges wrongful termination of Titcomb on December 6, 2011 and mismanagement of the strategic review process regarding the possible change of control of Jaguar which ended May 8, 2012.

On November 21, 2013, the Company and the named directors filed motions to dismiss various aspects of the Complaint on a number of grounds (the "Motions to Dismiss").

On December 27, 2013, the Plaintiffs filed a motion to (i) stay the Complaint until the Ontario Superior Court of Justice (Commercial List) lifts the stay in the CCAA proceeding or the CCAA proceeding is concluded; and (ii) stay and suspend the deadline for the Plaintiffs to respond to the Motions to Dismiss. The Company and the Named Directors did not object to this motion. An order granting the requested stay was issued by the U.S. District Court for the District of New Hampshire on December 30, 2013.

On February 5, 2014, the Company entered into an agreement with the plaintiffs providing, among other things, that upon implementation of the CCAA Plan, the plaintiffs shall have no right to, and shall not, make any claim or seek any recoveries under the Complaint, other than enforcing such Plaintiffs' rights, if any, to be paid from the proceeds of an enumerated company or director and officer insurance policy by the applicable insurers. The Company agreed that, upon implementation of the CCAA Plan and if requested by the plaintiffs in the Complaint, it would withdraw its counterclaims against the plaintiffs in the Complaint.

On April 22, 2014, the CCAA Plan was implemented, thereby giving effect to the February 5, 2014 agreement between the Company and the Plaintiffs. The Plaintiffs have not at this time requested that the Company withdraw its counterclaims against them.

On August 15, 2014, as required by the Canadian settlement agreement, Titcomb filed an amended complaint against the Company and the former directors named in the original suit in the federal court in New Hampshire. That claim was intended to be limited to Titcomb's employment claims, but Titcomb also included aspects of the claims relating to the strategic review process. The Company will move to dismiss those additional claims. On September 30, 2014,

the Company filed an amended answer for the Company and the directors. Again, as required in the Canadian settlement, the Company dropped its counterclaim. No discovery has been taken in that action as of this date. The Company has been informed that the Plaintiffs filed a Notice of Action with the Ontario Superior Court of Justice (Commercial List) on May 7, 2014. The Notice of Action is subject to the terms of the February 5, 2014 agreement and the CCAA Plan. The Complaint in the Canadian action was served in late 2014. No accrual has been recorded with respect to the Complaint or the Notice of Action.

## 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 years ended December 31, 2014 and 2013 are as follows:

		Number of shares	Amounts
Balance as at January 1, 2014		86,396,356	\$371,077
Share consolidation	Note 2	(85,396,429 )	-
Balance as at April 22, 2014		999,927	\$371,077
Shares issued for:	Note 2		
In exchange for the Notes		19,000,000	13,388
Offering		70,955,797	50,000
Accrued interest		9,044,203	6,373
Backstop commitment		11,111,111	7,830
Issuance cost		-	(14,203 )
Balance as at December 31, 2014		111,111,038	\$434,465
Balance as at January 1, 2013		84,409,648	\$370,043
Shares issued <sup>1</sup>		1,986,708	1,034
Balance as at December 31, 2013		86,396,356	\$371,077

1) On January 14, 2013, 100,000 inducement shares, valued at \$69,000, were granted to a new employee. On January 25, 2013, 570,919 shares, valued at \$491,000, were granted to the Lender upon the initial drawdown of \$5.0 million of the Facility. On June 26, 2013, 1,315,789 shares, valued at \$474,000, were granted to the Lender upon the subsequent drawdown of \$25.0 million of the Facility (Note 10(e)). These shares, together with all the other shares outstanding prior to April 22, 2014 were consolidated at a ratio of (1) post-consolidation common share for each 86.39636 pre-consolidation common shares (Note 2).

No shares were issued during 2012.

## b) Stock options

In connection with the implementation of the CCAA Plan, equity based compensation arrangements existing immediately prior to the implementation of the CCAA Plan, including the stock options were cancelled.

On April 22, 2014 the Board approved a new 10% rolling stock option plan (the "New Stock Option Plan"), which was approved by disinterested shareholders of the Company at the Company's annual general meeting of shareholders ("AGM"), held on June 25, 2014.

The following table shows the roll-forward and the stock options outstanding as at December 31, 2014:



	Number of options	Weighted Average Exercise Price (Cdn\$)
Options		
Balance as at January 1, 2014	1,604,028	\$ 0.98
Options cancelled (CCAA plan implementation)	(1,604,028)	(0.98 )
Issued during the year	2,679,735	1.35
Balance as at December 31, 2014	2,679,735	\$ 1.35
Balance as at January 1, 2013	1,836,250	\$ 2.52
Issued during the year	277,778	0.55
Options forfeited	(70,000 )	6.28
Options expired	(440,000 )	6.28
Balance as at December 31, 2013	1,604,028	\$ 0.98
Balance, January 1, 2012	4,005,000	7.13
Issued during the year	1,326,250	1.07
Options expired	(3,495,000)	7.25
Balance, December 31, 2012	1,836,250	\$ 2.52

The stock options vest from two to three years and are exercisable over five to eight years.

The following table is a summary of stock options granted during 2014, the fair values and the assumptions used in the Black-Scholes option pricing formula:

	Number of options	Exercise Price (Cdn\$)	Dividend yield	Risk-free interest rate	Forfeiture rate	Expected life (years)	Volatility factor	Fair value
Stock options granted in 2014	2,679,735	\$1.35	-	1.36 %	0 %	3.87	75	% \$0.33
Stock options granted in 2013	277,778	\$0.55	-	1.09 %	0 %	2.90	82	% \$0.27
Stock options granted in 2012	1,326,500	\$1.07	-	1.25 %	0 %	3.00	80	% \$0.71

For the year ended December 31, 2014 the Company recognized \$635,000 in stock based compensation expense for stock options in the consolidated statements of operations and comprehensive income (loss) (December 31, 2013 - \$403,000). Stock compensation expense of \$531,000 is included in stock-based compensation for the year ended December 31, 2012

c) Deferred share units – “DSUs”

In connection with the implementation of the CCAA Plan, equity based compensation arrangements existing immediately prior to the implementation of the CCAA Plan, including the DSU plan, which had been accounted for as cash-settled awards, were cancelled.

On April 22, 2014 the board of directors of the Company approved a new deferred share unit plan (the “DSU Plan”), which was approved by disinterested shareholders of the Company at the Company's AGM in June 2014. The purpose of the DSU Plan is to assist the Company in the recruitment and retention of qualified persons to serve as employees of the Company and to align the interests of such employees with the long-term interests of the shareholders of the Company.

The Company has the option to settle the DSUs in cash or equity. The plan is accounted for as equity-settled. The fair value of the DSUs is established based on market price of the Company's common share and the vesting period is generally from two to three years.

The following table shows the roll-forward and the DSUs outstanding as at December 31, 2014:

	Number of units	Weighted Average Fair Value
Balance as at January 1, 2014	163,392	\$0.05
Units cancelled (CCAA plan implementation)	(163,392 )	0.05
Issued during the period	1,600,566	0.81
Balance as at December 31, 2014	1,600,566	\$0.81
Balance as at January 1, 2013	273,479	0.74
Issued during the period	-	-
Units cancelled	(110,087 )	0.16
Balance as at December 31, 2013	163,392	\$0.05

For the year ended December 31, 2014 the Company had recognized \$922,000 in stock based compensation expense for DSUs in the consolidated statements of operations and comprehensive income (loss) (December 31, 2013 - \$146,000 recovery).

d) Hedging reserve

The hedging reserve represents hedging gains and losses recognized on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognized in other comprehensive income until the transaction is settled at which time the gain or loss is recognized in the consolidated statements of operations.

Included in the hedging reserve, in the consolidated statements of changes in shareholders' equity for the year ended December 31, 2014 is an unrealized loss of \$197,000 (December 31, 2013 – unrealized gain of \$508,000). An aggregate realized gain in the amount of \$140,000 has been recorded in the consolidated statements of operations and comprehensive income (loss) for the year ended December 31, 2014 (2013 – realized gains of \$65,000). The following are the outstanding contracts as at December 31, 2014:

Settlement Date	Ounces Hedged	Average US\$ per ounce	Unrealized gain (loss)
January 15, 2015	2,500	\$1,200	\$2
January 30, 2015	6,000	1,171	(168 )
February 27, 2015	2,000	1,184	(31 )
Total	10,500	\$1,180	\$(197 )

15. Basic and diluted earnings per share

Dollar amounts and share amounts in thousands, except per share amounts. All share and per share data presented below reflect the impact of the share consolidation disclosed in Note 2.



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	Year Ended December 31,		
	2014	2013	2012
<b>Numerator</b>			
Net income (loss)	\$ 130,863	\$(249,307 )	\$(84,537 )
<b>Adjustment</b>			
Convertible option Renvest Credit Facility	172	-	-
Net income (loss) for the purpose of diluted income (loss) per share	\$ 131,035	\$(249,307 )	\$(84,537 )
<b>Denominator</b>			
Weighted average number of common shares outstanding - basic	77,323,349	992,118	977,004
Convertible option Renvest Credit Facility	1,936,175	-	-
Deferred share units	738,443	-	-
Weighted average number of common shares outstanding - diluted	79,997,967	992,118	977,004
Basic income (loss) per share	\$ 1.69	\$(251.29 )	\$(86.53 )
Diluted income (loss) per share	\$ 1.64	\$(251.29 )	\$(86.53 )

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 and convertible notes since they are anti-dilutive:

	Year Ended December 31,		
	2014	2013	2012
Options	1,853,218	1,720,139	2,921,000
Convertible notes	-	26,650,000	26,650,000
Antidilutive shares	1,853,218	28,370,139	29,571,000

16. Production costs

	Year Ended December 31,		
	2014	2013	2012
Direct mining and processing costs	(84,717 )	\$(82,903 )	\$(113,458 )
Royalty expense and CFEM taxes	(3,607 )	(2,253 )	(4,747 )
Inventory write-down	(1,566 )	(3,463 )	(1,825 )
Other	(541 )	(685 )	(7,821 )
Total cost of production	\$ (90,431 )	\$(89,304 )	\$(127,851 )
Depletion and amortization	\$ (30,521 )	\$(32,050 )	\$(38,893 )

17. Adjustment to legal provision and VAT taxes

		Year Ended December 31,	
		2014	2013
Legal provisions	Note 13	\$ 13,600	\$ 8,471
Changes in provision against recoverability of VAT and other taxes	Note 6	(16,895 )	26,701
Total adjustment to legal provisions and VAT taxes		\$(3,295 )	\$ 35,172

18. Impairment charges



		Year Ended December 31,		
		2014	2013	2012
Impairment on PP&E	Note 7	\$86,842	128,491	91,596
Impairment on mineral exploration projects	Note 8	2,096	16,996	11,401
Total impairment charges		\$88,938	\$145,487	\$102,997

## 19. Financial instrument gain

		Year Ended December 31,		
		2014	2013	2012
Gain on debt extinguishment	Note 2	\$(265,566 )	\$-	\$-
Gain on Vale note ammendment	Note 10(b)	(6,769 )	-	-
Gain on derivatives		(140 )	(543 )	(720 )
Gain on conversion option embedded in convertible debt		(343 )	(4,458 )	(75,473 )
Total financial instruments gain		\$(272,818 )	\$(5,001 )	\$(76,193 )

## 20. Finance costs

		Year Ended December 31,		
		2014	2013	2012
Interest expense		\$9,220	\$54,851	28,511
Accretion (reclamation)		3,259	(604 )	3,585
Total finance costs		\$12,479	\$54,247	\$32,096

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:

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NOT INCLUDED IN EITHER EXCEL FILE

1 The Company has the contractual right to cancel the mine operation contracts with 30 days advance notice. The amount included in the commitments table represents the contractual amount due within 30 days.

2 Reclamation provisions are not adjusted for inflation and are not discounted.



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 or issue new equity.

The capital structure of the Company consists of notes payable (Note 10) and all of the components of shareholders' equity.

The Company is not subject to externally imposed capital requirements.

23. Financial risk management and financial instruments

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

b) Credit risk

Credit risk arises from cash held with banks, derivative financial instruments with positive fair values and credit exposure to customers. The credit risk is limited to the carrying amount on the statement of financial position.

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

c) Liquidity risk

As at December 31, 2014, the Company had a working capital deficiency of \$23.2 million and an accumulated deficit of \$352.8 million. The Company realized a profit for the year ended December 31, 2014 amounting to \$130.9 million, primarily as a result of the gain on debt extinguishment as a result of the implementation of the CCAA Plan. The Company's financial liabilities and other commitments are listed in Note 21.

The Company will need to refinance/restructure its current debt and obtain additional financing in order to meet its near-term operating cash requirements, debt payments and sustaining capital expenditures. See Note 2.

d) Derivative financial instruments

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



The Company entered into forward contracts to hedge against the risk of declining gold prices for a portion of its forecasted gold sales. The unrealized loss in the amount of \$197,000 is recorded as derivative liability (2013 – an unrealized gain of \$508,000 recorded as derivative asset). Included in the consolidated statements of operations and comprehensive income (loss) are realized gains of \$140,000 (2013 – realized gains of \$65,000). The outstanding contracts as at December 31, 2014 are disclosed on Note 14(d).

e) 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, and deferred compensation liabilities.

The exposure of the Company's financial assets and liabilities (and certain other assets and liabilities) to currency risk is as follows, as at December 31, 2014:

	Denominated in Brazilian reais	Denominated in Canadian dollars
Financial assets		
Cash and cash equivalents	\$ 2,899	\$ 538
Recoverable taxes	30,825	1,343
Other accounts receivable	1,636	-
Prepaid expenses and advances	1,985	-
Total financial assets	\$ 37,345	\$ 1,881
Financial liabilities		
Accounts payable and accrued liabilities	14,962	667
Deferred income taxes	8,338	-
Reclamation provision	21,374	-
Other provision and liability	16,606	-
Total financial liabilities	61,280	667
Net financial assets/(liabilities)	\$ (23,935 )	\$ 1,214

The table below summarizes a sensitivity analysis for significant unsettled currency risk exposure with respect to the Company's financial instruments (and certain other assets and liabilities) as at December 31, 2014 and 2013 with all other variables held constant. It shows how income before taxes would have been affected by changes in the relevant risk variables that were reasonably possible at that date.

Exchange Rates	Change for Sensitivity Analysis	Gain/(loss) of change to 2014 Foreign Exchange	Gain/(loss) of change to 2013 Foreign Exchange
USD per Brazilian reais	10% increase	\$ 2,176	\$ (1,884 )
USD per Brazilian reais	10% decrease	(2,176 )	1,884
USD per Canadian dollar	10% increase	(110 )	(121 )
USD per Canadian dollar	10% decrease	110	121

f) 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 100% of its debt with interest rates ranging from 0% to 11.0% per annum (2013 – 0% to 11.0% per annum).

## g) Price risk

The Company is exposed to price risk with respect to gold prices on gold production. The Company entered into hedge contracts during 2014 to manage this risk. As at December 31, 2014, the Company had 10,500 ounces of gold hedged (Note 14(d)) (2013 – 3,589 ounces).

## h) Financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In assessing the fair value of a particular contract, the market participant would consider the credit risk of the counterparty to the contract. Consequently, when it is appropriate to do so, the Company adjusts its valuation models to incorporate a measure of credit risk.

The fair value of the following financial assets and liabilities approximate their carrying amount due to the limited term of these instruments:

- e. Cash and cash equivalent
- f. Other accounts receivable
- g. Accounts payable and accrued liabilities
- h. Other provisions

The fair value of the notes payable is based on their market price, if available, and it is disclosed in Note 10.

Fair value estimation:

IFRS 7 Financial Instruments - Disclosures prescribes the following three-level fair value hierarchy for disclosure purposes based on the transparency of the inputs used to measure the fair values of financial assets and liabilities:

- a. Level 1 – quoted prices (unadjusted) of identical instruments in active markets that the reporting entity has the ability to access at the measurement date.
- b. Level 2 – inputs are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- c. Level 3 – one or more significant inputs used in a valuation technique that are unobservable for the instruments. Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

The fair value of the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis as at December 31, 2014 and December 31, 2013 are as follows:

	Level 1	Level 2	Level 3
December 31, 2014			
Derivative liabilities	\$-	\$197	\$-
Option component of Renvest Credit Facility	-	3	-
December 31, 2013			
Derivative assets	\$-	\$508	\$-

The valuation techniques that are used to measure fair value are as follows:



Derivative:

The fair value of derivative contracts is based on quoted market prices for comparable contracts and represents the amount the Company would have received from, or paid to, a counterparty to unwind the contract at the quoted market rates in effect at the consolidated balance sheet date and therefore derivative contracts are classified within Level 2 of the fair value hierarchy.

Option component of Renvest Credit Facility:

The fair value of the option component of Renvest Credit Facility is determined using the Black-Scholes model, as disclosed on Note 10(e).

24. Related party transactions

a) Transactions with directors and key management

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

Key management personnel are defined as the executive officers of the Company including the President and Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Corporate Secretary.

During 2014 and 2013, remuneration to directors and key management personnel were as follows:

- Compensation of directors

Compensation of directors comprised:

	Year Ended December 31,		
	2014	2013	2012
Fees earned and other compensation <sup>1</sup>	\$518	\$512	638
Share based compensation	197	(117 )	(1,385 )
Total compensation of directors	\$715	\$395	\$(747 )

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

- Compensation of key management personnel

Compensation of key management personnel comprised:





		Year Ended December 31,	
	2014	2013	2012
Salary earned and other compensation	\$2,655	\$1,969	\$1,395
Post-employment benefits	-	-	7
Share-based compensation	1,356	381	(324)
	\$4,011	\$2,350	\$1,078

b) Other related party transactions

The Company incurred legal fees from Azevedo Sette Advogados (“ASA”), a law firm where Luis Miraglia, a director of Jaguar is a partner. Fees paid to ASA are recorded at the exchange amount – being the amount agreed to by the parties and included in administration expenses in the statements of operations and comprehensive loss – and amount to \$51,000 for the year ended December 31, 2014 (2013 - \$149,000 and 2012 - \$47,000).

The Company also incurred legal fees from Goodmans LLP (“Goodmans”), a law firm where Robert Chadwick, a director of Jaguar is a partner. Fees paid to Goodmans are recorded at the exchange amount – being the amount agreed to by the parties and included in restructuring fees in the statements of operations and comprehensive loss – and amount to \$113,000 since April 22, 2014 (date when Robert Chadwick became a director) until December 31, 2014 (2013 - \$nil and 2012 - \$nil).

The Company incurred consulting expenses from Hermann Consulting Inc. (“Hermann”), a company owned by Fred Hermann, a former director of Jaguar. Fees paid to Hermann were recorded at the exchange amount – being the amount agreed to by the parties and included in administration expenses in the statements of operations and comprehensive loss – and amounted to \$83,000 for the year ended December 31, 2014 (2013 - \$397,000 and 2012 - \$120,000).

25. Subsequent event

On February 27, 2015, Jaguar announced that its board of directors (the "Board") has formed a special committee ("Special Committee") to initiate a strategic review process to explore alternatives for the enhancement of shareholder value. As such, the Special Committee appointed Origin Merchant Partners as its exclusive financial advisor in conjunction with the process. The review will consider various alternatives for the Company, including: merger opportunities, the potential sale of the Company's assets, potential partnership or joint venture agreements and any other options with the objective of maximizing value for the Company's shareholders. There can be no assurance that the Company's efforts will be successful or that this process will result in any transaction.

Also on February 27, 2015, the Company announced its intention to issue up to \$20.0 million principal amount of Debentures on a non-brokered private placement basis (the “Offering”). The Offering is subject to receipt of all required regulatory approvals, including the approval of the TSX Venture Exchange.