JAGUAR FINANCIAL CORPORATION

ANNUAL REPORT

2010

March 28, 2011

To Our Shareholders

2010 was a solid year for Jaguar Financial Corporation ("Jaguar" or the "Company"). After the turnaround year of 2009, the Company continued producing investment gains in 2010.

While credit markets and global stock markets have shown improvement throughout 2010, the economy remains fragile and unpredictable. In these uncertain conditions, the Company was very selective in deploying its capital and maintained a strategy of remaining highly liquid.

Last year we told you that Royal Laser Corporation ("Royal") had announced the creation of a Special Committee to review unsolicited offers to purchase the company and we were represented on the Special Committee. We were proactive in encouraging Royal to put itself up for sale in order to realize value for all Royal shareholders including Jaguar. In the second quarter the Company sold its Royal shares, originally acquired in fiscal 2007, into Triple M Metal L.P.'s all cash take-over bid for proceeds of $8,570,215. The Company used the proceeds to retire all debt outstanding at that time. The Company remains debt free and had cash and cash equivalents of $7.5 million at December 31, 2010.

In fiscal 2009, Jaguar acquired approximately 15.4% of the outstanding common shares of WGI Heavy Minerals, Incorporated ("WGI"). In fiscal 2010 the Company sold its investment in WGI generating a gain of $566,507.

Jaguar continues to have a significant investment in Lakeside Steel Inc. ("Lakeside"), a diversified steel pipe and tube manufacturer, located in Welland, Ontario. Jaguar owned 11.7% of the outstanding shares of Lakeside as at December 31, 2010 and accounts for its investment using the equity accounting method, taking into income its pro rata share of Lakeside's earnings. Lakeside results have been improving with the company reporting net income of $2.0 million for its nine month period ending December 31, 2010. Jaguar's share of Lakeside's results for the entire year, including the loss reported in the quarter ended March 31, 2010, was a loss of $645,000. Jaguar also recognized a dilution gain of $712,000 as Lakeside did an equity financing with the issue price being above Jaguar's carrying value.

Lakeside's fortunes continue to look good with the construction of a new manufacturing facility in Alabama and expanded production capabilities in Welland. The market continues to support the initiatives undertaken by Lakeside with Lakeside's share price increasing from $0.29 on December 31, 2009 to $0.32 on December 31, 2010. Lakeside closed at $0.55 on March 25, 2011, and traded as high as $0.62 on March 11, 2011. At the March 25, 2011 closing price, the fair value of Jaguar's investment in Lakeside was $9,589,850 compared to its carrying value of $3,617,759.

The Company will follow the momentum it has generated in 2010 and continue with its very selective investment strategy. The Company believes that it has investment opportunities to create value for shareholders. We intend to present shareholders with a resolution at its next annual meeting of shareholders to reduce the Company's stated capital in order to position the Company to pay dividends based on realized net capital gains. The officers of the Company do not receive any salaries, and Northern Securities does not receive any work fees or engagement fees, and we have reduced the commissions payable on the purchase and sale of securities. If there are net capital gains on realized investments, the objective is to pay a portion of the net gains to shareholders in the form of dividends as determined by the Board of Directors.

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

Vic Alboini
Chairman and Chief Executive Officer

Management's Discussion and Analysis – Full Year 2010

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)* (the "OBCA") and its common shares are listed on the Toronto Stock Exchange 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, 2010, compared to the year ended December 31, 2009.

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 28, 2011, 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 assists the Company in making investments in undervalued companies and realizing on such investments, passively or proactively, depending on the circumstances. Proactive involvement by Jaguar could include working with management or the directors of the particular company to implement necessary changes to create shareholder value, 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 sixty-eight companies, which the Company believed were undervalued. Sixty-two of those positions were sold over the course of the last three years. As at December 31, 2010, the Company owned shares in ten companies and short sold the shares of one company.

On December 31, 2010, the Company has a significant investment in Lakeside Steel Inc. ("Lakeside"). The investment in Lakeside represents approximately 11.7% (December 31, 2009 – 28.1%) of the total issued and outstanding Lakeside common shares. In addition, the Chairman and Chief Executive Officer of the Company owns or controls 6,929,024 Lakeside common shares or 4.7% of Lakeside. Together the Company and its Chairman own or control 16.4% of the outstanding common shares of Lakeside. As at December 31, 2010, the fair value of the Company's investment in Lakeside was $5,579,549 as at December 31, 2010 (December 31, 2009 – $4,949,021) compared to its carrying value of $3,617,759.

The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Lakeside. The Company's General Counsel is also the General Counsel for 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.

In the second quarter of 2010 the Company tendered its shares of Royal Laser Corp. ("Royal") into Triple M Metal LP's all cash take-over bid for proceeds of $8,570,215. The Company started investing in Royal in Q3 of 2007 and over the course of 2007 and 2008 accumulated a significant stake in Royal. The Company's investment in Royal represented approximately 18.80% of the total issued and outstanding Royal common shares.

The Company also sold its investment in WGI Heavy Minerals Inc. ("WGI") in Q2 of 2010, generating a gain of $566,507. The Company's investment in WGI represented approximately 16.0% of the total issued and outstanding WGI shares. The Company's investment in WGI was made in the third quarter of 2010.

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, the capital markets environment, credit markets and global stock markets have all shown improvement throughout fiscal 2010. The economy remains fragile and unpredictable, as the improvement in the credit markets has been much slower than anticipated. Global stock markets are at their highest levels since the economic downturn, but remain much lower than before the downturn and can be somewhat volatile.

Jaguar reported net income from operations of $2,525,177, $26,830 lower than the prior year. The Company's share of losses in Lakeside was $645,185. The Company also reported a net dilution gain of $712,559, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity. As a result of the Company's share of Lakeside losses and the dilution gain, the Company reported net income and comprehensive income of $2,592,551 for the year ended December 31, 2010 compared to a net loss of $164,658 a year ago. The Company's basic and comprehensive income in 2010 is reflective of the improving trend in the Company's performance over the previous two years.

Financial Highlights for the year ending December 31, 2010 with comparatives:

Operating Results	**2010**	**2009**	**2008**
Gain/(loss) on investments, net	$ 3,247,764	$ 7,834,036	$ (19,119,937)
Gain on derivatives, net	418,064	238,941	(1,336,365)
Revenue – fees	62,106	59,746	264,505
Net income (loss) from operations*	**2,525,177**	**2,552,007**	**(25,825,775)**
Equity (loss)/earnings of associated company	(645,185)	(2,716,665)	1,723,452
Dilution gain on issue of common shares by associated company	712,559	-	-
Net income (loss) and comprehensive income (loss) for the period	**2,592,551**	**(164,658)**	**(24,102,323)**
Net income/(loss) per share – basic and diluted	0.02	0.00	(0.22)
Cash and cash equivalents	7,526,377	19,736	1,984,813
Investments, at fair value	1,969,540	7,855,302	14,057,785
Investment in associated company, at equity	3,617,759	3,429,389	6,301,054
Securities sold short	(2,960,640)	-	-
Shareholders equity	$ 10,356,885	$ 7,494,111	$ 7,836,467

* Net income before equity accounted investment gains/losses

For the year ended December 31, 2010, the Company generated a net gain on investments of $3,247,764 as compared to a net gain of $7,834,036 for fiscal 2009.

As at December 31, 2010, Jaguar held a short position in the shares of a company whose shares the Company believes are overvalued. The short position as at December 31, 2010 has resulted in an unrealized loss of $562,072, which is recorded in net gain on investments.

Fee revenue was $62,106 for the year ended December 31, 2009, compared to $59,746 in 2009.

Interest revenue for the year ended December 31, 2010, was $14,759, compared to interest income of $26,211 for the prior year. The reduction in interest revenue is attributable to Jaguar being almost fully invested in equities throughout the year as well as the low interest rate environment.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. During 2010, the Company recorded an equity loss of $645,185. The Company recorded an equity loss of $2,716,665 in 2009. The Company also reported a net dilution gain of $712,559, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity.

Total expenses for 2010 decreased to $1,217,516 from $5,606,927 in 2009. The $4,389,411 decrease in expenses was largely the result of less investment activity by the Company. The primary drivers were participation and financing fees – down by $2,183,936; transaction costs – down by $973,033; advisory fees – down $322,181; and interest – down $171,417.

Legal and audit fees were down by $660,693 compared to 2009, as the Company received a reimbursement in legal expenses totalling $250,000 relating to one of its investments and negotiated a $40,070 reduction of its legal expenses owing.

In Q3 of 2010, the Company negotiated a settlement of its loan payable. In exchange for paying the loan immediately rather than over the scheduled life of the loan, the Company made a payment of $150,000 lower than the face value of the loan, resulting in a gain of $79,503.

Stock based compensation at $284,575 was $140,565 higher than in the prior year. On April 29, 2010, the Company issued 2,000,000 common shares, which had previously been allotted and reserved for issuance in accordance with the terms of its Equity Incentive Plan.

Financial Highlights for the three months ending December 31, 2010 with comparatives:

	Three months ended December 31	
Operating Results	**2010**	**2009**
Loss on investments, net	$ (581,536)	$ (231,985)
Gain on derivatives, net	418,064	145,161
Revenue – fees	-	34,746
Net loss from operations*	**(531,496)**	**(422,036)**
Equity gain (loss) of associated company	25,218	(955,187)
Dilution gain on issue of common shares by associated company	801,491	-
Net income (loss) and comprehensive income (loss) for the period	**295,213**	**(1,377,223)**
Net loss per share – basic and diluted	0.00	(0.01)
Cash, cash equivalents and term deposits	7,526,377	19,736
Investments, at fair value	1,969,540	7,855,302
Investment in associated company, at equity	3,617,759	3,429,389
Securities sold short	(2,960,640)	-
Shareholders equity	$ 10,356,885	$ 7,494,111

* Net income before equity accounted investment gains/losses

For the three months ended December 31, 2010, the Company generated net income and comprehensive income of $295,213, compared to a net loss and comprehensive loss of $1,337,223 for the same period in 2009. The Company reported a net loss on investments of $581,536. In the same period last year, the Company reported a net investment loss of $231,985.

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, 2010, the Company recorded an equity income in the amount of $25,218. The Company recorded an equity loss of $955,187 for the same period in 2009. The Company also reported a dilution gain in Q4 of $801,491, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity.

Fee revenue was nil for the fourth quarter ended December 31, 2010, compared to $34,746 in 2009.

Interest revenue for the three months was $6,281, compared to interest income of $25,373 for the same period of the prior year. The decrease is the result of the Company investing its available free funds in instruments bearing less interest than in 2009.

Total expenses were $374,305 in Q4 of 2010, a decrease of $21,025 from Q4 of 2009. This decrease in expenses was due primarily to decreases in most categories, a result of the Company's involvement in a lower number of transactions compared to the same period in 2009.

Share Capital Information

As at December 31, 2010, the Company had 106,132,832 common shares together with 6,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 112,382,832 common shares. On April 29, 2010, the Company issued 2,000,000 common shares, under its Equity Incentive Plan. An additional 3,300,000 common shares of the Company will be issued under this plan – 2,000,000 on April 29, 2011 and 1,300,000 on April 29, 2012.

Normal Course Issuer Bid

On June 3, 2010, 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 June 7, 2010, and ending June 6, 2011, the Company may purchase a maximum of 7,561,183 of its common shares, which represents approximately 10% of the public float, as defined in the TSX Company Manual. Purchases of common shares will be made through the facilities of the TSX in open market transactions at market prices prevailing at the time of acquisition. Daily purchases may not exceed 15,523 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at December 31, 2010, Jaguar had purchased and cancelled 166,500 common shares of the Company.

Liquidity and Capital Resources

As at December 31, 2010, the Company had cash, cash equivalents and investments, including the investment in associated company, at fair value of $15,075,466 and securities sold short with a fair value of $2,960,640. The Company had net assets of $10,356,885 as at December 31, 2010, or approximately $0.10 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was $7,549,089 as at December 31, 2010, as compared to $12,804,323 for the prior year. The decrease in the value of the investment portfolio is primarily due to the disposal of the largest investment held by the Company and continued reduced investment activity throughout 2010. Jaguar also holds a short position with a fair value of $2,960,640. The Company currently has investments in the securities of ten companies, compared to nine at the end of Q4 of 2009.

In the third quarter of 2010 the Company retired the last of its loans and currently has no debt outstanding.

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, 2010.

Related Party Information

For the year ended December 31, 2010, the Company had related party transactions with directors and 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:

	2010	2009
Merchant banking fees [4]	$ 62,106	$ 59,746
Interest income [1]	596	-
Transaction costs [1]	145,104	1,118,297
Advisory fees [1]	24,871	389,052
Equity compensation [1]	284,575	-
Profit participation fees [3]	67,644	694,110
Interest expense [3]	18,582	46,918
Payables and accruals [3]	-	9,164
Receivable [1]	125,596	59,746

1. *Northern Securities Inc. ("NSI"), a Canadian investment dealer, is a wholly owned subsidiary of Northern Financial Corporation ("NFC"), a 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 conflicts of interest. The Chairman and Chief Executive Officer of NFC is also the Chairman and Chief Executive Officer of Jaguar.*
2. *All remuneration of the Chief Executive Officer of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chief Executive Officer of Jaguar. Effective January 1, 2009, the Chief Executive Officer of Jaguar waived all salary and all bonuses to which he may be entitled until a total amount of $1,150,000 has been waived. To December 31, 2010, $650,000 in compensation has been waived.*
3. *Profit participation fees and interest on loans provided by directors of the Company. The Company identifies investment opportunities and forms investor groups to participate in the opportunities through loans to the Company. Participation in the investor groups, at commercial terms, is open to accredited investors, including directors of the Company. The loans are repaid once the related investments are sold, in accordance with each loan agreement.*
4. *Stock swap fees from Lakeside Steel Inc., Jaguar's associated company.*

Contractual Obligations

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.

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.

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.

Summary of Quarterly Results

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

	2010				2009			
	Q4	Q3	Q2	Q1 Restated	Q4	Q3	Q2	Q1
Revenue	(157,191)	(373,750)	1,883,388	2,390,247	(26,705)	2,216,678	2,269,345	3,699,617
Net income (loss) and comprehensive income (loss)	295,213	(279,450)	1,317,831	1,258,957	(1,377,223)	791,802	(261,077)	681,840
(Loss) income per common share basic and diluted	0.00	0.00	0.02	0.01	(0.01)	0.01	0.00	0.01

The first quarter net income is restated for a dilution loss of $88,932 as Lakeside sold its own shares to outside investors, which reduced the Company's ownership interest from 28.1% to 25.3%. As well, the Company's equity loss has been increased by $89,507.

The fluctuation in income and total assets quarter over quarter in 2009 and 2010 is reflective of investment gains and losses, and the fluctuation in the prices of the securities held by the Company.

Recent accounting pronouncements

In August 2009, the Accounting Standards Board ("AcSB") amended CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", to achieve consistency with international standards on impairment of debt securities. The amendments changed the definition of a loan such that debt securities not quoted in an active market could be classified as a loan and measured at amortized cost. Impairment for debt securities classified as loans will be assessed and recorded using the incurred credit loss model of CICA Handbook Section 3025, "Impaired Loans". Debt securities that are classified as available-for-sale securities continue to be written down to their fair value through earnings when the impairment is considered other-than-temporary. However, the impairment loss can be reversed if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. The Company adopted the amendments, effective January 1, 2010. The impact of the adoption of these amendments is not significant.

Future Accounting Policies

International Financial Reporting Standards ("IFRS")

The AcSB requires Canadian publically accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company's first IFRS compliant financial statements will be for the first quarter of 2011.

Key senior management and finance personnel have attended IFRS training and the Company has set up an IFRS project team for conversion to IFRS. The Company commissioned a scoping of convergence to IFRS, which has now been completed. The study also summarized relevant IFRS initial adoption requirements and options and strategy for its application.

The Company has assessed and evaluated the effects of changes required under IFRS upon its operations, internal controls, and financial reporting. The Company has defined each of the IFRS sections that are applicable and has made changes to how particular items are tracked in anticipation of the new disclosure requirements. The IFRS sections that have the largest impact on the Company have been evaluated by management. The changes are in disclosures to the financial statements.

Management of Capital

The Company's capital structure includes the following:

	2010	2009
Short-term loans payable	$ -	$ 1,957,248
Loans payable	-	1,032,471
Shareholders' equity comprised of		
Capital stock	60,900,299	60,884,717
Contributed surplus	5,586,471	5,331,830
Deficit	(56,129,885)	(58,722,436)
	$ 10,356,885	**$ 10,483,830**

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, 2010.

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.

With respect to long positions, rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Company's short selling activities are also affected by commodity and equity prices. There is no assurance that securities will decrease in price during the period of a short sale enough to make a profit for the Company, and securities sold short may instead increase in price.

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 seeking to have 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 – pharmaceuticals, industrial, technology, telecommunication and natural resources.

As at December 31, 2010, 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 $10,000 (December 31, 2009 – ($79,000)), based on a decrease, and ($10,000) (December 31, 2009 – $79,000) 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.

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. 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. As at December 31, 2010, the Company had no short-term loans or other liabilities that were interest rate sensitive. The Company has short-term deposits that are interest rate sensitive.

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. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

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.

Disclosure Controls and Procedures

The Chief Executive Officer 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 Chief Executive Officer 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 date of this report and have concluded that the design was not effective to provide such reasonable assurance as a result of the material weakness described below. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and in accordance with the accounting policies set out in the notes to the financial statements for the year ended December 31, 2010.

Management must disclose in its MD&A any material weaknesses found to exist within the system of internal control over financial reporting. While finalizing the statements for the Q4 filing an adjustment was noted, that is considered material to the financial statements. Management concluded that a material weakness existed at December 31, 2010 relating to the depth of review of complex accounting issues. In the first quarter of fiscal 2011 the Company implemented a formal process requiring in-depth review of complex transactions, which includes, if necessary, consulting with outside accounting advisors to ensure appropriate accounting treatment.

Grant Thornton

Independent Auditors' Report

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To the shareholders of Jaguar Financial Corporation

We have audited the accompanying financial statements of Jaguar Financial Corporation, which comprise the balance sheets as at December 31, 2010 and 2009, and the statements of operations, comprehensive income and deficit, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jaguar Financial Corporation as at December 31, 2010 and 2009, 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 28, 2011

Chartered Accountants
Licensed Public Accountants

Jaguar Financial Corporation
Balance Sheets
December 31

	2010 $	2009 $
Assets		
Current		
Cash and cash equivalents	7,526,377	19,736
Investments, at fair value (Note 3)	1,969,540	7,855,302
Investment in associated company (Note 4)	3,617,759	3,429,389
Derivatives (Note 5)	418,064	-
Other assets	51,147	62,840
	13,582,887	11,367,267
Capital assets (Note 6)	822	2,225
	13,583,709	11,369,492
Liabilities		
Current		
Securities sold short (Note 3)	2,960,640	-
Payables and accruals	266,184	885,662
Short-term loans payable (Note 7)	-	1,957,248
Loan payable (Note 8)	-	306,036
	3,226,824	3,148,946
Long-term		
Loan payable (Note 8)	-	726,435
	3,226,824	3,875,381
Shareholders' Equity		
Capital stock (Note 9(b))	60,900,299	60,884,717
Contributed surplus (Note 9(e))	5,586,471	5,331,830
Deficit	(56,129,885)	(58,722,436)
	10,356,885	7,494,111
	13,583,709	11,369,492

Nature of operations (Note 1)
Commitments and contingencies (Note 16)
Management of capital (Note 17)

Approved on behalf of the Board:

"Vic Alboini"
Director

"Victor Lazarovici"
Director

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

	2010 $	2009 $
Revenue		
Fees	62,106	59,746
Interest	14,759	26,211
Gain on investments, net	3,247,764	7,834,036
Gain on derivatives, net (Note 5)	418,064	238,941
	3,742,693	8,158,934
Expenses		
Management salaries, directors and consulting fees	151,168	235,167
Transaction costs	145,264	1,118,297
Advisory fees	24,871	347,052
Participation and financing fees	217,440	2,401,376
Stock based compensation (Note 10)	284,575	144,010
Office and general	362,665	404,461
Shareholder information and transfer agent	33,589	55,604
Travel	25,515	7,435
Legal and audit fees	(62,657)	598,036
Amortization	1,403	1,396
Interest	113,185	284,602
Settlement of loan payable (Note 8)	(79,502)	-
Patent rights	-	9,491
	1,217,516	5,606,927
Income from operations	**2,525,177**	**2,552,007**
Equity loss of associated company	(645,185)	(2,716,665)
Dilution gain on investment in associated company (net) (Note 12)	712,559	-
Income (loss) before income tax	**2,592,551**	**(164,658)**
Income tax (Note 13)	-	-
Net income (loss) and comprehensive income (loss)	**2,592,551**	**(164,658)**
Basic and diluted earnings per common share (Note 11)	0.02	0.00
Deficit at beginning of year	**(58,722,436)**	**(58,557,778)**
Net income (loss)	2,592,551	(164,658)
Deficit at end of year	**(56,129,885)**	**(58,722,436)**

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Cash Flows
Years Ended December 31

	2010 $	2009 $
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net income (loss)	2,592,551	(164,658)
Items not affecting cash		
Purchase of investments	(6,663,529)	(17,655,734)
Proceeds from sale of investments	18,636,699	31,069,725
Dividend received from associated company	-	777,530
Gain on sale of investments	(3,247,764)	(7,834,036)
Gain on derivatives	(418,064)	(238,941)
Gain on settlement of loans payable	(79,502)	-
Amortization	1,403	1,396
Equity loss of associated company	645,185	2,716,664
Dilution gain on issue of common shares by associated company	(712,559)	-
Stock-based compensation	284,575	144,010
	11,038,995	8,815,956
Decrease (increase) in other assets	11,693	(18,597)
Decrease in payables and accruals	(619,478)	(97,547)
	10,431,210	8,699,812
Financing activities		
Purchase of capital stock – normal course issuer bid	(14,352)	(321,709)
Repayment of short-term loans payable	(1,957,248)	(10,276,264)
Repayment of loans payable	(952,969)	(64,953)
	(2,924,569)	(10,662,926)
Investing activities		
Purchase of capital assets	-	(1,963)
	-	(1,963)
Net increase (decrease) in cash and cash equivalents	7,506,641	(1,965,077)
Cash and cash equivalents at beginning of year	19,736	1,984,813
Cash and cash equivalents at end of year	7,526,377	19,736
Supplemental cash flow information		
Cash and cash equivalents consist of:		
Cash	5,527,897	19,736
Short term deposits	1,998,480	-
	7,526,377	19,736

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, in its review of small capitalization companies, may decide to short sell the securities of companies whose shares it believes are overvalued. The Company is governed by the *Business Corporations Act* (Ontario) (the "OBCA") and its common shares are listed on the Toronto Stock Exchange (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.

Estimates, risks and uncertainties

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") 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, and the future benefits of unutilized tax losses and temporary differences. 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, other than those in associates, are all classified as held for trading and are recorded at fair value. Publicly traded securities values and securities sold short with quoted prices in an active market, are based on quoted closing bid prices on the last day of trading in the reporting period. The securities currently held and sold short by the Company are all from publicly traded companies.

Marketable securities transactions are accounted for as of the trade date and any realized gain or loss from such transactions are calculated on an average cost basis. Income from investments is recognized on the ex-dividend date and interest income on an accrual basis.

When the Company sells a security short, it will borrow that security from a broker to complete the sale. The Company will incur a loss as a result of the short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Company closes out its short position by buying that security. The Company will realize a gain if the security declines in price between those dates. The gain or loss that would be realized if, on the balance sheet date, the positions were to be closed out is reflected under "gain (loss) on investments, net". When the short position is closed out, gains or losses are realized and included in "gain (loss) on investments, net". The liability to close out a short position is reflected in the balance sheets under "securities sold short".

Derivatives

Derivatives are all classified as held for trading and are recorded at fair value with the change in value being recorded on the statement of operations, comprehensive income and deficit.

Merchant banking fees

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

Transaction costs

Transaction costs, such as brokerage commissions and fees in respect of securities purchased and sold, are expensed as incurred for all financial instruments.

Investments in associated companies

Investments in companies over 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 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;
- the Company's proportion of dividends paid by the investee, subsequent to the date when the use of the equity method first became appropriate; and
- any dilution gain or loss upon issuance of common shares to outside interests by the investee.

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. 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 at the time of purchase, 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.

When there is a loss in value of an investment in an associated company that is considered other than a temporary decline, the investment is written down to recognize the loss and the write-down is included in the determination of net income.

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 of the Board of Directors consisting of independent directors of the Company. 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.

Earnings (loss) per common share

Basic earnings (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 earnings (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, short-term loans payable and loans payable are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Comprehensive income

The Company discloses comprehensive income, which consists of net income and other comprehensive income. Since the Company has no other comprehensive income, net income (loss) and comprehensive income (loss) are the same.

Recent accounting pronouncements

In August 2009, the AcSB amended CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement", to achieve consistency with international standards on impairment of debt securities. The amendments changed the definition of a loan such that debt securities not quoted in an active market could be classified as a loan and measured at amortized cost. Impairment for debt securities classified as loans will be assessed and recorded using the incurred credit loss model of CICA Handbook Section 3025, "Impaired Loans". Debt securities that are classified as available-for-sale securities continue to be written down to their fair value through earnings when the impairment is considered other-than-temporary. However, the impairment loss can be reversed if the fair value subsequently increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. The Company adopted the amendments, effective January 1, 2010. The impact of the adoption of these amendments is not significant.

Future accounting policies

The Company will adopt the use of International Financial Reporting Standards ("IFRS") effective January 1, 2011. IFSR will replace Canadian GAAP currently followed by the Company. The Company will be required to begin reporting under IFRS for its fiscal year ended December 31, 2011, and will be required to provide information that conforms with IFRS for the comparative periods presented. The Company has completed its assessment of the impact of the transition to IFRS including its effect on accounting policies, disclosures, financial systems, and internal controls, and has determined that the impact will be minimal.

3. Investments:

a) Investments consist of the following as at December 31, 2010:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Vaaldiam Mining Inc.	821,400 common shares	284,023	213,560	10.8
Other public companies	common shares, warrants and debt	4,402,079	1,755,980	89.2
Total		**$ 4,686,102**	**$ 1,969,540**	**100.0**

Securities sold short consist of the following as at December 31, 2010:

Issuer	Security Description	Proceeds	Fair Value	% of Port.(FV)
Publicly traded companies	common shares	2,398,568	2,960,640	100.0
Total		**$ 2,398,568**	**$ 2,960,640**	**100.0**

For the year ending December 31, 2010, the Company had a net gain on investments of $3,247,764.

b) Investments consist of the following as at December 31, 2009:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Royal Laser Corporation	18,234,500 common shares	$12,114,544	$4,923,315	62.7
Tiomin Resources Inc.	37,765,000 common shares	1,305,835	944,125	12.0
WGI Heavy Minerals, Incorporated	3,777,100 common shares	1,303,158	1,510,840	19.2
Other public companies	common shares/warrants	3,861,670	477,022	6.1
Total Investments		**$ 18,585,207**	**$ 7,855,302**	**100.0**

4. Investment in associated company:

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

	2010	2009
Balance, beginning of year	$ 3,429,389	$ 6,301,054
Acquisition cost:		
Market purchase	120,996	622,530
	120,996	622,530
Equity loss	(645,185)	(2,757,486)
Dividend	-	(777,530)
Dilution gain on issue of common shares by associated company (Note 12)	712,559	-
Depreciation adjustment for the excess of book value over purchase price	-	40,821
Balance, end of year	**$ 3,617,759**	**$ 3,429,389**

In 2007 the Company acquired 7,057,455 shares of Lakeside from Northern Financial Corporation ("NFC") at a price of $0.27 per share. The Company acquired 5,161,748 shares of Lakeside in a private placement at a price of $0.42 per share. 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 2,008,008 shares of Lakeside, of which 1,207,242 shares were acquired in the market at an average price of $0.29 per share and 800,766 shares were acquired in a private purchase at a price of $0.12 per share.

The Company acquired 983,000 and 1,515,000 of additional Lakeside shares in Q2 and Q4 of 2009, respectively. The shares were acquired in the market at an average price of $0.15 per share in Q2 and $0.31 per share in Q4.

Beginning in Q4 of 2008 through Q4 of 2009 through a normal course issuer bid, Lakeside acquired and cancelled 3,698,266 of its own shares. All of the above resulted in an aggregate purchase price that was approximately $288,000 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 acquired 370,500 additional Lakeside shares in Q1 of 2010 in a private placement at a price of $0.27 per share.

The Company's investment in Lakeside totals 17,436,090 shares and represents 11.7% (December 31, 2009 – 28.1%) of the outstanding common shares of Lakeside as at December 31, 2010 (see Note 12). In addition, the Chairman and Chief Executive Officer of the Company owns or controls 6,929,024 or 4.7% of Lakeside's outstanding common shares. Together the Company and its Chairman own or control 16.4% of the outstanding common shares of Lakeside. The quoted market value of the Company's investment in Lakeside was $5,579,549 as at December 31, 2010 (December 31, 2009 - $4,949,021).

The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Lakeside. The Company's General Counsel is also the General Counsel for 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.

The condensed balance sheet of Lakeside Steel Inc. as at December 31, 2010 is as follows:

(in thousands of dollars)

CURRENT ASSETS		
Cash	$	26
Investment		343
Receivables and prepaids		44,344
Inventory		30,113
		74,826
Property, plant and equipment		15,385
Future income taxes		9,251
Deferred pension cost		22,094
	$	121,556
CURRENT LIABILITIES		
Bank indebtedness	$	30,191
Accounts payable and accrued liabilities		23,319
		53,510
Long-term liabilities		35,031
		88,541
SHAREHOLDERS' EQUITY		33,015
		121,556

5. Derivatives:

On September 14, 2010, the Company settled its outstanding loans payable with a payment of $989,036 (Note 8) and at that time entered into an agreement with the original lender (the "Investor") to invest the payment in units of a listed security, whereby on the sale of shares and the shares underlying the warrants of that security, any proceeds in excess of $1,139,036 would be shared equally between the Investor and the Company.

As at December 31, 2010, the fair value of the shares and the warrants was $1,975,164, resulting in a $418,064 fair value of the derivative held by the Company and an unrealized gain of $418,064.

6. Capital assets

	2010	2009
Cost	$ 275,899	$ 275,899
Less: Accumulated amortization	275,077	273,674
Net book value	$ 822	$ 2,225

7. Short-term loans payable

As at December 31, 2010, the Company had no short-term loans outstanding (December 31, 2009 - $1,957,248). All outstanding loans were repaid during the second quarter of 2010.

8. Loan payable

As at December 31, 2010, the Company had no loans outstanding (December 31, 2009 – $1,032,471). On September 14, 2010, the Company settled its outstanding loans with a payment of $989,036, which resulted in a gain of $79,503.

9. Capital stock

(a) Authorized

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

(b) Issued

Issued and outstanding	
106,132,832 common shares	$60,900,299

Share capital activity for the year ended December 31, 2010, and 2009, is summarized as follows:

	Shares	Amount
Outstanding as at December 31, 2008	107,562,832	$ 62,666,254
Shares cancelled under normal course issuer bid	(3,130,500)	(1,768,284)
Shares repurchased for cancellation – not yet cancelled	(133,000)	(13,253)
Outstanding as at December 31, 2009	104,299,332	$ 60,884,717
Shares issued	2,000,000	170,000
Shares cancelled under normal course issuer bid	(166,500)	(154,418)
Outstanding as at December 31, 2010	106,132,832	$ 60,900,299

(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, 2008 – 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, 2010, there were 6,250,000 (December 31, 2009 – 8,250,000) options outstanding and 4,065,300 (December 31, 2009 – 2,065,300) options available to be granted.

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

Year ended December 31, 2009

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

Year ended December 31, 2010

		Number of Common Shares				
Expiry Date	**Exercise Price**	**Opening Balance**	**Options Granted**	**Options Exercised**	**Options Expired**	**Closing Balance**
August 2017	$0.215	8,250,000	-	-	2,000,000	6,250,000
		8,250,000	-	-	2,000,000	6,250,000

All options are currently exercisable.

(e) Contributed surplus

Contributed surplus transactions for the year are as follows:

	Amount
Balance, December 31 2008	**$ 3,727,991**
Stock-based compensation	144,010
Normal course issuer bid	1,459,829
Balance, December 31, 2009	**5,331,830**
Stock-based compensation	114,575
Normal course issuer bid	140,066
Balance, December 31, 2010	**$ 5,586,471**

10. Stock-based compensation

On April 29, 2010, the Company issued 2,000,000 common shares, which had previously been allotted and reserved for issuance in accordance with the terms of its Equity Incentive Plan. An additional 3,300,000 common shares of the Company will be issued under this plan – 2,000,000 on April 29, 2011 and 1,300,000 on April 29, 2012.

The shares were valued using the closing price on the day the grant was made. For the full year ending December 31, 2010, the fair value of stock-based compensation was $284,575.

11. 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:

December 31, 2009	106,895,839
December 31, 2010	105,625,518

12. Dilution gain on investment in associated company

On February 26, 2010, Lakeside Steel Inc. completed a private placement of 8,244,853 units, with each unit consisting of one common share and one-half of one common share purchase warrant. Each unit was priced at $0.27, resulting in gross proceeds of $2,226,110 (before allocation to warrants and share issue costs). Jaguar purchased 8,133,742 units under the private placement. On the same day, Jaguar sold an aggregate of 7,763,242 common shares of Lakeside Steel Inc. at $0.27 per share to other investors of the private placement in prearranged trades over the facilities of the TSX, and subsequently bought the same number of shares from the same investors. Jaguar transferred an aggregate of 3,153,871 warrants to applicable counterparties to the pre-arranged trades for no additional consideration. As a result of this transaction the Company's ownership interest in Lakeside Steel Inc. was reduced from 28.1% to 25.3%.

As Lakeside Steel Inc. issued its own equity to outside interests, a dilution loss of $88,932 arose as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying investment in Lakeside Steel Inc.

On October 5, 2010 Lakeside Steel Inc. announced that it had completed its offering of 81,075,000 common shares at a price of $0.26 per common share for total gross proceeds of $21,079,500 (before commissions of 6%). As a result of this transaction the Company's ownership interest in Lakeside Steel Inc. was reduced from 25.6% to 11.7% and a dilution gain of $801,491 arose as a result of the difference between the Company's share of the proceeds and the carrying value of the underlying investment in Lakeside Steel Inc.

13. Income taxes

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

	2010	2009
Income (loss)	$ 2,592,551	$ (164,658)
Expected income tax expense (recovery) at Canadian statutory tax rate	804,000	(54,000)
Change in valuation allowance	(1,009,000)	5,000
Change in tax rate	196,000	-
Permanent differences	89,000	49,000
Lower future tax rate	(68,000)	-
Tax return to provision adjustment	(21,000)	-
Other	9,000	-
Provision for income taxes	$ -	$ -

The Company's future income tax assets at December 31, 2010 and 2009 are summarized as follows:

	2010	2009
Property, plant and equipment	$ 763,000	$ 762,000
Exploration and development	3,852,000	3,852,000
Losses carried forward	4,239,000	2,905,000
Investments	798,000	3,366,000
Equity investment	439,000	456,000
Other	8,000	7,000
Gross future tax assets	10,099,000	11,348,000
Valuation allowance	10,099,000	11,325,000
Net future tax asset	-	23,000
Future tax liability	-	(23,000)
	$ -	$ -

As at December 31, 2010 the Company has unutilized non-capital losses that expire as follows:

2028	$7,964,631
2029	$3,718,507
2030	$5,272,858

14. Financial instruments:

Additional disclosures regarding fair value measurement of financial instruments as required by amendments to CICA Handbook Section 3862 are presented below. The fair value hierarchy presented distinguishes between the inputs used in determining the fair value measurement of the Company's various financial instruments. The hierarchy levels are defined as:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data; and

Level 3 – Unobservable inputs that are supported by little or no market activity. Valuation techniques are primarily model-based.

	Carrying Value	Estimated Fair Value December 31, 2010		
	December 31, 2010	Level 1	Level 2	Level 3
Held for trading				
Cash and term deposits	$ 7,526,377	$ 5,527,897	$ 1,998,480	-
Investments	1,969,540	1,726,777	106,229	136,534
Derivatives	418,064	-	418,064	-
Securities sold short	2,960,640	2,960,640	-	-

	Carrying Value	Estimated Fair Value December 31, 2009		
	December 31, 2009	Level 1	Level 2	Level 3
Held for trading				
Cash and term deposits	$ 19,736	$ 19,736	-	-
Investments	7,855,302	7,816,001	39,301	-

Level 1 financial instruments include cash and publicly traded equities. Fair values for cash are based on principal amounts deposited. Fair values for publicly traded equities are based on the closing bid price on the stock exchange where the investment is listed as at December 31, 2010. Fair values for publicly traded equities sold short are based on the closing ask price on the stock exchange where the investment is listed as at December 31, 2010.

Level 2 financial instruments include term deposits, warrants, derivatives and debt instruments. Fair values for warrants are based on the Black-Scholes Option Pricing Model using the quoted closing bid price of the underlying security as at December 31, 2010, a 52 week volatility, and the Government of Canada treasury bill rate for equivalent maturity dates.

Level 3 financial instruments include warrants where any of the model inputs noted for Level 2 are not available. Fair values for warrants issued by public companies are based on the Black-Scholes Option Pricing Model using the quoted closing bid price of the underlying security as at December 31, 2010 (or the last available closing bid price when a closing bid price as December 31, 2010 is not available), a 52 week volatility (or the next available volatility less than 53 weeks where a 52 week volatility is not available), and the Government of Canada treasury bill rate for equivalent maturity dates. Fair values for warrants issued by private companies are based on the Black-Scholes Option Pricing Model using an adjusted issue price of the underlying security as at December 31, 2010, a 50% volatility, and the Government of Canada treasury bill rate for equivalent maturity dates. Publicly traded equities are valued at $nil.

15. Related party information

The Company had related party transactions with directors and 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:

	2010	2009
Merchant banking fees [4]	$ 62,106	$ 59,746
Interest income [1]	596	-
Transaction costs [1]	145,104	1,118,297
Advisory fees [1]	24,871	389,052
Equity compensation [1]	284,575	-
Profit participation fees [3]	67,644	694,110
Interest expense [3]	18,582	46,918
Payables and accruals [3]	-	9,164
Receivable [1]	125,596	59,746

1. *Northern Securities Inc. ("NSI"), a Canadian investment dealer, is a wholly owned subsidiary of Northern Financial Corporation ("NFC"), a 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 conflicts of interest. The Chairman and Chief Executive Officer of NFC is also the Chairman and Chief Executive Officer of Jaguar.*
2. *All remuneration of the Chief Executive Officer of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chief Executive Officer of Jaguar. Effective January 1, 2009, the Chief Executive Officer of Jaguar waived all salary and all bonuses to which he may be entitled until a total amount of $1,150,000 has been waived. To December 31, 2010, $650,000 in compensation has been waived.*
3. *Profit participation fees and interest on loans provided by directors of the Company.*
4. *Stock swap fees from Lakeside Steel Inc., Jaguar's associated company.*

16. 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.

17. Management of capital

The Company's capital structure includes the following:

	2010	2009
Short-term loans payable	$ -	$ 1,957,248
Loans payable	-	1,032,471
Shareholders' equity comprised of		
Capital stock	60,900,299	60,884,717
Contributed surplus	5,586,471	5,331,830
Deficit	(56,129,885)	(58,722,436)
	$ 10,356,885	**$ 10,483,830**

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, 2010.

18. 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.

With respect to long positions, rising equity prices may increase the price of an investment while declining equity prices may have the opposite effect. The Company's short selling activities are also affected by equity prices. There is no assurance that securities will decrease in price during the period of a short sale enough to make a profit for the Company, and securities sold short may instead increase in price.

The Company invests in small capitalization publicly 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 seeking to have 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 – pharmaceuticals, industrial, technology, telecommunication and natural resources.

As at December 31, 2010, 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 $10,000 (December 31, 2009 – ($79,000)), based on a decrease, and ($10,000) (December 31, 2009 – $79,000) 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.

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. 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. As at December 31, 2010, the Company had no short-term loans or other liabilities that were interest rate sensitive. The Company has short-term deposits that are interest rate sensitive.

19. Normal course issuer bid

On June 3, 2010, 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 June 7, 2010, and ending June 6, 2011, the Company may purchase a maximum of 7,561,183 of its common shares, which represents approximately 10% of the public float, as defined in the TSX Company Manual. 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 15,523 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at December 31, 2010, Jaguar had purchased and cancelled 166,500 common shares of the Company.