



**JAGUAR FINANCIAL INC.  
ANNUAL MD&A AND  
FINANCIAL STATEMENTS**

**2007**

January 30, 2008

To Our Shareholders:

2007 was a year of transition for Jaguar Financial Inc. (“Jaguar” or the “Company”) from a mining company to a merchant bank. The new management team, put in place at the end of 2006 after the shareholders elected the slate of directors nominated by Northern Financial Corporation (“NFC”), set about to convert the Company into a merchant bank.

Initially this change in business resulted in a review of the Company’s listing on the Toronto Stock Exchange. Ultimately, after a review and an appeal process, the TSX Group Inc. (TSX”) deferred its decision to delist the Company’s common shares subject to the Company complying with a series of conditions. The Company accepted these conditions and believes that it has satisfied all the conditions and has met all of the original listing requirements of the TSX. It is expected that the TSX will render its decision by April 4, 2008.

The Company began investing its funds in February and over the course of the year made investments in publicly traded securities of seventeen companies. Seven of these investments were liquidated in the year resulting in the Company realizing gains of \$11 million. The two largest investments, in the shares of Century II Holdings Inc. (“Century”) and Rand A Technology Corporation (“Rand”), accounted for \$10.8 million of this gain.

In the case of Century, Jaguar acquired a significant position in Century and made a take over bid. A competing offer was forthcoming which Jaguar ended up supporting. Over the course of seven months, the Company realized a gain of \$10.2 million with a return on investment of 78%. The Company sold its shares of Rand into a take over bid and realized a gain of approximately \$600,000 over a period of eight months generating a return of 10%.

Jaguar made a significant investment in Added Capital Corporation (“Added”) during the year. Added holds all the issued shares of Lakeside Steel Corporation, a diversified steel pipe and tube manufacturer, located in Welland, Ontario. Jaguar owned 19.7% of the outstanding shares of Added as at December 31, 2007. The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Added. The Company anticipates generating significant shareholder value for both Jaguar and Added in the coming year. As at December 31, 2007, the fair value of the investment portfolio, including the investment in Added, stood at \$21.4 million and the Company had cash and cash equivalents of \$9.2 million.

At the 2007 annual meeting the shareholders approved a name change for the Company, from Jaguar Nickel Inc. to Jaguar Financial Inc., to better reflect its operating business. The Company’s trading symbol on the TSX changed to JFI effective August 1, 2007.

We look forward to updating you as we build upon the early successes and continue to manage the evolution of Jaguar into a successful merchant bank.

On behalf of the Board of Directors, we thank our shareholders for their continued support.

Vic Alboini  
Chairman, President and Chief Executive Officer

## Management's Discussion and Analysis – Full Year 2007

### Introduction

Jaguar Financial Inc. ("Jaguar" or the "Company") is a Canadian merchant bank that invests in undervalued small capitalization companies in a variety of industry sectors. Prior to the current year, the Company was a mineral exploration and development company. Jaguar is listed on the Toronto Stock Exchange under the symbol JFI.

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of operations of the Company are the views of management and should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2007 compared to the year ended December 31, 2006.

The audited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars unless otherwise indicated.

This report is dated as at January 30, 2008 and the Company's public filings, including its most recent Annual Information Form, can be reviewed via the SEDAR website ([www.sedar.com](http://www.sedar.com)).

### Forward-Looking Statements

This MD&A contains "forward-looking statements" that reflect Jaguar's current expectations and projections about its future results. When used in this MD&A, forward looking statements can be identified by the use of words such as "estimate", "consider", "expect", "anticipate", "objective" and similar expressions or variations of such words. Forward looking statements are, by their very nature, not guarantees of Jaguar's future operational or financial performance, and are subject to risks and uncertainties and other factors that could cause Jaguar's actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. No representation or warranty is intended, with respect to anticipated future results, that estimates and projections will be sustained or that any project will otherwise prove to be economic.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, including the risks and uncertainties identified elsewhere in this MD&A, actual events may differ materially from current expectations. Jaguar disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities law.

### Strategic Initiatives

On February 23, 2007 Jaguar announced its intention to change the focus of the Company from a mineral exploration company to a merchant bank, focused on creating value for Jaguar's shareholders by making investments in what management considers undervalued companies in various industry sectors. The Company believes that management has very good merchant banking experience, which will assist it in making investments in undervalued companies and realizing on such investments, passively or proactively, depending on the circumstances of the particular company. Proactive involvement by Jaguar could involve working with management or the directors of the particular company to implement necessary changes to create shareholder value, or by initiating change at the board level, or by implementing a change of control transaction.

Since commencing operations as a merchant bank in Q1 of 2007, Jaguar has invested in publicly traded securities of seventeen companies, which the Company believed were undervalued. Over the course of the third and fourth quarter of 2007, the Company liquidated the shares of seven of its investments and sold portions of two of its investments generating realized gains of \$11 million. The Company currently holds the shares of ten companies from different industries.

The largest investment undertaken by the Company was in the shares of Century II Holdings Inc. ("Century"). On July 30, 2007, Jaguar announced its offer to acquire all of the common shares it did not already own of

Century, at a cash price of \$6.75 per share. Subsequent to Jaguar's offer, TransForce Income Fund ("Transforce") offered to purchase all of the common shares of Century for \$10.20 per share. Jaguar supported Transforce's offer and tendered its shares to Transforce on October 31, 2007, realizing a gain of \$10.2 million.

The Company also undertook another substantial investment (its second largest investment) during 2007 in the common shares of Rand A Technology Corporation ("Rand"). Those shares were sold into a take over bid by Ampersand Ventures at \$2.10 per share on November 1, 2007, realizing a gain of \$608,143.

## Results of Operations

*Financial Highlights for the year ending December 31, 2007 with comparatives:*

<b>Operating Results</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Gain on investments, net	\$ 10,117,137	\$ -	\$ -
Interest income	353,704	1,088,825	411,514
Equity loss of associated company	(53,144)	-	-
Gain on sale of capital assets	-	2,361,570	73,841
<b>Net income/(loss) for the period</b>	<b>4,518,643</b>	<b>(1,297,246)</b>	<b>(2,419,365)</b>
Net income/(loss) per share – basic and diluted	0.04	(0.01)	(0.02)
Cash, cash equivalents and term deposits	9,163,422	26,325,360	12,630,047
Investments, at fair value	18,438,247	-	-
Investment in associated company, at equity	4,125,821	-	-
Total Assets	\$ 32,005,068	\$ 27,490,363	\$ 28,192,346

For the year ended December 31, 2007 the Company generated a net gain on investments of \$10,117,137. There is no comparative result for 2006, given the change in the Company's business focus.

The Company accounts for its investment in associated company using the equity method, recording its share of earnings or losses in income. During 2007 the Company recorded an equity loss in the amount of \$53,144 for Added Capital Corporation ("Added"). There was no equivalent amount for the prior year.

Interest revenue for the year was \$353,704, a 68% decrease, compared to interest income of \$1,088,825 for 2006. The decrease is due to Jaguar's shift in investment focus as a merchant bank, moving funds away from short-term deposits to equity investments.

In 2006 the Company sold its wholly owned Guatemalan subsidiary, realizing a gain of \$2,361,570 net of transaction costs.

Total expenses for 2007 increased to \$5,899,054 from \$4,747,641 in 2006. The \$1,151,413 increase in total expenses in 2007 was as a result of increased bonuses, fees and other costs relating primarily to the Century transaction as well as other investments. This resulted in higher expense charges in management salaries and consulting fees by \$707,706, and in advisory and financing fees by \$633,697, compared to 2006. The Company incurred \$670,974 of transaction costs relating to investments.

Stock based compensation in 2007 was higher than in 2006 by \$648,069, primarily due to the granting of 8,550,000 stock options to employees and directors in Q3 of fiscal 2007. Interest expense for the year ended December 31, 2007 was also higher than in 2006 by \$29,622, due to the utilization of a short-term loan facility to acquire portions of its investments during 2007. All other cost categories were lower than that of 2006, due to the change in focus of the Company.

*Financial Highlights for the three months ending December 31, 2007 with comparatives:*

<b>Operating Results</b>	<b>Three months ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Loss on investments, net	\$ (215,086)	\$ -
Interest income	79,254	277,407
Equity loss of associated company	(53,144)	-
Loss on sale of capital assets	-	(443,561)
<b>Net (loss) for the period</b>	<b>(977,092)</b>	<b>(2,322,352)</b>
Net (loss) per share – basic and diluted	(0.01)	(0.02)
Cash, cash equivalents and term deposits	9,163,422	26,325,360
Investments, at fair value	18,438,247	-
Investment in associated company, at equity	4,125,821	-
Total Assets	\$ 32,005,068	\$ 27,490,363

For the three months ended December 31, 2007 the Company generated a net loss on investments of \$215,086, all of which was unrealized. There is no comparative result for 2006, given that the Company's change in business as a merchant bank commenced post its February 23, 2007 announcement. The net unrealized gain on investments in Q4 of 2007 was due to a decrease in the market value of the Company's investments.

The Company accounts for its investment in associated company using the equity method, recording its share of earnings or losses in income. For the three months ended December 31, 2007 the Company recorded an equity loss in the amount of \$53,144 for Added Capital Corporation ("Added"). There was no equivalent amount for the prior year.

Interest revenue for the three months was \$79,254, a 71% decrease, compared to interest income of \$277,407 for the same period of the prior year. The decrease is due to Jaguar's shift in investment focus as a merchant bank, moving funds away from short-term deposits to equity investments.

Total expenses were \$788,116 in Q4 of 2007, a decrease of \$1,368,082 from Q4 of 2006. This decrease in expenses was due primarily to decreases in management salaries and consulting fees lower by \$247,868; shareholder information and transfer agent fees lower by \$319,788, legal and audit fees lower by \$351,004 and write off of exploration properties costs, which were \$606,994 in Q4 of 2006 and nil in 2007. The Company incurred \$242,380 of transaction costs relating to investments in Q4 of 2007.

Stock based compensation was higher than the same period of the prior year by \$184,871, related to the granting of 8,550,000 stock options to employees and directors in Q3. Office and general expenses in the current quarter were slightly lower than in the fourth quarter of 2006. All other cost categories were higher in Q4 of 2007 than in Q4 of 2006; interest expenses were higher by \$20,584, due to the change in focus of the Company.

### **Share Capital Information**

As at December 31, 2007 the Company had 108,096,432 common shares together with 8,550,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 116,646,432 common shares. Stock options of 8,550,000 with an exercise price of \$0.215 were granted to employees and directors through the stock option plan, while 4,272,000 options expired in 2007. No common shares were issued during the year.

### **Liquidity and Capital Resources**

As at December 31, 2007 the Company had cash, cash equivalents and investments, at fair value of \$27,601,669. The Company had net assets of \$31,812,095 as at December 31, 2007 or approximately \$0.29 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$21,389,750 as at December 31, 2007. The investment activity of the Company as a merchant bank started after the February 23, 2007 announcement. As a result there is no 2006 comparative result.

Presently, the Company has sufficient funds on hand to fund its working capital requirements.

The fair value used in valuing the Company's investment portfolio is based on the closing bid price of each security held in the Company's investment portfolio as at December 31, 2007. Engenuity Technologies Inc. ("Engenuity") is fair valued using a bid price of \$1.20 per share, which was the price offered by a subsidiary of CAE ("Bidco") in its offer to acquire all of the outstanding shares of Engenuity. The Company dissented from the special resolution approving the amalgamation of Engenuity and Bidco. The Company believes that an offer price \$1.20 per shares for Engenuity's is inadequate and is currently going through the procedure for dissenting shareholders as set out in Section 190 of the Canada Business Corporations Act ("CBCA").

### Process Technology

Having changed its business focus to that of a merchant bank, the Company is no longer in the mineral exploration and development business. The Company has over the years developed proprietary process technology patent rights relating to the atmospheric chloride leach process ("ACLP") and a process for the recovery of value metals from sulphide based ores.

During 2007, the Company entered into a joint venture agreement with Process Research ORTECH Inc. ("Ortech") to develop, market and license the sulphide leaching technology. Under the terms of the agreement, Ortech and Jaguar will have equal ownership of the intellectual property in relation to the sulphide leaching technology. Jaguar made a payment of \$125,000 and transferred 50% of the patent rights to Ortech. Jaguar does not have any further obligations to fund development, marketing or licensing of the technology.

With respect to its proprietary technology not transferred to the joint venture, the Company continues to pursue its potential opportunities in Canada, the United States, and other jurisdictions with the goal of maximizing realizable value from the technology. During 2007, two patents were granted in Europe and Canada.

### Related Party Information

For the year ended December 31, 2007 the Company had related party transactions with directors and/or officers of the Company, or companies with which they were associated, which were in the normal course of operations and were measured at the exchange amounts as follows:

	<b>2007</b>
Transaction costs – Northern Securities Inc. <sup>1</sup>	\$ 670,974
Consulting expenses – Stature Inc. <sup>2</sup>	1,350,004
Advisory fees – Northern Securities Inc. <sup>1,3</sup>	887,509
Recovery of shareholder costs – Northern Financial Corporation <sup>4</sup>	141,644

1. Northern Securities Inc. ("NSI"), a Canadian investment dealer, is a wholly owned subsidiary of Northern Financial Corporation ("NFC"), the largest shareholder of Jaguar and acts as investment advisor and financial advisor to Jaguar in the course of its merchant banking activities. Jaguar has established a governance agreement between Jaguar, NFC and NSI to address any potential conflict of interest. The Chairman and Chief Executive Officer of NFC is also the Chairman and President of Jaguar.

2. All remuneration of the President of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chairman and President of Jaguar. This amount includes \$1.15 million relating to the sale of Century.

3. Includes an accrual of \$84,275 of override payments relating to unrealized investment gains. Over-ride payments on unrealized gains were accrued at 15% on Royal Laser Corporation and 25% on all other investments with unrealized gains.

4. Proxy solicitation expense paid to NFC for shareholder meeting services provided.

Jaguar acquired 7,057,455 shares of Lakeside Steel Corporation ("Lakeside") from NFC at a price of \$0.27 per share on November 29, prior to completion of a qualifying transaction by Added Capital Corporation ("Added") with Lakeside, whereby Added acquired all of the issued and outstanding common shares of



The Company will adopt CICA Handbook Sections 1525 Capital Disclosures, 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation in fiscal 2008. The Company does not expect the effect of these standards to be significant.

### **Financial instruments**

The following is description and analysis of the risks associated with financial instruments that may affect the Company:

#### **Price risk:**

The Company invests in small capitalization public traded securities. These investments are subject to market risk such that the fair value of these items may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments traded in the market.

#### **Liquidity risk:**

The nature of the investments in small market capitalization companies that are not heavily traded subjects the Company to a liquidity risk whereby it may not be able to liquidate the investments quickly at close to fair value.

### **Governance Agreement**

On February 23, 2007, the Company announced its intention to establish a governance agreement between Jaguar and Northern Financial Corporation (“NFC”) and, its subsidiary Northern Securities Inc. (“NSI”) (sometimes collectively referred to as “Northern”) to address any potential conflict of interest between Jaguar and NFC or NSI in the course of Jaguar’s merchant banking business.

On October 29, 2007, Jaguar’s Board of Directors approved the following governance terms and mechanisms between Jaguar and Northern:

### **Proposed Engagements with Northern**

1. Jaguar may engage Northern from time to time for various purposes related to the merchant banking business of Jaguar. The services provided by Northern may include, without limitation, the following:
  - (a) acting as financial advisor to Jaguar on any merger or acquisition transaction,
  - (b) acting as financial advisor to Jaguar to provide a fairness opinion or valuation,
  - (c) acting as an agent or underwriter in a financing by Jaguar,
  - (d) acting as a dealer manager to Jaguar in a merger or acquisition,
  - (e) acting as proxy solicitation agent for Jaguar in a proxy solicitation, or
  - (f) acting as agent to Jaguar for the purchase and sale of securities.
2. Any proposed engagement by Jaguar of Northern is referred to as a “Proposed Engagement”.
3. All Proposed Engagements must be reviewed and approved by the Compensation Committee of the Board of Directors of Jaguar. The Compensation Committee must consist of solely independent directors.
4. The Compensation Committee must be satisfied that the commercial terms of the Proposed Engagement and the services to be provided by Northern are reasonable, are substantially similar to the commercial terms and services that would be applicable in accordance with the standards in the investment banking and brokerage industry.

### **Override Payment**

5. Jaguar may from time to time decide to make a payment to NFC (“Override Payment”) of up to 25% of any realized gain from any investment by Jaguar in a company (“Subject Company”).
6. All decisions on Override Payments must be made by the Compensation Committee of the Board of Directors of Jaguar.

7. All Override Payment decisions must be based on the specific circumstances of each investment made by Jaguar on a case-by-case basis.
8. The factors to be taken into account by the Compensation Committee in determining whether there will be an Override Payment made to NFC and the amount of any such Override Payment will include, without limitation, the following:
  - (a) any initiation of the investment opportunity by any employee of Northern, other than any employee of Northern who is also an employee of Jaguar (the "Excluded Employees"),
  - (b) any involvement by any employee of Northern, other than the Excluded Employees, who assists Jaguar in the realization of a gain from the investment,
  - (c) any research coverage by NSI of the Subject Company,
  - (d) any trading by NSI or its clients in the securities of the Subject Company,
  - (e) any investment advice, financial advisory service, and financing that is provided by NSI to Jaguar or to the Subject Company,
  - (f) any compensation paid to Northern for any services provided to Jaguar or the Subject Company,
  - (g) the amount of the gain on the investment in the Subject Company,
  - (h) the length of time taken to realize the gain on the investment,
  - (i) the expenses incurred in realizing the investment,
  - (j) the current cash resources of Jaguar,
  - (k) the cumulative gains and cumulative losses realized by Jaguar on investments in Subject Companies in the fiscal year in which the investment is realized,
  - (l) the financial results of Jaguar in the fiscal year in which the investment is realized, and
  - (m) the cumulative Override Payments made to NFC in any fiscal year.
9. Jaguar must obtain the approval of the Toronto Stock Exchange ("Exchange") prior to the making of any Override Payment to Northern, if such approval is required under the applicable rules of the Exchange.

Until the approval of the governance agreement, the Company operated under the terms of the principal anticipated terms of the governance agreement presented in Management's Discussion and Analysis dated August 13, 2007 for the second quarter of its 2007 fiscal year.

### **TSX Listing Review**

On June 15, 2007 TSX Group Inc. ("TSX") announced that the common shares of the Company would be delisted at the close of market on July 13, 2007 for failure to meet the continued listing requirements of the TSX, as it relates to the Company's change in business to merchant banking from mineral exploration. The Company appealed this decision.

On July 11, 2007, the Company announced that the Listings Committee of the Exchange deferred its decision to delist the Company's common shares, subject to the Company providing written confirmation by July 16, 2007 that the Company will comply with various conditions. The Company accepted the conditions and the TSX announced its deferral decision.

In the TSX deferral decision, the Company must demonstrate on or before March 31, 2008 that it meets each of the original listing requirements in section 3.09(a) of the TSX Company Manual to have net tangible assets of \$2,000,000, earnings from operations of at least \$200,000 before taxes and extraordinary items, pre-tax cash flow of \$500,000, and adequate working capital, and satisfy the other conditions specified by the TSX. The TSX will make its determination on the basis of the Company's financial statements for the year ending December 31, 2007. The TSX expects to render its decision by April 4, 2008.

Among various conditions, the Company will provide the TSX by January 31, 2008 with management prepared financial statements for the year ending December 31, 2007 and provide the TSX with audited

financial statements for such year by March 31, 2008. The Company has undertaken not to appeal any delisting decision of the TSX if the management prepared financial statements or the audited financial statements fail to meet the criteria in the original listing requirements.

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the financial statements include the determination of fair value of the Company's investments and the estimate of the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

As it relates to the valuation of its investments, the Company uses the closing bid price of the underlying securities on the last trading day of the period to fair value its investments. Management believes that the bid price is reflective of fair value. Certain factors may have an effect on the fair value such as general market conditions and the volume of shares traded.

The factors affecting stock-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend, among other things, upon a variety of factors including the market value of the Company's shares and financial objectives of the holders of the options. The Company has used historical data to determine volatility in accordance with Black-Scholes modelling, however the future volatility is inherently uncertain and the model has its limitations. While these estimates can have a material impact on the stock-based compensation and hence results of operations, there is no impact on the Company's financial condition.

### **Disclosure Controls and Procedures**

The President and Chief Financial Officer have established and maintained disclosure controls and procedures in order to provide reasonable assurance that material information related to the Company is made known in a timely manner. Management has evaluated the effectiveness of the Company's disclosure controls and procedures as of the date of this report and believe them to be adequate and effective in providing reasonable assurance that material information is reliable and timely.

### **Internal Control Over Financial Reporting**

The President and Chief Financial Officer are responsible for certifying that they have designed the Company's internal control over financial reporting ("ICFR") to a standard that provides reasonable assurance of the reliability and accuracy of financial reporting. The certifying officers have evaluated the design of the Company's ICFR as of the date of this report and have concluded the design to be sufficient to provide such reasonable assurance. The financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP) and in accordance with the accounting policies set out in the notes to the financial statements for the year ended December 31, 2007.

Management must disclose in its MD&A any material weakness found to exist within its system of internal control over financial reporting. Management has identified a material weakness relating to the lack of segregation of duties. The management group of the Company is small and the ability to achieve an appropriate level of segregation of duties throughout the year is limited. This is a typical issue for smaller companies, and while the Company has added additional management staff during the year, which has strengthened the segregation of duties, there still existed limited segregation. Management believes, however, that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures, the Company retains its external auditor to perform quarterly reviews of the financial statements and the Company has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures.

## Auditors' Report

To the Shareholders of  
**Jaguar Financial Inc.**

We have audited the balance sheets of **Jaguar Financial Inc.** as at December 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada  
January 28, 2008

*Grant Thornton LLP*

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Licensed Public Accountants

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**Jaguar Financial Inc.**  
**Balance Sheets**  
**December 31**

	<b>2007</b>	<b>2006</b>
	<u>\$</u>	<u>\$</u>
<b>Assets</b>		
Current		
Cash and cash equivalents	9,163,422	764,490
Term deposits	-	25,560,870
Investments, at fair value (Note 3)	18,438,247	-
Investment in associated company (Note 4)	4,125,821	-
Other assets	<u>276,137</u>	<u>1,147,775</u>
	32,003,627	27,473,135
Capital assets (Note 6)	<u>1,441</u>	<u>17,228</u>
	<u><u>32,005,068</u></u>	<u><u>27,490,363</u></u>
 <b>Liabilities</b>		
Current		
Payables and accruals	<u>192,972</u>	<u>983,564</u>
	192,972	983,564
 <b>Shareholders' Equity</b>		
Capital stock (Note 7(b))	62,977,130	62,977,130
Contributed surplus (Note 8)	3,290,420	2,503,767
Deficit	<u>(34,455,455)</u>	<u>(38,974,098)</u>
	31,812,095	26,506,799
	<u><u>32,005,068</u></u>	<u><u>27,490,363</u></u>

Nature of operations (Note 1)  
 Commitments and contingencies (Note 12)  
 Subsequent events (Note 14)

Approved on behalf of the Board:

"Vic Alboini"

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Director

"Doug Fowler"

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Director

**Jaguar Financial Inc.**  
**Statements of Operations and Deficit**  
**Years Ended December 31**

	<b>2007</b>	<b>2006</b>
	<u>\$</u>	<u>\$</u>
<b>Income and equity earnings</b>		
Interest	353,704	1,088,825
Gain on investments, net	10,117,137	-
Equity loss of associated company	(53,144)	-
Gain on sale of capital assets (Note 5)	-	2,361,570
	<u>10,417,697</u>	<u>3,450,395</u>
<b>Expenses</b>		
Management salaries and consulting fees	1,799,799	1,092,093
Transaction costs	670,974	-
Advisory & Financing fees	1,384,919	751,222
Stock based compensation (Note 8)	786,653	138,584
Office and general	176,896	288,627
Shareholder information and transfer agent	275,076	402,548
Travel	19,896	51,108
Legal and audit fees	667,367	1,009,569
Amortization	17,709	119,192
Interest	29,622	-
Patent rights	68,143	168,595
General exploration	-	119,109
Exploration properties costs written off	-	606,994
	<u>5,899,054</u>	<u>4,747,641</u>
<b>Net Income (loss)</b>	<b><u>4,518,643</u></b>	<b><u>(1,297,246)</u></b>
Basic and diluted gain/(loss) per common share (Note 9)	0.04	(0.01)
<b>Deficit at beginning of year</b>	<b><u>(38,974,098)</u></b>	<b><u>(37,676,852)</u></b>
Net Income (loss)	4,518,643	(1,297,246)
<b>Deficit at end of year</b>	<b><u>(34,455,455)</u></b>	<b><u>(38,974,098)</u></b>

**Jaguar Financial Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31**

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Increase (decrease) in cash and cash equivalents</b>		
<b>Operating activities</b>		
Net Income (loss)	4,518,643	(1,297,246)
Unrealized loss on investments, net	850,706	-
Amortization	17,709	119,192
Equity loss of associated company	53,144	-
Stock based compensation	786,653	138,584
Gain on sale of capital assets	-	(2,361,570)
	<u>6,226,855</u>	<u>(3,401,040)</u>
Decrease (increase) in other assets	873,168	(366,874)
Increase (decrease) in payables and accruals	(790,591)	544,108
	<u>6,309,432</u>	<u>(3,223,806)</u>
<b>Financing activities</b>	-	-
<b>Investing activities</b>		
Term deposits	25,560,870	(13,705,409)
Proceeds on sale of capital assets, net of transaction costs	-	16,990,548
Purchases of investments	(46,618,532)	-
Proceeds on sale of investments	23,150,614	-
Increase in other assets	(1,530)	(87,429)
Capital assets	(1,922)	16,000
	<u>2,089,500</u>	<u>3,213,710</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	8,398,932	(10,096)
<b>Cash and cash equivalents at beginning of year</b>	<u>764,490</u>	<u>774,586</u>
<b>Cash and cash equivalents at end of year</b>	<u>9,163,422</u>	<u>764,490</u>
<b>Supplemental cash flow information</b>		
Cash and cash equivalents consist of:		
Cash	1,229,945	764,490
Short term deposits	7,933,477	-
	<u>9,163,422</u>	<u>764,490</u>

**1. Nature of operations**

Jaguar Financial Inc. (the "Company") is a Canadian merchant bank (up until December 31, 2006 the Company was a mineral exploration and development company) that invests in what management considers undervalued small capitalization companies in a variety of industry sectors. The Company is governed by Part 1A of the *Companies Act* (Quebec) and its common shares are listed on the Toronto Stock Exchange.

**2. Summary of significant accounting policies**

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

**Change in accounting policies**

Effective January 1, 2007, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3861, Financial Instruments – Disclosure and Presentation, Section 3855, Financial Instruments – Recognition and Measurement and Section 3865, Hedges. As there are no other comprehensive income items, comprehensive income is equal to net income. Also, the Company does not hold any derivative instruments for hedge purposes. Accordingly, adoption of Sections 1530 and 3865 has had no effect on the Company's financial statements.

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities including derivatives be recognized on the balance sheet when the Corporation becomes party to the provisions of the financial instrument or non-financial derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, loans and receivables or other liabilities. The gain or loss arising from a change in fair value of financial assets or financial liabilities classified as held for trading is included in earnings for the period in which it arises. The Company has classified its cash and cash equivalent and short-term investments as held for trading. Transaction costs related to financial assets and liabilities are accounted for as financial expenses. Other significant accounting implications arising on adoption of Section 3855 include the use of the effective interest method for the amortization of any transaction costs or fees, premiums or discounts earned or incurred for financial instruments measured at amortized cost. The adoption of Section 3855 has not had any material effect to the opening financial position of the Company as at January 1, 2007.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

The Company will adopt CICA Handbook Sections 1525 Capital Disclosures, 3862 Financial Instruments – Disclosures and 3863 Financial Instruments – Presentation in fiscal 2008. The Company does not expect the effect of these standards to be significant.

**Estimates, risks and uncertainties**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses and other income during the year. Significant estimates and assumptions include those related to the determination of the fair value of investments and the value of stock-based compensation. While management believes that these estimates and assumptions are reasonable, actual results could vary significantly.

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of less than three months.

#### **Term deposits**

Term deposits in 2006 were recorded at cost with maturities ranging from three months to one year.

#### **Investments**

Investments are all classified as held for trading and are recorded at fair value. Publicly traded securities values are based on quoted closing bid prices on the last day of trading in the reporting period.

#### **Investment in associated companies**

Investments in companies through which the Company exerts significant influence over the Investee are accounted for by the equity method. Under this method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the following:

- the Company's pro-rata share of post acquisition investment income or loss (including the Company's proportionate share of discontinued operations and extraordinary items) relating to the Investee, subsequent to the date when the use of the equity method first became appropriate. Such amounts will be included when determining Company's net income in the period being reported;
- the Company's proportionate share of a change in an accounting policy, a correction of an error relating to prior period financial statements and capital transactions (including amounts recognized in other comprehensive income) of the Investee, subsequent to the date when the use of the equity method first became appropriate; and
- the Company's proportion of dividends paid by the Investee, subsequent to the date when the use of the equity method first became appropriate.

Any excess paid for net assets will first be assigned to specific assets and liabilities and will be depreciated (i.e. Purchase Price compared to the Book Value). The unassigned portion will be considered Goodwill, which will be subject to an annual impairment test, depreciation on excess value of assets reduce the investment account and is charged to equity in earnings of associated companies.

#### **Stock-based compensation**

Compensation expense for grants of stock, stock options and other equity instruments to officers, directors and consultants is recognized based on the estimated fair value at the grant date.

#### **Override payments**

Under the governance terms and conditions of transactions with NFC, the Company at its discretion may make override payments to NFC of up to 25% on any realized gains from any investment made by Jaguar, such decisions to be approved by the compensation committee. Accordingly, the Company accrues fees of up to 25% on the unrealized portion of gains recorded on investments. The Company does not recover any costs from NFC on realized losses.

#### **Income taxes**

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered likely to be realized.

#### **Income/(loss) per common share**

Income/(loss) per common share is computed by dividing the income/(loss) for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted income/(loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method.

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**Foreign currency translation**

The operations of the Company's subsidiary, prior to disposal, were considered to be of an integrated nature.

Monetary assets and liabilities denominated in foreign currencies were translated into Canadian funds at December 31, 2007 exchange rates, while non-monetary items were translated at historical rates. Expense items so denominated were translated at average rates for the period with the exception of amortization, which was translated at historical rates. Translation gains and losses were included in operations.

**Capital assets**

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the straight-line method based on a useful life of three years for office equipment.

**Comparative figures**

Certain comparative figures have been restated to conform with the current year's presentation.

**3. Investments:**

Investments consist of the following as at December 31, 2007:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Engenuity Technologies Inc.	1,745,000 common shares	2,071,696	2,094,000	11.4
Royal Laser Corporation	11,850,500 common shares	7,785,505	8,295,350	45.0
Other public companies	common shares/warrants	9,431,751	8,048,897	43.6
<b>Total Investments</b>		<b>\$ 19,288,953</b>	<b>\$ 18,438,247</b>	<b>100.0</b>

**4. Investment in associated company:**

The Company's carrying value of its investment in Added Capital Corporation ("Added") is as follows:

	2007	2006
Balance, beginning of year	\$ -	\$ -
Acquisition cost:		
Purchase from NFC	\$ 2,167,934	-
Private placement	1,905,513	-
Market	105,518	-
	4,178,965	-
Equity Loss	(53,144)	-
<b>Balance, end of year</b>	<b>\$ 4,125,821</b>	<b>-</b>

The Company acquired 7,057,455 shares of Lakeside Steel Corporation ("Lakeside") from Northern Financial Corporation ("NFC") at a price of \$0.27 per share (note 11). 5,293,000 shares remain in escrow and will be released from escrow at a rate of one-third every six months from the date of the filing statement, November 19, 2007. The Company acquired 5,161,748 shares of Lakeside in a private placement at a price of \$0.42 per share. The shares of Lakeside were subsequently converted to shares of Added on a one for one basis. The Company acquired 340,379 shares of Added in the market at an average price of \$0.31 per share. The aggregate purchase price was approximately \$5,000 less than the underlying net book value of Added's assets. The difference will be amortized over the remaining service life of Added's fixed assets.

The Company's investment represents 19.7% (December 31, 2006 – nil) of the outstanding common shares of Added Capital Corporation as at December 31, 2007. Quoted market value of the investment as at December 31, 2007 was \$2,951,503 (nil – December 31, 2006). See note 14 (b).

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The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Added. These factors, along with common ownership, have led the Company to determine that it has significant influence on Added and thus, the equity method of accounting has been used.

**5. Sale of Guatemalan subsidiary**

In May 2005, the Company formed a Special Committee of the Board of Directors, which established the criteria and review process to identify the most advantageous strategic relationship for the Company and its shareholders with a view to enhancing shareholder value.

On November 29, 2005 the Company announced that it had signed a definitive share purchase agreement with a wholly-owned subsidiary of BHP Billiton Limited ("BHP Billiton"), whereby BHP Billiton would acquire all of the issued and outstanding shares of the Company's wholly-owned Guatemalan subsidiary, Jaguar Nickel, S.A., for \$19,000,000. Furthermore, the Company would enter into option agreements through an exploration alliance ("Alliance") with BHP Billiton.

The proposed transactions were fully described in a Management Proxy Circular that was mailed in December 2005 to the Company's shareholders for their approval at a special shareholders' meeting held on January 24, 2006. Following receipt of the shareholders' approval, the Company closed the sale of its wholly-owned Guatemalan subsidiary receiving \$18,000,000 cash, a holdback receivable of \$1,000,000 bearing interest at 5% per annum due on or before January 31, 2007, reimbursement of specified exploration expenditures detailed below, and executed Alliance option agreements on January 31, 2006. The holdback receivable was reduced by \$443,561 for losses suffered by BHP Billiton relating to environmental damage.

As at December 31, 2005, the Company reclassified its Guatemalan assets and liabilities held for sale as follows:

Cash	\$ 131,217
Capital assets (Note 4)	532,398
Exploration properties (Note 5)	13,857,329
Guatemalan property held for sale	14,520,944
Guatemalan payables held for sale	(87,429)
Guatemalan subsidiary held for sale	\$14,433,515

The costs to sell the Guatemalan subsidiary were reported as deferred transaction costs as at December 31, 2005, then combined with the 2006 expenses for a total of \$2,401,932 and reported in the net gain on sale as detailed below:

	<b>2005</b>	<b>2006</b>
Consulting fees	\$ 521,250	\$ 508,680
Legal fees	127,087	36,980
Shareholders meeting costs	16,136	15,356
Severance pay	-	1,176,443
	\$ 664,473	\$1,737,459

Specified exploration expenditures amounting to \$797,219 that were incurred by the Company on the Guatemalan property between October 1, 2005 and the closing on January 31, 2006 (including \$156,641 incurred in 2006) were reimbursed to the Company

The net gain on the sale of the Guatemalan subsidiary was reported as follows

Proceeds on sale	\$19,000,000
Holdback receivable	(443,561)
Cost of subsidiary at December 31, 2005	(14,433,515)
Exploration expenditures incurred in 2006	(156,641)
Specified exploration expenditures reimbursed	797,219
Transaction costs	(2,401,932)
	\$ 2,361,570

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The net gain on the sale of the Company's Guatemalan subsidiary did not attract any current tax payable because of the estimated tax pools available to the Company on closing in 2006.

**6. Capital assets**

	<u>December 31 2007</u>	<u>December 31 2006</u>
Cost		
Office equipment	\$ 272,650	\$ 270,728
Less: Accumulated amortization		
Office equipment	271,209	253,500
Net book value		
Office equipment	<u>\$ 1,441</u>	<u>\$ 17,228</u>

**7. Capital stock**

**(a) Authorized**

The authorized capital of the Company consists of an unlimited number of no par value common shares.

**(b) Issued**

	<u>Shares</u>	<u>Amount</u>
Outstanding at December 31, 2006 and December 31, 2007	108,096,432	\$62,977,130

**(c) Stock option plan**

The Company has a stock option plan (the "Plan") under which the directors of the Company can grant options to acquire up to a maximum of 19,000,000 (December 31, 2006 – 19,000,000) common shares of the Company to qualified directors, officers, employees and persons providing ongoing services to the Company. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant or the five day weighted trading average of the Company's shares preceding the date of grant, and the maximum term of any option cannot exceed ten years. Under the Plan, cancelled or expired options increase the number of options available to be granted. As at December 31, 2007 there were 8,550,000 (December 31, 2006 - 4,272,000) options outstanding and 1,765,300 (December 31, 2006 – 6,043,300) options available to be granted. 8,550,000 options were granted to employees and directors in Q3 of 2007.

The following tables reflect the continuity of options for the periods indicated:

Year ended December 31, 2006

Expiry Date	Exercise Price	Number of Common Shares				Closing Balance
		Opening Balance	Options Granted	Options Exercised	Options Expired	
November 2006	\$0.20	8,000	-	-	8,000	-
February 2007	\$0.30	300,000	-	-	100,000	200,000
April 2007	\$0.30	330,000	-	-	330,000	-
May 2007	\$0.25	250,000	-	-	-	250,000
June 2007	\$0.26	480,000	-	-	-	480,000
July 2007	\$0.30	280,000	-	-	-	280,000
September 2007	\$0.80	150,000	-	-	-	150,000
August 2009 (1)	\$1.00	2,237,000	-	-	775,000	1,462,000
October 2009 (1)	\$1.00	300,000	-	-	100,000	200,000
July 2011 (2)	\$0.30	-	500,000	-	-	500,000
July 2011	\$0.30	-	750,000	-	-	750,000
		<u>4,335,000</u>	<u>1,250,000</u>	<u>-</u>	<u>1,313,000</u>	<u>4,272,000</u>

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Year ended December 31, 2007

Expiry Date	Exercise Price	Number of Common Shares				Closing Balance
		Opening Balance	Options Granted	Options Exercised	Options Expired	
February 2007	\$0.30	200,000	-	-	200,000	-
May 2007	\$0.25	250,000	-	-	250,000	-
June 2007	\$0.26	480,000	-	-	480,000	-
July 2007	\$0.30	280,000	-	-	280,000	-
September 2007	\$0.80	150,000	-	-	150,000	-
August 2009 (1)	\$1.00	1,462,000	-	-	1,462,000	-
October 2009 (1)	\$1.00	200,000	-	-	200,000	-
July 2011 (2)	\$0.30	500,000	-	-	500,000	-
July 2011 (2)	\$0.30	750,000	-	-	750,000	-
August 2017 (3)	\$0.215	-	8,550,000	-	-	8,550,000
		4,272,000	8,550,000	-	4,272,000	8,550,000

- (1) Options vest 1/3 immediately in 2004, 1/3 in August and October 2005, and 1/3 in August and October 2006.  
(2) Options vest 20% immediately in July 2006, then 20% every 6 months thereafter until July 2008.  
(3) Options vest 60% immediately in August 2007, then 20% on August 21, 2008 and 20% on August 21, 2009.

	Number of Stock Options	Weighted Average Exercise Price
Balance December 31, 2006	4,272,000	\$0.582
Expired	(4,272,000)	0.582
Granted	8,550,000	0.215
Balance December 31, 2007	8,550,000	\$ 0.215

Range Of Exercise Prices	Number of Stock Options	Average Remaining Life	Weighted Average Exercise Price
\$ 0.215	8,550,000	9.51 years	\$ 0.215

All options are currently exercisable except for 3,420,000 expiring August 2017.

**8. Stock-based compensation**

The fair value of 1,250,000 options granted in 2006 has been estimated at \$286,008 as at the date of grant using the Black-Scholes pricing model. The valuation for 2006 was calculated with the following assumptions: weighted average risk free interest rate of 4.2%; volatility factor of the expected market price of the Company's common stock of 100%; and a weighted average expected life of 5 years.

The fair value of 8,550,000 options granted in Q3 of 2007 has been estimated at \$1,140,000 as at the date of grant using the Black-Scholes pricing model. The valuation for the Q3 2007 options was calculated with the following assumptions: weighted average risk free interest rate of 4.45%; volatility factor of the expected market price of the Company's common stock of 58.88%; and a weighted average expected life of 10 years.

The fair value compensation and contributed surplus transactions for the respective periods are as follows:

	Amount
Balance, December 31 2006	2,503,767
Stock-Based Compensation	11,400
Balance, March 31 2007	2,515,167
Stock-Based Compensation	11,400
Balance, June 30 2007	2,526,567
Stock-Based Compensation	714,449
Balance, September 30 2007	3,241,016
Stock-Based Compensation	49,404
Balance, December 31 2007	3,290,420

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**9. Per share amounts**

Earnings per share amounts are calculated on the weighted average number of shares outstanding. Diluted earnings per share is calculated only on shares outstanding and does not assume conversion of outstanding stock options, as the exercise price of the options was greater than their market price. Thus, the effect of options outstanding is not dilutive.

The weighted average number of common shares outstanding, used in computing basic and diluted income/(loss) per common share for the respective periods, were as follows:

	<u>Year Ended</u>
December 31, 2006	108,096,432
December 31, 2007	108,096,432

**10. Income taxes**

The Company's income tax provision (recovery) has been calculated as follows:

	<b>2007</b>	<b>2006</b>
Net income (loss) for the year	\$ 4,518,643	\$ (1,297,246)
Expected income tax (recovery) at Canadian statutory tax rate	1,632,000	(469,000)
Permanent differences	288,000	51,000
Decrease in valuation allowance	(2,551,000)	418,000
Change in Tax Rate	631,000	-
Provision for (recovery of) income taxes	<u>\$ -</u>	<u>\$ -</u>

The Company's future income tax assets at December 31, 2007 and 2006 are summarized as follows:

	<b>2007</b>	<b>2006</b>
Property, plant and equipment	\$ 887,000	\$ 1,035,000
Exploration and development	3,638,000	4,250,000
Losses carried forward	-	1,702,000
Share issue costs	114,000	254,000
Investments	496,000	-
Equity Investment	8,000	-
Gross future tax assets	<u>5,143,000</u>	<u>7,241,000</u>
Valuation allowance	5,143,000	7,241,000
Assets held for sale	<u>\$ -</u>	<u>\$ -</u>

**11. Related party information**

The Company had related party transactions with directors and/or officers of the Company, or companies with which they were associated, which were in the normal course of operations and were measured at the exchange amounts as follows:

	<b>2007</b>	<b>2006</b>
Transaction costs <sup>1</sup>	\$ 670,974	\$ 532,184
Consulting expenses <sup>2</sup>	1,350,004	106,900
Advisory fees <sup>3</sup>	887,509	-
Shareholder costs <sup>4</sup>	141,644	-
Legal expense	-	154,766
Payables and accruals <sup>3</sup>	84,275	-
Receivable from NSI	144,249	-

1. Northern Securities Inc. ("NSI"), a Canadian investment dealer, is a wholly owned subsidiary of Northern Financial Corporation ("NFC"), the largest shareholder of Jaguar and acts as investment advisor and financial advisor to Jaguar in the course of its merchant banking activities. Jaguar has established a governance agreement between Jaguar, NFC and NSI to address any potential conflict of interest. The Chairman and Chief Executive Officer of NFC is also the Chairman and President of Jaguar.
2. All remuneration of the President of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chairman and President of Jaguar. This amount includes \$1.15 million relating to the sale of Century.
3. Includes an accrual of \$84,275 of override payments relating to unrealized investment gains. Over-ride payments on unrealized gains were accrued at 15% on Royal Laser Corporation and 25% on all other investments with unrealized gains.
4. Proxy solicitation expense paid to NFC for shareholder meeting services provided.

Jaguar acquired 7,057,455 shares of Lakeside Steel Corporation ("Lakeside") from NFC at a price of \$0.27 per share on November 29, prior to completion of a qualifying transaction by Added Capital Corporation ("Added") with Lakeside, whereby Added acquired all of the issued and outstanding common shares of Lakeside. The qualifying transaction enabled Lakeside to complete a going public transaction. The Lakeside shares acquired by Jaguar were exchanged for an equal number of shares of Added on completion of the qualifying transaction on November 30.

## **12. Commitments and contingencies**

- (a) The Company has committed to lease payments for their premises in the following amounts:  
2008   \$ 4,668
- (b) The Company, in an agreement with Northern, may make override payments to Northern of up to 25% of any realized gain from any investment by Jaguar.
- (c) The Company has entered into employment agreements with its executive officers. In the event of a change in control of the Company, and the employment of the executive officers is terminated, the Company is required to pay the executive officers an amount equal to two times the average of the executive officer's aggregate annual compensation in the past two years in the case of the Chief Executive Officer, and an amount of one times the average of the executive officer's aggregate annual compensation in the case of the Chief Financial Officer.

## **13. Financial instrument risks**

The following is description and analysis of the risks associated with financial instruments that may affect the Company:

### **Price risk:**

The Company invests in small capitalization public traded securities. These investments are subject to market risk such that the fair value of these items may change as a result of factors specific to a particular investment or as a result of factors affecting all instruments traded in the market.

### **Liquidity risk:**

The nature of the investments in small market capitalization companies that are not heavily traded subjects the Company to a liquidity risk whereby is may not be able to liquidate the investments quickly at close to fair value.

## **14. Indemnities**

No director or officer of the Company shall be held responsible for any losses or damages sustained by the Company while in the execution of the duties of his office save if such resulted from his gross negligence or wilful omission, or if he has not acted with honesty and in good faith. The Company shall fully indemnify and save harmless all directors and officers from any and all losses or damages they may sustain while in the execution of the duties of their office save if such resulted from their gross negligence or wilful omission or if they did not act with honesty and in good faith. The Company maintains insurance policies that may provide coverage against certain claims.

## **15. Subsequent events**

- (a) On January 2 and January 21, 2008, the Company announced that it purchased additional common shares of Royal Laser Corp. ("RLC") for \$2,042,950 such that it owns a total of 14,771,500 common shares, representing approximately 14.7% of the total issued common shares of RLC.
- (b) On January 15, 2008, the Company announced that it purchased 1,176,242 additional common shares of Added Capital Corp. ("Added") for \$341,110 such that it owns a total of 13,766,824 common shares, representing approximately 21.6% of the total issued common shares of Added.