Jaguar Financial

JAGUAR FINANCIAL CORPORATION
ANNUAL REPORT

2008

March 9, 2009

To Our Shareholders

2008 was a difficult year for Jaguar Financial Corporation ("Jaguar" or the "Company"). We are experiencing unprecedented economic and capital market turmoil.

What began as the asset backed commercial paper issue and resulting credit crunch, soon became a full-scale financial crisis. Credit markets continued to deteriorate, disrupting global stock markets causing massive corrections and upheaval. Continued difficult liquidity conditions have resulted in equity market volatility and lack of investor confidence. In addition, the economy has officially slipped into recession and governments around the world are scrambling to implement recovery and stimulus plans.

These were not the market conditions we expected when we made a number of investments in 2008. Consequently, Jaguar, along with virtually all other investment related companies such as banks, investment dealers, merchant banks, or hedge funds, has suffered investment portfolio declines and resulting losses. We do, however, believe that Jaguar, as a catalytic merchant bank, is uniquely positioned to take advantage of declining market values to create shareholder value.

Given the economic and market conditions, Jaguar was not able to repeat the investment success that it enjoyed in 2007 when the Company realized significant gains on its investments in the shares of Century II Holdings Inc. and Rand A Technology Corporation. The Company was able to generate a successful transaction this year with its investment in Virtek Vision International Inc. ("Virtek"). Jaguar, along with an investor group, acquired a significant position in Virtek and tendered its shares to a take-over bid by Gerber Scientific Canada Inc. producing a total gain to the investor group of approximately $770,000. Jaguar also made an investment in Hudbay Minerals Inc. ("Hudbay") immediately after Hudbay announced its intention to acquire Lundin Mining Corporation ("Lundin"). Jaguar was instrumental in creating value in Hudbay for all shareholders including Jaguar by appealing the decision of the Toronto Stock Exchange, which had approved the Hudbay acquisition of Lundin without Hudbay shareholder approval. On appeal, the Ontario Securities Commission (the "OSC") set aside the Toronto Stock Exchange's decision and required shareholder approval as a condition of completing the acquisition of Lundin. Jaguar's efforts resulted in the Hudbay share price returning to its pre-Lundin announcement level of $5.23 and exceeding that level. Hudbay and Lundin have cancelled their proposed transaction.

As we told you last year, Jaguar made a significant investment in Lakeside Steel Inc. ("Lakeside"), formerly Added Capital Corporation. Lakeside is a diversified steel pipe and tube manufacturer, located in Welland, Ontario. Jaguar owned 22.9% of the outstanding shares of Lakeside as at December 31, 2008 and accounts for its investment using the equity accounting method, taking into income its pro rata share of Lakeside's earnings. Lakeside has had a very successful year to date and Jaguar's share of Lakeside's earnings was $1.7 million. For the nine month period ended December 31, 2008, Lakeside generated EBITDA of $7.7 million.

In February 2008, the TSX Group Inc. ("TSX") completed its delisting review of the Company and confirmed that the Company satisfied the TSX's continued listing requirements.

At the annual meeting in June 2008, the shareholders approved a three cornered amalgamation for the purpose of Jaguar becoming organized under the Business Corporations Act (Ontario) (the "OBCA"). Jaguar, a new entity organized under the OBCA, acquired all of the assets and liabilities of Jaguar Financial Inc. and all of Jaguar Financial Inc.'s securities were exchanged for a like number of securities of Jaguar. The Company's trading symbol on the TSX changed to JFC to reflect this corporate change.

The year ahead will be challenging as the Company, along with the rest of the investment industry, seeks to deal with the difficult economic conditions that are expected to prevail for the foreseeable future. However, Jaguar sees several investment opportunities to create value for shareholders including its investments in Lakeside and Tiomin Resources Inc.

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

Vic Alboini
Chairman and President

Management's Discussion and Analysis – Full Year 2008

Introduction

Jaguar Financial Corporation ("Jaguar" or the "Company") is a Canadian merchant bank that invests in undervalued small capitalization companies in a variety of industry sectors. The Company is governed by the *Business Corporations Act (Ontario)* and its common shares are listed on the Toronto Stock Exchange.

After obtaining the requisite shareholder approval at the annual and special meeting held on June 30, 2008, Jaguar effected a three cornered amalgamation for the purpose of becoming organized under the *Business Corporations Act* (Ontario) (the "OBCA"). As more fully described in the information circular dated June 2, 2008, Jaguar, a new entity organized under the OBCA, acquired all of the assets and liabilities of Jaguar Financial Inc. and all of Jaguar Financial Inc.'s securities were exchanged for a like number of securities of Jaguar. Effective July 2, 2008, the business of Jaguar was carried on by Jaguar Financial Corporation.

The securities of Jaguar are listed and posted for trading on the TSX under the symbol "JFC". Jaguar's registered head office is Suite 2020, 145 King St. West, Toronto, Ontario.

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, 2008 compared to the year ended December 31, 2007.

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 March 9, 2009 and the Company's public filings, including its most recent Annual Information Form, can be reviewed via the SEDAR website (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 Focus

The Company is 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.

In 2008 the Company expanded its investment strategy to include participation with investor groups or lender groups in which the Company directs the investment decisions and the investor or lender groups participate in any investment gains. Lender groups do not participate in any investment losses.

Investments

Since commencing operations as a merchant bank in Q1 of 2007, Jaguar has invested in publicly traded securities of forty-six companies, which the Company believed were undervalued. Thirty-four of those positions were liquidated – seven in fiscal 2007, and twenty-six in 2008, respectively. The Company currently holds the shares of twelve companies from different industries.

The Company has a significant investment in Lakeside Steel Inc. ("Lakeside"). The investment in Lakeside represents approximately 22.9% (December 31, 2007 – 19.1%) of the total issued and outstanding Lakeside common shares. The Company therefore accounts for this investment using the equity method.

The Company also has a significant investment in Royal Laser Corporation ("Royal") which represents approximately 18.02% (December 31, 2007 – 11.8%) of the total issued and outstanding Royal common shares ("Royal Shares").

On September 2, 2008 the Company announced an offer (the "Offer") to acquire up to 31,620,495 of Royal Shares at a cash price of $0.80 per share. The offer was subsequently revised and extended.

On December 3, 2008 the Company announced that its take-over bid for the Royal Shares expired on December 2, 2008. Several conditions to Jaguar's Offer were not satisfied or waived, including the condition that there be validly deposited and not withdrawn under the Offer that number of Royal Shares which, when taken together with the number of Royal Shares owned by Jaguar, represents at least 50% of the issued and outstanding Royal Shares plus one Royal Share. As such, Jaguar did not take up any Royal Shares deposited under the Offer and all Royal Shares deposited under the Offer were returned.

In the third quarter of 2008, the Company made a significant investment in Virtek Vision International Inc. ("Virtek"). The Company, together with an investor group, owned or exercised control or direction over a total of approximately 19.9% (December 31, 2007 – nil) of the outstanding shares of Virtek. In Q4 of 2008, the Company tendered its shares of Virtek to a take-over bid by Gerber Scientific Canada Inc., a subsidiary of Gerber Scientific Inc. for $1.05 per share and total proceeds of $7,015,260 for a total gain to the investor group of $769,645. Jaguar's portion of the gain was $360,319.

On December 31, 2008, the Company also had an investment in HudBay Minerals Inc. ("HudBay") of 1,500,000 shares which represents approximately 1.0% of the total issued and outstanding HudBay common shares.

As at December 31, 2008, the Company also had a significant investment in Tiomin Resources Inc. ("Tiomin"). The investment in Tiomin represents approximately 9.1% (December 31, 2007 – nil) of the total issued and outstanding Tiomin shares.

The Company's strategy, as discussed above, will remain the same going forward. The current economic and capital market environment, though challenging, provides opportunities for the Company to enhance shareholder value.

Results of Operations

The economy and capital markets environment remained extremely challenging throughout fiscal 2008. Credit markets continued to deteriorate, resulting in an extended disruption of global stock markets. Difficult liquidity conditions and an economy officially in a recession have resulted in considerable volatility in the equity market and lack of investor confidence.

These ongoing conditions have continued to produce difficult circumstances for specialized merchant banks, such as Jaguar. These circumstances include the decline in the value of the Company's investments, which can result in both realized and unrealized losses; loss of liquidity, making it more difficult to exit an investment within the planned time horizon; and the reduction of available credit, limiting investment financing options. The factors noted above are significantly more intensified for the small and micro capitalization companies in which the Company invests.

Due to these difficult market conditions, the Company reported a net loss of $24,102,323 for the year ended December 31, 2008 compared to net income of $4,518,643 a year ago.

Financial Highlights for the year ending December 31, 2008 with comparatives:

Operating Results	**2008**	**2007**	**2006**
Net investment gain/(loss)	$ (19,119,937)	$ 10,117,137	$ -
Loss on derivatives	(1,336,365)	-	-
Revenue – Advisory fees	264,505	-	-
Revenue – interest	68,185	353,704	1,088,825
Equity earnings/(loss) of associated company	1,723,452	(53,144)	-
Gain on sale of capital assets	-	-	2,361,570
Net income/(loss) for the period	**(24,102,323)**	**4,518,643**	**(1,297,246)**
Net income/(loss) per share – basic and diluted	(0.22)	0.04	(0.01)
Cash, cash equivalents and term deposits	1,984,813	9,163,422	26,325,360
Investments, at fair value	14,057,785	18,438,247	-
Investment in associated company, at equity	6,301,054	4,125,821	-
Total assets	$ 22,389,553	$ 32,005,068	$ 27,490,363
Short-term loans	$12,233,512	-	-

For the year ended December 31, 2008 the Company generated a net loss on investments of $19,119,937 as compared to a net gain of $10,117,137 for fiscal 2007. During the year, the market value of the Company's investments declined resulting in an unrealized loss of $15,654,141. The Company sold securities for realized losses of $3,465,796. In fiscal 2007, the Company reported an unrealized loss of $850,706 on investments and a realized gain of $10,967,843 as a result of the sale of its investment in the common shares of Century II Holdings Inc. Loss on derivatives was $1,336,365. There is no comparative result for 2007.

Advisory fees revenue was $264,505 for the year ended December 31, 2008. There is no comparative result for 2007.

Interest revenue for the year ended December 31, 2008 was $68,185, compared to interest income of $353,704 for 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.

The Company accounts for its investment in Lakeside, formerly Added Capital Corporation, using the equity method, recording its share of earnings in income. During 2008 the Company recorded an equity gain of $1,723,452. The Company recorded an equity loss of $53,144 in 2007.

Total expenses for 2008 decreased to $5,702,163 from $5,899,054 in 2007. The $196,891 decrease in total expenses in 2008 was due primarily to decreases in management salaries and consulting fees – down by $968,148; and stock based compensation, as compared to 2007. The aggregate decrease in the above expenses was largely offset by increases in transaction costs – up by $465,051; advisory and financing fees – up by $557,939; legal and audit fees – up by $128,028; Interest expense – up by $99,758; travel – up by $60,954; and shareholder information and transfer agent cost – up by $10,037, all as a result of the Company's involvement in more transactions in 2008. . Amortization expenses were lower by $16,639 in 2008 compared to 2007. Effective January 1, 2009, the officers of the Company voluntarily agreed to reduce the remuneration they receive from the Company.

Stock based compensation in 2008 was lower than in 2007 by $566,638, primarily due to the immediate vesting (and expensing), in 2007, of 60% of 8,550,000 stock options granted to employees and directors in Q3 of fiscal 2007.

Financial Highlights for the three months ending December 31, 2008 with comparatives:

	Three months ended December 31	
Operating Results	**2008**	**2007**
Net investment loss	$ (10,494,246)	$ (215,086)
Loss on derivatives	(961,245)	-
Revenue – Advisory fees	42,270	-
Revenue – interest	3,521	79,254
Equity earnings/(loss) of associated company	1,142,065	(53,144)
Net (loss) for the period	**(11,376,924)**	**(977,092)**
Net (loss) per share – basic and diluted	(0.11)	(**0.01)**
Cash, cash equivalents and term deposits	1,984,813	9,163,422
Investments, at fair value	14,057,785	18,438,247
Investment in associated company, at equity	6,301,054	4,125,821
Total Assets	$22,389,553	$32,005,068
Short-term loans	$12,233,512	-

For the three months ended December 31, 2008 the Company generated a net loss of $11,376,924, compared to a net loss of $977,092 for the same period in 2007. During the quarter, the market value of the Company's investments declined resulting in an unrealized loss of $8,421,600. The Company sold securities for realized losses of $2,072,646. In the same period last year, the Company reported a net investment loss of $215,086. Loss on derivatives was $961,245. There is no comparative result for 2007.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. For the three months ended December 31, 2008 the Company recorded an equity gain in the amount of $1,142,065. The Company recorded an equity loss of $53,144 for the same period in 2007.

Advisory fees revenue was $42,270 for the fourth quarter ended December 31, 2008. There is no comparative result for 2007.

Interest revenue for the three months was $3,521, compared to interest income of $79,254 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 $1,109,288 in Q4 of 2008, an increase of $321,173 from Q4 of 2007. This increase in expenses was due primarily to increases in most categories, a result of the Company's involvement in a greater number of transactions compared to the same period in 2007. The primary drivers were legal and audit fees – up by $127,570; office and general – up by $108,738; Interest expense – up by $47,305; and shareholder information and transfer agent cost – up by $30,094. The Company incurred $473,482 of transaction costs relating to investments in Q4 of 2008, up $231,103 from Q4 of 2007.

Stock based compensation at $49,004 was slightly lower than the same period of the prior year, as a result of the revision of the amortization of the expenses, due to the cancellation of options for employees who are no longer with the firm. All other cost categories were lower in Q4 of 2008 than in Q4 of 2007.

Share Capital Information

As at February 10, 2009 the Company had 107,562,832 common shares together with 8,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 115,812,832 common shares. No stock options were granted and no common shares were issued during the year.

Normal Course Issuer Bid

On February 5, 2008 the Company announced a normal course issuer bid. According to the terms of the bid, and in accordance with the rules of the TSX, during the period commencing February 7, 2008 and ending February 6, 2009, Jaguar may purchase a maximum of 8,429,621 of its common shares, which represents approximately 8% of the common shares outstanding as at January 31, 2008. Purchases of common shares will be effected through the facilities of the TSX in open market transactions at market prices prevailing at the time of acquisition. Daily purchases may not exceed 22,667 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at February 6, 2009, Jaguar purchased, from the commencement date of the bid, 533,600 common shares of the Company. The Company, during that period, cancelled all of the 533,600 common shares. The bid expired on February 6, 2009 and has not been renewed.

Liquidity and Capital Resources

As at December 31, 2008 the Company had cash, cash equivalents and investments, at fair value of $16,042,598. The Company had net assets of $7,836,467 as at December 31, 2008 or approximately $0.08 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was $15,889,864 as at December 31, 2008 compared to cost of $35,295,432. The decrease in the value of the investment portfolio is primarily due to decreases in the fair value of all of the securities held by the Company, as a result of the challenging economy and capital markets environment in 2008. The Company currently has investments in the securities of twelve companies, compared to sixteen at the end of Q4 of 2007.

Presently, the Company has sufficient funds on hand to fund its working capital requirements. At December 31, 2008, the Company had borrowed approximately $12.2 million for specific investment opportunities (see Note 6). These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investment at a loss, to fund repayment. One of the loans ($1,000,000) is due on demand. The remainder mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan with maturity dates ranging from June 24, 2009 to September 11, 2009. These loans consist of funds received from related and third parties. As at December 31, 2008, 29% of these loans were due to related parties and 71% to third parties.

Subsequent to year-end, the Company repaid $3,902,100 of loans relating to its investments of which $1,400,000 was to its associated company and $125,000 was to directors of the Company.

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, 2008.

Related Party Information

For the year ended December 31, 2008 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:

	2008	**2007**
Transaction costs [1]	$ 1,136,025	$ 670,974
Consulting expenses [2]	200,004	1,350,004
Advisory fees	1,643,883	887,509
Financing fees	6,457	-
Interest Expense	22,602	-
Shareholder costs [3]	-	141,644
Payables and accruals	153,703	84,275
Receivables	-	141,249

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 for fiscal 2007 includes $1.15 million relating to the sale of the Company's investment in Century II Holdings Inc. Effective January 1, 2009, the officers of the Company voluntarily agreed to reduce the remuneration they receive from the Company.*
3. *Proxy solicitation expense paid to NFC for shareholder meeting services provided.*

As at December 31, 2008, the Company had interest payable of $7,663 to its associated company. As at December 31, 2008, the Company had a loan payable to its associated company of $2,512,729 (December 31, 2007 – nil). Subsequent to year end, the Company repaid $1,400,000 of the loan.

As at December 31, 2008, the Company had interest payable of $1,271 to corporations wholly owned by directors of the Company. As at December 31, 2008 the Company had loans payable to those wholly owned corporations of $325,000 (December 31, 2007 – nil). Subsequent to year end, the Company repaid $125,000 of the loans.

Contractual Obligations

The Company currently has no contractual commitments. Jaguar currently occupies space under a lease between NSI and its landlord. Jaguar reimburses NSI on a monthly basis for its portion of occupancy expenses, as governed by a management agreement between Jaguar and NSI.

Summary of Quarterly Results

The following table provides selected unaudited financial information for each of the last eight quarters:

	2008				2007			
	Q4	Q3 [1]	Q2	Q1	Q4	Q3	Q2	Q1
Income and equity earnings	(10,267,635)	(5,653,457)	(2,508,801)	29,733	(188,976)	9,786,813	1,271,027	(451,167)
Net income (loss)	(11,376,924)	(8,172,149)	(3,480,783)	(1,072,468)	(977,092)	5,432,843	779,803	(716,912)
Income (loss) per common share basic and diluted	(0.11)	(0.08)	(0.03)	(0.01)	(0.01)	0.05	0.01	(0.01)

1. The third quarter results have been revised by $375,120 for loss on derivatives.

The Company changed its business focus from mining to merchant banking in Q1 of 2007, investing in publicly traded securities of a number of companies in different industries. The fluctuation in income and total assets quarter over quarter in 2007 and 2008 is reflective of investment gains and losses, and the fluctuation in the prices of the securities held by the Company.

Change in Accounting Policy

Effective January 1, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400.08A to 1400.08C, Going Concern, Section 1535 Capital Disclosure, Section 3862, Financial Instruments – Disclosure, and Section 3863 Financial Instruments – Presentation.

Section 1400.08A through 1400.08C establishes the standards by which management should assess an entity's ability to continue as a going concern, when preparing financial statements.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate:

(a) the significance of financial instruments for the entity's financial position and performance; and

(b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, the Company will adopt IFRS and intends to have financial statements that are IFRS – compliant for the first reporting quarter of 2011.
The Company is required to discuss the status of the key elements and timing of its changeover plan in its annual 2008 MD&A.
The Company is in the process of developing an IFRS change over plan. Key elements of the plan include the following:

- engage external auditors to consult on impact assessment and conversion methodology;
- identification of accounting policies under IFRS that are relevant to the Company;
- identification of situations where alternate IFRS accounting policies exist;

- identification of major differences between accounting policies under Canadian generally accepted accounting principles ("GAAP") and accounting policy choices under IFRS;
- assessment/implementation of accounting and information systems changes required to accommodate the impact of major differences between Canadian GAAP and IFRS;
- assessment of changes to internal controls required to accommodate the impact of major differences between Canadian GAAP and IFRS; and
- assessment/identification of required financial reporting expertise and training required for financial reporting staff.

The Company has had initial discussions with its external auditors on IFRS disclosure requirements and timelines regarding milestones towards implementation. The Company is currently assessing its options to determine how to proceed going forward.

Management of Capital

The Company's capital structure includes the following:

	2008	**2007**
Short-term loan payable	$ 12,233,512	$ -
Shareholder's equity comprised of		
Capital Stock	62,666,254	62,977,130
Contributed Surplus	3,727,991	3,290,420
Deficit	(58,557,778)	(34,455,455)
	$ 20,069,979	**$ 31,812,095**

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and/or marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors/lenders who seek to participate in investment opportunities; and (iv) purchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company's share capital is not subject to external restrictions/requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2008.

Financial instruments

The Company's business primarily involves the purchase and sale of securities and, accordingly, the majority of its assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including price, liquidity and interest rate risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

Price risk:

Price risk is the risk that the fair value of, or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in prices. The value of the financial instruments can be affected by changes in equity prices.

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.

The Company manages this risk by having a diversified portfolio, which is not singularly exposed to any one or class of issuer. Jaguar's investment activities are currently diversified across five industries – alternative energy, industrial, technology, telecommunication and natural resources.

As at December 31, 2008, based on a 1% change in the fair value of the Company's investments, the estimated sensitivity of the Company's net income (loss) was ($140,000), based on a decrease and $140,000, based on an Increase.

Liquidity risk:

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The nature of investments in small market capitalization companies that are not heavily traded exposes the Company to a liquidity risk whereby it may not be able to liquidate the investments quickly at close to fair value. The Company generates cash flow primarily from its investment activity and proceeds from the liquidation of its investments, in addition to interest income earned on its investments. The Company has sufficient marketable securities, which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. The Company holds investments, which can be readily converted into cash when required.

At December 31, 2008, the Company had borrowed approximately $12.2 million for specific investment opportunities (Note 6, Short-term Loans Payable). These loans are paid off once the related investments are sold, in accordance with each loan agreement. One of the loans ($1,000,000) is due on demand. The remainder mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan with maturity dates ranging from June 24, 2009 to September 11, 2009. These loans consist of funds received from related and third parties. As at December 31, 2008, 23% of these loans were due to related parties and 77% to third parties.

Subsequent to year-end, the Company repaid $3,902,100 of loans relating to its investments of which $1,400,000 was to its associated company and $125,000 was to directors of the Company.

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at December 31, 2008, the Company had short-term loans of $5,018,683 that were interest rate sensitive. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks.

For the twelve months ended December 31, 2008 a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2008, the estimated sensitivity of the Company's net income (loss) was ($8,768), based on an increase in rate and $8,768, based on a decrease in rate.

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 at the

Company's financial year end 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 at the Company's financial year end and notwithstanding the material weaknesses noted below, the certifying officers have concluded the design to be sufficient to provide such reasonable assurance. Management has evaluated the effectiveness of the Company's internal control over financial reporting as at the Company's financial year end and as a result of the material weaknesses described below, has determined that it was not effective. 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, 2008.

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 has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures. The Company has no further mitigation plans.

Management has also identified a material weakness relating to the documentation of terms and arrangements with related parties and the reconciliation of accounts with those related parties. The Company engages in a variety of transactions with its associated company and has, to date, managed certain of these transactions on an informal basis. This has the potential that the Company and its associated company may treat transactions differently. The Company has established a process to ensure that all terms of transactions with its associated company are fully documented in the future and to review and reconcile all transactions with its associated company on a regular basis.

Management has also identified a material weakness relating to identification and documentation of terms of derivatives contracts. The Company rarely enters into derivatives contracts and as such the process for identifying these contracts and their terms was not robust. The Company has established a process to ensure that all derivatives contracts are fully identified and documented.

Grant Thornton

Auditors' Report

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To the Shareholders of
Jaguar Financial Corporation

We have audited the balance sheets of **Jaguar Financial Corporation** as at December 31, 2008 and 2007 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Toronto, Canada
March 9, 2009

Chartered Accountants
Licensed Public Accountants

Jaguar Financial Corporation
Balance Sheets
December 31

	2008	2007
	$	$
Assets		
Current		
Cash and cash equivalents	1,984,813	9,163,422
Investments, at fair value (Note 3)	14,057,785	18,438,247
Investment in associated company (Note 4)	6,301,054	4,125,821
Other assets	44,243	276,137
	22,387,895	32,003,627
Capital assets (Note 5)	1,658	1,441
	22,389,553	32,005,068
Liabilities		
Current		
Payables and accruals	983,209	192,972
Derivatives (Note 6)	1,336,365	-
Short-term loans payable (Note 7)	12,233,512	-
	14,553,086	192,972
Shareholders' Equity		
Capital stock (Note 8(b))	62,666,254	62,977,130
Contributed surplus (Note 8(e))	3,727,991	3,290,420
Deficit	(58,557,778)	(34,455,455)
	7,836,467	31,812,095
	22,389,553	32,005,068

Nature of operations (Note 1)
Commitments and contingencies (Note 13)
Management of capital (Note 14)
Subsequent events (Note 18)

Approved on behalf of the Board:

"Vic Alboini" — Director

"Doug Fowler" — Director

Jaguar Financial Corporation
Statements of Operations and Deficit
Years Ended December 31

	2008 $	2007 $
Income and equity earnings		
Advisory fees	264,505	-
Interest	68,185	353,704
(Loss)/gain on investments, net	(19,119,937)	10,117,137
(Loss) on derivatives, net	(1,336,365)	-
Equity earnings/(loss) of associated company	1,723,452	(53,144)
	(18,400,160)	10,417,697
Expenses		
Management salaries and consulting fees	831,651	1,799,799
Transaction costs	1,136,025	670,974
Advisory and financing fees	1,942,858	1,384,919
Stock based compensation (Note 9)	220,016	786,653
Office and general	163,425	176,896
Shareholder information and transfer agent	285,113	275,076
Travel	80,851	19,896
Legal and audit fees	795,395	667,367
Amortization	1,069	17,709
Interest	129,380	29,622
Patent rights	116,380	68,143
	5,702,163	5,899,054
Net (loss) income	**(24,102,323)**	**4,518,643**
Basic and diluted (loss)/income per common share (Note 10)	(0.22)	0.04
Deficit at beginning of year	**(34,455,455)**	**(38,974,098)**
Net (loss) income	(24,102,323)	4,518,643
Deficit at end of year	**(58,557,778)**	**(34,455,455)**

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Cash Flows
Years Ended December 31

	2008 $	2007 $
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net (loss)/income	(24,102,323)	4,518,643
Purchase of term Deposits	-	25,560,870
Purchase of investments	(39,676,581)	(46,618,532)
Proceeds from sale of investments	24,485,324	34,118,457
Loss/(gain) on sale of investments	19,119,937	(10,117,137)
Unrealized loss on derivatives	1,336,365	-
Amortization	1,069	17,709
Equity (earnings)/ loss of associated company	(1,723,452)	53,144
Stock based compensation	220,016	786,653
	(20,339,645)	8,319,807
Decrease in receivables	231,894	873,168
Increase (decrease) in payables and accruals	790,237	(790,591)
	(19,317,514)	8,402,134
Financing activities		
Purchase of capital stock – normal course issuer bid	(93,321)	-
Proceeds from short-term loans payable	12,233,512	-
	12,140,191	-
Investing activities		
Net change in working capital items	-	(1,530)
Capital assets	(1,286)	(1,922)
	(1,286)	(3,452)
Net (decrease) increase in cash and cash equivalents	(7,178,609)	8,398,932
Cash and cash equivalents at beginning of year	9,163,422	764,490
Cash and cash equivalents at end of year	1,984,813	9,163,422

Supplemental cash flow information

Cash and cash equivalents consist of:		
Cash	1,984,813	1,229,945
Short term deposits	-	7,933,477
	1,984,813	9,163,422

See accompanying notes to the financial statements.

1. Nature of operations

Jaguar Financial Corporation ("Jaguar" or the "Company") is a Canadian merchant bank that invests in undervalued small capitalization companies in a variety of industry sectors. The Company is governed by the *Business Corporations Act (Ontario)* and its common shares are listed on the Toronto Stock Exchange.

After obtaining the requisite shareholder approval at the annual and special meeting held on June 30, 2008, Jaguar effected a three cornered amalgamation for the purpose of becoming organized under the *Business Corporations Act* (Ontario) (the "OBCA"). As more fully described in the information circular dated June 2, 2008, Jaguar Financial Corporation, a new entity organized under the OBCA, acquired all of the assets and liabilities of Jaguar Financial Inc. and all of Jaguar Financial Inc.'s securities were exchanged for a like number of securities of Jaguar Financial Corporation. Effective July 2, 2008, the business of Jaguar was carried on by Jaguar Financial Corporation.

The securities of Jaguar are listed and posted for trading on the TSX under the symbol "JFC". Jaguar's registered head office is Suite 2020, 145 King St. West, Toronto, Ontario.

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, 2008, the Company adopted Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400.08A to 1400.08C, Going Concern, Section 1535 Capital Disclosure, Section 3862, Financial Instruments – Disclosure, and Section 3863 Financial Instruments – Presentation.

Section 1400.08A through 1400.08C establishes the standards by which management should assess an entity's ability to continue as a going concern, when preparing financial statements.

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed.

Section 3862 requires entities to provide disclosures in their financial statements that enable users to evaluate:

(c) the significance of financial instruments for the entity's financial position and performance; and
(d) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks.

Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

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 are classified as held for trading and include cash on hand, balances with banks and investment dealers, and short term deposits with original maturities of less than three months and are recorded at fair value.

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.

Derivatives

Derivatives are all classified as held for trading and are recorded at fair value.

Advisory fees

Advisory fees revenue is recorded at the time the transaction or service is completed and the related income is reasonably determined.

Investment in associated companies

Investments in companies through which the Company exerts significant influence 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 an investee company, 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 an 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 (i.e. Purchase Price compared to the Book Value) will first be assigned to specific assets and liabilities and will be depreciated. The unassigned portion will be considered Goodwill, which will be subject to an annual impairment test. Depreciation on the excess assigned to assets reduces the investment account and is charged to equity in earnings of associated companies. In the case of the Company's associated company investment, the Company's purchase price was lower than the book value of the acquired shares, which resulted in an allocation of that difference to capital assets and as such, the depreciation on the excess book value compared to purchase price increases the investment account and the 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 Northern Financial Corporation ("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. 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, and excluding shares of the Company, which were acquired and not yet cancelled. 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.

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.

Other financial liabilities

Payables and short-term loans are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Comparative information

Certain comparative information has been restated to conform with the current year's presentation.

3. Investments:

a) Investments consist of the following as at December 31, 2008:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Royal Laser Corporation	17,823,000 common shares	$11,995,859	$4,990,440	35.5
Forest Gate Resources Inc.	11,428,572 common shares	800,000	114,286	0.8
Tiomin Resources Inc.	43,604,000 common shares	2,009,118	1,090,100	7.8
Blue Note Mining Inc.	45,530,100 common shares	3,846,772	682,952	4.9
HudBay Minerals Inc.	1,500,000 common shares	4,842,150	4,590,000	32.7
Other public companies	common shares/warrants	7,170,787	2,590,007	18.3
Total Investments		**$ 30,664,686**	**$ 14,057,785**	**100.0**

The investment in Royal Laser Corporation ("Royal") represents approximately 18.02% (December 31, 2007 – 11.8%) of the total issued and outstanding Royal Shares.

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
Total Investments		**$ 19,288,952**	**$ 18,438,247**	**100.0**

4. Investment in associated company:

The Company's carrying value of its investment in Lakeside Steel Inc. ("Lakeside") is as follows:

	2008	2007
Balance, beginning of year	$ 4,125,821	$ -
Acquisition cost:		
Purchase from NFC	$ -	$ 2,167,934
Private placement	-	1,905,513
Private purchase	95,000	-
Market purchase	356,781	105,518
	451,781	4,178,965
Equity earnings/(loss)	1,704,819	(53,144)
Depreciation adjustment for the excess of book value over purchase price	18,633	-
Balance, end of year	**$ 6,301,054**	**$ 4,125,821**

In 2007 the Company acquired 7,057,455 shares of Lakeside Steel Corporation ("LSC") from Northern Financial Corporation ("NFC") at a price of $0.27 per share. 1,764,363 shares remain in escrow and will be released from escrow at a rate of one-third (of the original escrowed amount – 5,293,000) every six months from the date of the filing statement, November 19, 2007. The Company acquired 5,161,748 shares of LSC in a private placement at a price of $0.42 per share. The shares of LSC were subsequently converted to shares of Lakeside (previously named Added Capital Corporation) on a one for one basis. The Company acquired 340,379 shares of Lakeside in the market at an average price of $0.31 per share.

In the first quarter of 2008 the Company acquired an additional 2,008,008 shares of Lakeside, 1,207,242 shares in the market at an average price of $0.29 per share and 800,766 shares in a private purchase at a price of $0.12 per share. This resulted in an aggregate purchase price that was approximately $177,000 lower than the underlying net book value of Lakeside's assets. The difference is amortized over the remaining service life of Lakeside's fixed assets.

The Company's investment represents 22.9% (December 31, 2007 – 19.1%) of the outstanding common shares of Lakeside as at December 31, 2008. Quoted market value of the investment as at December 31, 2008 was $1,456,759 ($2,951,503 – December 31, 2007).

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

5. Capital assets

	December 31 2008	December 31 2007
Cost		
Office equipment	$ 273,936	$ 272,650
Less: Accumulated amortization		
Office equipment	272,278	271,209
Net book value		
Office equipment	$ 1,658	$ 1,441

6. Derivatives

As at December 31, 2008, the Company had an outstanding put option derivative liability of $1,336,365 (December 31, 2007 - nil), requiring the Company to purchase shares of a publicly traded company at a specified price upon the exercise of the put option. The maximum exposure of the put option is $1,711,485. The put option was cancelled subsequent to year end (see Note 18(b)).

7. Short-term loan payable

As at December 31, 2008, the Company had loans outstanding in the amount of $2,717,100 (December 31, 2007 - nil), used to fund one of the Company's investments. The loans are unsecured, bear interest of 2% per annum, receive 50% of their pro rata share of any gain resulting from a liquidity event for the investment and mature at the earlier of (i) the date the investment is sold sold, or (ii) 9 months following the date of the issuance of the loan. These loans were issued September 24, 2008 through to October 2, 2008. A director of the Company provided $200,000 of the loans.

As at December 31, 2008, the Company had a loan outstanding in the amount of $1,000,000 (December 31, 2007 - nil), used to fund a portion of one of the Company's investments. The loan bears interest of 10% per annum, receives 25% of the portion of the net profit realized on the investment that is attributable to an investment of $975,000 in the initial total investment and 25% net profit realised on any additional securities acquired on margin attributable to the amounts advanced by the holder to Jaguar pursuant to the note. The Company has pledged 9,000,000 common shares of Royal Laser Corporation with a carrying amount of $2,520,000 as security on this loan. The loan is payable on demand. This loan was made on December 24, 2008.

As at December 31, 2008, the Company had loans outstanding in the amount of $3,497,729 (December 31, 2007 – nil), used to fund a portion of one of the Company's investments. The loans are unsecured, bear interest of 2% per annum, receive 50% of their pro rata share of any gain resulting from a liquidity event for the investment and mature at the earlier of (i) the date the investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans were issued November 27, 2008 through to December 11, 2008. Directors of the Company provided $125,000 of the loans and the Company's associated company provided $2,512,729 of the loans.

As at December 31, 2008, the Company had a loan outstanding in the amount of $5,018,683 (December 31, 2007 – nil), at a rate of prime plus two percent. Security is provided by a charge on all of the Company's marketable securities.

Subsequent to year-end, the Company repaid $3,902,100 of loans relating to its investments of which $1,400,000 was to its associated company and $125,000 was to directors of the Company.

8. Capital stock

(a) Authorized

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

(b) Issued

	Shares	Amount
Outstanding as at December 31, 2007	108,096,432	$ 62,977,130
Shares cancelled under normal course issuer bid	(533,600)	(310,876)
Outstanding as at December 31, 2008	107,562,832	$ 62,666,254

(c) Common share warrants

There are no common share warrants outstanding.

(d) 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, 2007 – 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, 2008, there were 8,250,000 (December 31, 2007 - 8,550,000) options outstanding and 2,065,300 (December 31, 2007 – 1,765,300) options available to be granted.

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

Year ended December 31, 2007

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
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

Year ended December 31, 2008

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
August 2017 [3]	$0.215	8,550,000	-	-	300,000	8,250,000
		8,550,000	-	-	300,000	8,250,000

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, 2007	8,550,000	$0.215
Expired	(300,000)	0.215
Granted	-	-
Balance December 31, 2008	8,250,000	$ 0.215

Range Of Exercise Prices	**Number of Stock Options**	**Average Remaining Life**	**Weighted Average Exercise Price**
$ 0.215	8,250,000	8.52 years	$ 0.215

All options are currently exercisable except for 1,650,000 expiring August 2017.

(d) Contributed surplus

Contributed surplus transactions for the period are as follows:

	Amount
Balance, December 31, 2006	2,503,767
Stock-based compensation	786,653
Balance, December 31, 2007	**3,290,420**
Stock-based compensation	220,015
Normal course issuer bid	217,556
Balance, December 31, 2008	**3,727,991**

9. Stock-based compensation

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 for the year ending December 31, 2008 was $220,016 (December 31, 2007 - $786,653).

10. 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:

	Year Ended
December 31, 2007	108,096,432
December 31, 2008	107,703,682

11. Income taxes

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

	2008	2007
Net income (loss) for the year	$ (24,102,323)	$ 4,518,643
Expected income tax (recovery) at Canadian statutory tax rate	(8,074,000)	1,632,000
Permanent differences	75,000	288,000
Decrease in valuation allowance	7,723,000	(2,551,000)
Change in Tax Rate	276,000	631,000
Provision for (recovery of) income taxes	$ -	$ -

The Company's future income tax assets at December 31, 2008 and 2007 are summarized as follows:

	2008	2007
Property, plant and equipment	$ 876,000	$ 887,000
Exploration and development	3,407,000	3,638,000
Losses carried forward	2,611,000	-
Share issue costs	69,000	114,000
Investments	6,008,000	496,000
Equity Investment	(242,000)	8,000
Gross future tax assets	12,729,000	5,143,000
Valuation allowance	12,729,000	5,143,000
Assets held for sale	$ -	$ -

As at December 31, 2008 the Company has unclaimed non-capital losses that expire as follows:

2028	$9,002,129

12. 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:

	2008	2007
Transaction costs [1]	$ 1,136,025	$ 670,974
Consulting expenses [2]	200,004	1,350,004
Advisory fees	1,643,883	887,509
Financing fees	6,457	-
Interest expense	22,602	-
Shareholder costs [3]	-	141,644
Payables and accruals	153,703	84,275
Receivable	-	141,249

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 for fiscal 2007 includes $1.15 million relating to the sale of the Company's investment in Century II Holdings Inc. Effective January 1, 2009, the officers of the Company have voluntarily agreed to reduce the remuneration they receive from the Company.*
3. *Proxy solicitation expense paid to NFC for shareholder meeting services provided.*

As at December 31, 2008, the Company had interest payable of $7,633 to its associated company. As at December 31, 2008, the Company had a loan payable to its associated company of $2,512,729 (December 31, 2007 – nil). Subsequent to year end, the Company repaid $1,400,000 of the loan.

As at December 31, 2008, the Company had interest payable of $1,271 to corporations wholly owned by directors of the Company. As at December 31, 2008 the Company had loans payable to those wholly owned corporations of $325,000 (December 31, 2007 – nil). Subsequent to year end, the Company repaid $125,000 of the loans.

13. Commitments and contingencies

(a) The Company, in an agreement with NFC, may make override payments to NFC of up to 25% of any realized gain from any investment by Jaguar.

(b) 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.

(c) Pursuant to a financing arrangement, the company has committed to share in the profits of any sale of Royal Laser shares disposed of up to March 18, 2009.

14. Management of capital

The Company's capital structure includes the following:

	2008	2007
Short-term loans payable	$ 12,233,512	$ -
Shareholder's equity comprised of		
Capital Stock	62,666,254	62,977,130
Contributed Surplus	3,727,991	3,290,420
Deficit	(58,557,778)	(34,455,455)
	$ 20,069,979	**$ 31,812,095**

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and/or marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors/lenders who seek to participate in investment opportunities; and (iv) purchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company's share capital is not subject to external restrictions/requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2008.

15. Financial instrument risks

The Company's business primarily involves the purchase and sale of securities and, accordingly, the majority of its assets are currently comprised of financial instruments. The use of financial instruments can expose the Company to several risks, including price, liquidity and interest rate risks. A discussion of the Company's use of financial instruments and their associated risks is provided below:

Price risk:

Price risk is the risk that the fair value of, or future cash flows from the Company's financial instruments will significantly fluctuate because of changes in prices. The value of the financial instruments can be affected by changes in equity prices.

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.

The Company manages this risk by having a diversified portfolio, which is not singularly exposed to any one or class of issuer. Jaguar's investment activities are currently diversified across five industries – alternative energy, industrial, technology, telecommunication and natural resources.

As at December 31, 2008 based on a 1% change in the fair value of the Company's investments and derivatives, the estimated sensitivity of the Company's net income (loss) was ($154,000) (2007 – ($41,000)), based on an decrease and $154,000 (2007 - $41,000), based on an Increase.

Liquidity risk:

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The nature of investments in small market capitalization companies that are not heavily traded exposes the Company to a liquidity risk whereby it may not be able to liquidate the investments quickly at close to fair value. The Company generates cash flow primarily from its investment activity and proceeds from the liquidation of its investments, in addition to interest income earned on its investments. The Company has sufficient marketable securities, which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

The Company manages liquidity risk by reviewing the amount of cash available, on a daily basis, to ensure that it can meet its current obligations. The Company holds investments, which can be readily converted into cash when required.

At December 31, 2008, the Company had borrowed approximately $12.2 million for specific investment opportunities (see Note 6). These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. One of the loans ($1,000,000) is due on demand. The remainder mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at December 31, 2008, 23% of these loans were due to related parties and 77% to third parties.

Subsequent to year-end, the Company has repaid $3,902,100 of loans relating to its investments of which $1,400,000 was to its associated company and $125,000 was to directors of the Company.

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at December 31, 2008, the Company had short-term loans of $5,018,683 that were interest rate sensitive. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks.

For the twelve months ended December 31, 2008 a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2008, the estimated sensitivity of the Company's net income (loss) was ($8,768) (2007 – nil), based on an increase in rate and $8,768 (2007 – nil), based on a decrease in rate.

16. 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 will 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.

17. Normal course issuer bid

On February 5, 2008 the Company announced a normal course issuer bid. According to the terms of the bid, and in accordance with the rules of the TSX, during the period commencing February 7, 2008 and ending February 6, 2009, Jaguar may purchase a maximum of 8,429,621 of its common shares, which represents approximately 8% of the common shares outstanding as at January 31, 2008. Purchases of common shares will be effected through the facilities of the TSX in open market transactions at market prices prevailing at the time of acquisition. Daily purchases may not exceed 22,667 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at December 31, 2008, Jaguar purchased, from the commencement date of the bid, 533,600 common shares of the Company. The Company, during that period, cancelled all of the 533,600 common shares.

18. Subsequent Events

(a) On January 8, 2009 the Company announced that it appealed the Toronto Stock Exchange's decision to give conditional approval to the proposed acquisition by HudBay Minerals Inc. ("HudBay") of Lundin Mining Corporation ("Lundin") without the requirement of HudBay shareholder approval.

On January 23, 2009 Jaguar announced that it will not proceed with an offer to acquire all of the issued common shares of HudBay as announced on November 21, 2008. The reasons for not proceeding with the Offer include the decision of the Ontario Securities Commission that requires a HudBay shareholders vote as a condition of completing the transaction with Lundin Mining Corporation and, secondly, the convened HudBay shareholders meeting for March 31, 2009, as a result of a requisition made by a HudBay shareholder to replace the HudBay board of directors.

(b) On February 12, 2009, the Company reached an agreement to discharge its outstanding derivatives liability. In exchange for cancellation of the outstanding put option, the Company has agreed to pay the holder of the put option $1,242,585 in 60 monthly payments of $20,710 beginning on March 18, 2009. The repayment schedule will be accelerated by an amount equal to 20% of the net profit on any merchant banking transaction it completes. Since February 10, 2009 the Company has repaid $500,000 of a $1,000,000 short-term loan outstanding at year end to the holder of the put option and will also repay the remaining $500,000 plus interest on the following schedule: (i) $300,000 on March 18, 2009 and (ii) $200,000 on April 18, 2009.