



JAGUAR FINANCIAL CORPORATION
Third Quarter
MD&A and
Financial Statements

2008

Management's Discussion and Analysis – Third Quarter 2008

Introduction

Jaguar Financial Corporation (“Jaguar” or the “Company”) is a Canadian merchant bank that invests in what management considers 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 unaudited financial statements and related notes for the three and nine months ended September 30, 2008, compared to the three and nine months ended September 30, 2007.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars unless otherwise indicated. These interim financial statements have not been reviewed by the Company's auditors.

This report is dated as at November 12, 2008 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 Initiatives

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

Since commencing operations as a merchant bank in Q1 of 2007, Jaguar has invested in publicly traded securities of forty-four companies, which the Company believed were undervalued. Twenty-eight of those positions were liquidated – seven in fiscal 2007, and five, seven and nine in Q1, Q2 and Q3 of 2008, respectively. The Company currently holds the shares of sixteen companies from different industries.

The largest position currently held by the Company is Royal Laser Corporation (“Royal”). The investment in Royal represents approximately 18.02% (December 31 – 11.8%) of the total issued and outstanding Royal common shares (“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 consideration offered under the Offer represented a premium of (i) \$0.13 or 19.4% to the closing price of the Shares on the TSX on August 18, 2008, the last trading day prior to the announcement of Jaguar’s intention to make the Offer, and (ii) \$0.16 or 25.0% to the volume weighted average trading price of the Royal Shares for the 30 trading days immediately preceding the date of announcement of Jaguar’s intention to make the Offer.

On October 8, 2008 the Company announced it had extended the expiry date and time of its offer to acquire up to 31,620,495 of the issued common shares of Royal not already owned by Jaguar to 5:00 p.m. on Friday, November 7, 2008.

Jaguar also announced that, as a result of a major decline in markets generally and in the share price of Royal from a closing price of \$0.72 on September 3, 2008, the date Jaguar commenced the Offer, to a closing price of \$0.45 on October 7, 2008, Jaguar is varying the terms of the Offer by reducing the Offer price per common share from \$0.80 to \$0.63 per common share.

The Offer is conditional on, among other things, the deposit of that number of Royal shares which, when taken together with the shares of Royal owned by Jaguar, constitutes at least 50% of the Royal Shares plus one Share. The purpose of the Offer is to acquire control of Royal. Other conditions to which the Offer is subject are set out in detail in the Offer documents.

If the Jaguar acquires sufficient shares to elect a majority of the directors, Jaguar intends to appoint several nominees of Jaguar to the Royal Board of Directors such that the Jaguar nominees would represent a majority of the Board. The newly-constituted Board will examine alternatives for maximizing shareholder value, including a possible business combination with Added Capital Corp. (“Added”). The Company owns approximately 22.6% of Added, parent company to Lakeside Steel Corporation. The Company believes that significant opportunities to increase shareholder value exist between Royal and Added, which include additional leverage in purchasing steel and additional capacity throughput at Royal’s facilities. In addition, upon completion of the Offer, the Jaguar intends to take steps to cause Royal to sell the non-core businesses of Royal, which consist of Royal Laser Manufacturing, WAM Industries Ltd., Smokey Manufacturing Inc., Thunder Tool and Manufacturing Ltd., and Envirozone.

As at September 30, 2008, the Company also had a significant investment in Virtek Vision International Inc. (“Virtek”). The investment in Virtek represents approximately 5.9% (December 31 – nil) of the total issued and outstanding Virtek shares. As at September 30, 2008, the Company, together with an investor group, own or exercise control or direction over a total of approximately 19.9% (December 31 – nil) of the outstanding shares of Virtek. Subsequent to the end of the quarter, 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.

Results of Operations

The economy and capital markets environment worsened and remained extremely challenging in the quarter. Credit markets continued to deteriorate, resulting in an extended disrupting of global stock markets. Continued fears of a recession and difficult liquidity conditions 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. The factors noted above are significantly more intensified for the small and micro capitalization firms in which the Company invests.

Due to these difficult market conditions, the Company reported a net loss of \$7,797,029 for the quarter ended September 30, 2008 compared to net income of \$5,432,843 a year ago.

Financial Highlights for the period ending September 30, 2008 with comparatives:

Operating Results (Unaudited)	Three months ended September 30	
	2008	2007
Net investments gain/(loss)	\$ (6,119,522)	\$ 9,754,994
Revenue – Advisory fees	222,235	-
Revenue - Interest	173	31,819
Equity earnings of associated company	618,777	-
Net income/(loss) for the period	(7,797,029)	5,432,843
Net income/(loss) per share – basic and diluted	(0.07)	0.05
Cash and term deposits	1,642,326	2,519,869
Investments, at fair value	18,565,217	36,831,956
Investment in associated company, at equity	5,518,988	-
Total Assets	\$ 25,607,633	\$ 39,354,058

For the three months ended September 30, 2008 the Company generated a net loss on investments of \$6,119,522 as compared to a net gain of \$9,754,994 for the same period in 2007. During the quarter, the market value of the Company's investments declined resulting in an unrealized loss of \$4,967,093. The Company sold securities for realized losses of \$1,152,429. In the same period last year, the Company reported an unrealized gain of \$9,730,994 as a result of an increase in the market value of its investments, largely related to its investment in the common shares of Century II Holdings Inc.

Advisory fees revenue was \$222,235 for the third quarter ended September 30, 2008. There is no comparative result for 2007.

Interest revenue for the three months was \$173, compared to interest income of \$31,819 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.

The Company accounts for its investment in Lakeside Steel Inc. ("Lakeside"), formerly Added Capital Corporation, using the equity method, recording its share of earnings in income. Lakeside reported earnings for the three month period ending September 30, 2008, of \$2,752,928 and the Company recorded an equity gain of \$618,777. There is no comparative for the prior year.

Total expenses decreased from \$4,353,970 in Q3 of 2007 to \$2,518,692 in Q3 of 2008. The \$1,835,278 decrease in expenses was due primarily to decreases in management salaries and consulting fees – down by \$1,027,638; stock based compensation – down by \$657,445; office and general – down by \$139,154; legal and audit fees – down by \$129,632; transaction costs – down by \$52,608; and shareholder information and transfer agent cost – down by \$45,422. A portion of the aggregate decrease in the above expenses was offset by increases in advisory fees – up by \$145,233, interest expense – up by \$46,473 and travel – up by \$29,661 compared to Q2 of 2007, a result of the Company's involvement in more deals in Q3 of 2008.

Operating Results (Unaudited)	Nine months ended September 30	
	2008	2007
Net investments gain/(loss)	\$ (8,625,691)	\$ 10,332,223
Revenue – Advisory fees	222,235	-
Revenue - Interest	64,665	274,450
Equity earnings of associated company	581,386	-
Net income/(loss) for the period	(12,350,280)	5,495,743
Net income/(loss) per share – basic and diluted	(0.11)	0.05
Cash and term deposits	1,642,326	2,519,869
Investments, at fair value	18,565,217	36,831,956
Investment in associated company, at equity	5,518,988	-
Total Assets	\$ 25,607,633	\$ 39,354,058

For the nine months ended September 30, 2008, the Company generated a net loss on investments of \$8,625,691, compared to a net gain of \$10,332,223 in the first nine months of 2007. Due to continued difficult market conditions, the market value of the Company's investments declined, resulting in an unrealized loss of \$7,232,541 as at September 30, 2008. The Company also sold securities for a realized loss of \$1,393,150 for the nine months ended September 30, 2008.

Advisory fees revenue was \$222,235 for the nine months ended September 30, 2008. There is no comparative result for 2007.

Interest revenue for the nine month period was \$64,665, a 76% decrease, compared to interest income of \$274,450 for the same period of the prior year. The decrease is due to Jaguar's continued shift in investment focus as a merchant bank, moving funds away from short-term deposits to equity investments.

Equity earnings from Lakeside were \$581,386 for the nine month period. There is no comparative for the prior year.

Total expenses for the nine months ended September 30, 2008 decreased from \$5,110,939 to \$4,592,875, compared to the same period in 2007. The \$518,064 decrease in expenses was due primarily to decreases in management salaries and consulting fees lower by \$831,506; stock based compensation lower by \$566,237; office and general lower by \$139,154; shareholder information and transfer agent fees lower by \$20,056; and amortization lower by \$16,746.

Share Capital Information

As at June 30, 2008 the Company had 107,585,432 common shares together with 8,550,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 116,135,432 common shares. Stock options of 8,550,000 with an exercise price of \$0.215 were granted to employees and directors in Q3 of 2007 through the stock option plan. The Company announced a normal course issuer bid in Q1 of 2008 and has since purchased 511,000 of its common shares and cancelled 487,400 of the purchased common shares.

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 10% 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 September 30, 2008, Jaguar purchased, from the commencement date of the bid, 533,600 common shares of the Company. During that period, the Company cancelled all of the 533,600 common shares purchased for cancellation.

Liquidity and Capital Resources

As at September 30, 2008, the Company had cash, cash equivalents and investments, at fair value of \$20,207,543. The Company had net assets of \$19,539,507 as at September 30, 2008, or approximately \$0.18 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$20,677,518 as at September 30, 2008, compared to \$26,380,916 for the same period in the prior year. The decrease in the value of the investment portfolio is primarily due to decreases in the fair value of most of the securities held by the Company, as a result of the challenging economy and capital markets environment in Q3. The Company currently has investments in the securities of sixteen companies, compared to nine at the end of Q3 of 2007.

Presently, the Company has sufficient funds on hand to fund its working capital requirements. The short term loans used to fund a portion of the Company's investment in the shares of Virtek, in the amount of \$2,048,530, were repaid subsequent to the end of the quarter.

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 September 30, 2008.

Related Party Information

For the six months ended September 30, 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:

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Transaction costs ¹	\$ 227,039	\$ 279,647	\$ 662,543	\$ 428,594
Consulting expenses ²	50,000	50,000	150,000	150,000
Shareholder costs ³	-	-	-	141,644
Advisory fees ¹	800,000	2,121,609	1,350,000	2,137,609

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.
3. Proxy solicitation expense paid to NFC for shareholder meeting services.

As at September 30, 2008, the Company had accrued interest payable in the amount of \$17,528 to a director of the Company. As at September 30, 2008, the Company had loans payable to that director of \$615,000 (December 31, 2007 – nil).

As at September 30, 2008, the Company had interest and gains payable of \$39,803 to a corporation wholly owned by a director of the Company. As at September 30, 2008, the Company had loans payable to that wholly owned corporation of \$200,000 (December 31, 2007 – nil).

Contractual Obligations

The Company currently has no contractual commitments. Jaguar currently occupies space under a lease between Northern Securities Inc. ("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			2006	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Income and equity earnings	(5,278,337)	(2,508,801)	29,733	(188,976)	9,786,813	1,271,027	(451,167)	3,450,395
Net income (loss)	(7,797,029)	(3,480,783)	(1,072,468)	(977,092)	5,432,843	779,803	(716,912)	(2,322,352)
Income (loss) per common share basic and diluted	(0.07)	(0.03)	(0.01)	(0.01)	0.05	0.01	(0.01)	(0.02)

Throughout 2006, the Company operated as a mining company. It sold its Guatemalan subsidiary for a gain in Q1 of 2006 and subsequently recorded a purchase price adjustment in Q4. 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 1535 Capital Disclosure, Section 3862, Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation.

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.

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 market, price and liquidity 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.

Liquidity risk:

Liquidity risk is the risk that the Company will have sufficient cash resources 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 that can be readily converted into cash when required.

Critical Accounting Estimates

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

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

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

Disclosure Controls and Procedures

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

Internal Control over Financial Reporting

The President and Chief Financial Officer are responsible for certifying that they have designed the Company's internal control over financial reporting ("ICFR") to a standard that provides reasonable assurance of the reliability and accuracy of financial reporting. The certifying officers have evaluated the design of the Company's ICFR as of the date of this report and have concluded the design to be sufficient to provide such reasonable assurance. The financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP) and in accordance with the accounting policies set out in the notes to the financial statements for the three months ended June 30, 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, 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 and the Company has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures.

Jaguar Financial Corporation

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the period ended September 30, 2008, have not been reviewed by the Company's auditors.

Jaguar Financial Corporation
Balance Sheets
(Unaudited)

	September 30 2008	December 31 2007
	<u>\$</u>	<u>\$</u>
Assets		
Current		
Cash and cash equivalents	1,642,326	9,163,422
Investments, at fair value (Note 3)	18,565,217	18,438,247
Investment in associated company (Note 4)	5,158,988	4,125,821
Other assets	239,176	276,137
	<u>25,605,707</u>	<u>32,003,627</u>
Capital assets (Note 5)	1,926	1,441
	<u>25,607,633</u>	<u>32,005,068</u>
Liabilities		
Current		
Payables and accruals	1,394,596	192,972
Short-term loan payable (Note 6)	4,673,530	-
	<u>6,068,126</u>	<u>192,972</u>
Shareholders' Equity		
Capital stock (Note 7(b))	62,666,254	62,977,130
Contributed surplus (Note 8)	3,678,988	3,290,420
Deficit	(46,805,735)	(34,455,455)
	<u>19,539,507</u>	<u>31,812,095</u>
	<u>25,607,633</u>	<u>32,005,068</u>

Nature of operations (Note 1)
 Commitments and contingencies (Note 12)
 Subsequent events (Note 16)

Approved on behalf of the Board:

"Doug Fowler"

Director

"Vic Alboini"

Director

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Operations and Deficit
(Unaudited)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue				
Advisory fees	222,235	-	222,235	-
Interest	173	31,819	64,665	274,450
Equity earnings of associated company	618,777	-	581,386	-
Gain/(loss) on investments, net	(6,119,522)	9,754,994	(8,625,691)	10,332,223
	<u>(5,278,337)</u>	<u>9,786,813</u>	<u>(7,758,391)</u>	<u>10,606,673</u>
Expenses				
Management salaries and consulting fees	219,406	1,247,044	660,713	1,492,219
Transaction costs	227,039	279,647	662,543	428,594
Advisory & Financing fees	1,666,841	1,521,608	2,155,066	1,537,508
Stock based compensation	57,004	714,449	171,012	737,249
Office and general	70,050	209,204	138,817	263,026
Shareholder information and transfer agent	39,059	84,481	238,646	259,702
Travel	33,529	3,868	66,879	6,802
Legal and audit fees	142,273	271,905	306,066	305,607
Amortization	267	160	802	17,548
Interest	49,114	2,641	61,491	9,038
Patent rights	14,110	18,963	129,840	53,646
	<u>2,518,692</u>	<u>4,353,970</u>	<u>4,592,875</u>	<u>5,110,939</u>
Net income (loss)	(7,797,029)	5,432,843	(12,350,280)	5,495,734
Basic and diluted income/(loss) per common share (Note 9)	(0.07)	0.05	(0.11)	0.05
Deficit at beginning of period	<u>(39,008,706)</u>	<u>(38,911,207)</u>	<u>(34,455,455)</u>	<u>(38,974,098)</u>
Net Income (loss)	(7,797,029)	5,432,843	(12,350,280)	5,495,734
Deficit at end of period	<u>(46,805,735)</u>	<u>(33,478,364)</u>	<u>(46,805,735)</u>	<u>(33,478,364)</u>

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Cash Flows
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net Income (loss)	(7,797,029)	5,432,843	(12,350,280)	5,495,734
Unrealized (gain)/loss on investments, net	4,967,093	(9,730,994)	7,232,541	(10,315,437)
Amortization	267	160	802	17,548
Equity loss of associated company	(618,777)	-	(581,386)	-
Stock based compensation	57,004	714,449	171,012	737,249
	(3,391,442)	(3,583,542)	(5,527,311)	(4,064,906)
Decrease (increase) in receivables	(224,349)	10,687	36,961	1,148,674
Increase (decrease) in payables and accruals	1,278,046	2,583,866	1,201,624	1,788,929
	(2,337,745)	(988,989)	(4,288,726)	(1,127,303)
Financing activities				
Purchase of shares – normal course issuer bid	(3,303)	-	(93,321)	-
Increase (decrease) in short-term loan payable	3,393,419	3,841,783	4,673,530	3,841,783
	3,390,116	3,841,783	4,580,209	3,841,783
Investing activities				
Term deposits	-	-	-	25,560,870
Investments	(2,486,443)	(8,031,754)	(25,430,262)	(28,136,519)
Proceeds on sale of investments	3,004,235	1,620,000	17,618,969	-
Net change in working capital items	-	-	-	(1,530)
Capital assets	-	-	(1,286)	(1,922)
	517,792	(6,411,754)	7,812,579)	(959,101)
Net increase (decrease) in cash and cash equivalents	1,570,163	(3,558,960)	(7,521,096)	1,755,379
Cash and cash equivalents at beginning of period	72,163	6,078,829	9,163,422	764,490
Cash and cash equivalents at end of period	1,642,236	2,519,869	1,642,326	2,519,869
Supplemental cash flow information				
Cash and cash equivalents consist of:				
Cash	1,642,326	2,519,869	1,642,326	2,519,869
Short term deposits	-	-	-	-
	1,642,326	2,519,869	1,642,326	2,519,869

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 1535 Capital Disclosure, Section 3862, Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation.

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

Investments

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

Investment in associated companies

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

Stock-based compensation

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

Override payments

Under the governance terms and conditions of transactions with NFC, the Company at its discretion may make override payments to NFC of up to 25% on any realized gains from any investment made by Jaguar, such decisions to be approved by the compensation committee. 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.

3. Investments:

- a) Investments consist of the following as at September 30, 2008:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Royal Laser Corporation	17,823,000 common shares	\$11,995,859	\$11,050,260	59.5
Forest Gate Resources Inc.	11,428,572 common shares	800,000	228,571	1.2
Tiomin Resources Inc.	31,710,000 common shares	1,139,023	2,061,150	11.1
Virtek Vision International Inc.	1,984,486 common shares	1,855,106	2,024,176	10.9
Other public companies	common shares/warrants	11,062,576	3,201,060	17.3
Total Investments		\$ 26,852,564	\$ 18,565,217	100.0

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

The investment in Virtek Vision International Inc. ("Virtek") represents approximately 5.9% (December 31 – nil) of the total issued and outstanding Virtek Shares. As at September 30, 2008, the Company, together with an investor group,

own or exercise control or direction over a total of approximately 19.9% (December 31 – nil) of the outstanding shares of Virtek.

4. Investment in associated company:

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

	September 30 2008	December 31 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	356,781	105,518
	451,781	4,178,965
Equity gain/(loss)	594,930	(53,144)
Depreciation of the excess of purchase price over book value	(13,544)	-
Balance, end of the period	\$ 5,158,988	\$ 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. 3,528,727 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 Added on a one for one basis. The Company acquired 340,379 shares of Added in the market at an average price of \$0.31 per share.

In the first quarter of 2008 the Company acquired an additional 2,008,008 shares of Added, 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 Added's assets. The difference is amortized over the remaining service life of Added's fixed assets.

The Company's investment represents 22.6% (December 31, 2007 – 19.1%) of the outstanding common shares of Lakeside as at September 30, 2008. Quoted market value of the investment as at September 30, 2008 was \$2,112,301 (\$2,951,503 – December 31, 2007).

5. Capital assets

	September 30 2008	December 31 2007
Cost		
Office equipment	\$ 273,936	\$ 272,650
Less: Accumulated amortization		
Office equipment	272,010	271,209
Net book value		
Office equipment	\$ 1,926	\$ 1,441

6. Short-term loan payable

As at September 30, 2008, the Company had loans outstanding in the amount of \$2,625,000 (December 31, 2007 - nil), used to fund the Company's investment in the shares of Tiomin Resources Inc. ("Tiomin"). The loans bear interest of 2% per annum, receive 50% of their pro rata share of any gain resulting from a liquidity event for the Tiomin shares and mature at the earlier of (i) the date the Tiomin shares are sold, or (ii) 9 months following the date of the issuance of the loan.

As at September 30, 2008, the Company had a loan outstanding in the amount of \$1,000,000 (December 31, 2007 - nil), used to fund a portion of the Company's investment in the shares of Virtek. The financing term on the loan is the greater of (i) 15% interest and (ii) 10% interest and 10% of the pro rata gain resulting from a liquidity event for the Virtek shares. The loan is payable on demand.

As at September 30, 2008, the Company had a loan outstanding in the amount of \$615,000 (December 31, 2007 – nil), used to fund a portion of the Company's investment in the shares of Virtek. The loan bears interest of 15% per annum and receives 15% of the pro rata gain resulting from a liquidity event for the Virtek shares. The loan matures on the date the Virtek shares are sold. The holder of the loan is a director of the Company.

As at September 30, 2008, the Company had a loan outstanding in the amount of \$433,530 (December 31 – nil), at prime plus two percent, secured by all of the Company's marketable securities.

7. 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 September 30, 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 September 30, 2008, there were 8,550,000 (December 31, 2007 - 8,550,000) options outstanding and 1,765,300 (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

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

1. Options vest 1/3 immediately in 2004, 1/3 in August and October 2005, and 1/3 in August and October 2006.

2. Options vest 20% immediately in July 2006, then 20% every 6 months thereafter until July 2008.

3. Options vest 60% immediately in August 2007, then 20% on August 21, 2008 and 20% on August 21, 2009.

Three months ended June 30, 2008

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

3. Options vest 60% immediately in August 2007, 20% on August 21, 2008 and 20% on August 21, 2009.

Jaguar Financial Corporation
Notes to the Financial Statements
September 30, 2008
(Unaudited)

	Number of Stock Options	Weighted Average Exercise Price
Balance December 31, 2007	8,550,000	\$ 0.215
Cancelled	-	-
Granted	-	-
Balance June 30, 2008	8,550,000	\$ 0.215

Range Of Exercise Prices	Number of Stock Options	Average Remaining Life	Weighted Average Exercise Price
\$ 0.215	8,550,000	8.76 years	\$ 0.215

All options are currently exercisable except for 1,710,000 expiring August 2017.

(d) Contributed Surplus

Contributed surplus transactions for the period are as follows:

	Amount
Balance, December 31, 2007	3,290,420
Stock-based compensation	57,004
Normal course issuer bid	113,501
Balance, March 31, 2008	3,460,925
Stock-based compensation	57,004
Normal course issuer bid	84,065
Balance, June 30, 2008	3,601,994
Stock-based compensation	57,004
Normal course issuer bid	19,990
Balance, September 30, 2008	3,678,988

8. 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 three months ending September 30, 2008 was \$57,004.

9. Per share amounts

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

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

	<u>Three months ended</u>	<u>Nine months ended</u>
September 30, 2007	108,096,432	108,096,432
September 30, 2008	107,521,150	107,704,261

10. Income taxes

No income taxes have been recorded in the interim periods for 2008 and 2007 because there are adequate tax losses available to offset taxable income.

11. Related party information

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

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
Transaction costs ¹	\$ 227,039	\$ 279,647	\$ 662,543	\$ 428,594
Consulting expenses ²	50,000	50,000	150,000	150,000
Shareholder costs ³	-	-	-	141,644
Advisory fees ¹	800,000	2,121,609	1,350,000	2,137,609

4. *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.*

5. *All remuneration of the President of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chairman and President of Jaguar.*

6. *Proxy solicitation expense paid to NFC for shareholder meeting services.*

As at September 30, 2008, the Company had accrued interest payable in the amount of \$17,528 to a director of the Company. As at September 30, 2008 the Company had loans payable to that director of \$615,000 (December 31, 2007 – nil).

As at September 30, 2008, the Company had interest and gains payable of \$39,803 to a corporation wholly owned by a director of the Company. As at September 30, 2008 the Company had loans payable to that wholly owned corporation of \$200,000 (December 31, 2007 – nil).

12. Commitments and contingencies

- (a) The Company, in an agreement with Northern, 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.

13. 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 market, price and liquidity 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.

Liquidity risk:

Liquidity risk is the risk that the Company will have sufficient cash resources 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.

14. Indemnities

No director or officer of the Company shall be held responsible for any losses or damages sustained by the Company while in the execution of the duties of his office save if such resulted from his gross negligence or wilful omission, or if he has not acted with honesty and in good faith. The Company 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.

15. 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 10% 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 September 30, 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.

16. Subsequent Events

- (a) On October 8, 2008, the Company announced it had extended the expiry date and time of its offer to acquire up to 31,620,495 of the issued common shares of Royal Laser Corp. ("Royal") not already owned by Jaguar (the "Offer") to 5:00 p.m. on Friday, November 7, 2008.

Jaguar also announced that, as a result of a major decline in markets generally and in the share price of Royal from a closing price of \$0.72 on September 3, 2008, the date Jaguar commenced the Offer, to a closing price of \$0.45 on October 7, 2008, Jaguar is varying the terms of the Offer by reducing the Offer price per common share from \$0.80 to \$0.63 per common share.

On November 7, 2008, the Offer was further extended to December 2, 2008.

- (b) On October 9, 2008, the Company announced that it intended to tender its common shares of Virtek to the take-over bid of Gerber Scientific Canada Inc., a subsidiary of Gerber Scientific Inc. (collectively "Gerber"), dated September 12, 2008.

The Company tendered its shares to Gerber's bid at a price of \$1.05 per Virtek share and received payment on October 27, 2008.

The short term loans used to fund a portion of the Company's investment in the shares of Virtek, in the amount of \$2,048,530, were repaid upon completion of the tender.

- (c) On October 15, 2008, the Company announced its acquisition of an additional 390,000 common shares of Tiomin Resources Inc. ("Tiomin") representing approximately 0.82% of the total issued common shares of Tiomin. The Tiomin shares were acquired on the Toronto Stock Exchange for investment purposes at an average price of \$0.059 per share. Combined with the Tiomin common shares previously owned, Jaguar now owns a total of 47,812,000 common shares, representing approximately 10.08% of the total issued common shares of Tiomin.

Jaguar believes the common shares of Tiomin are undervalued and wishes to assist in the enhancement of shareholder value.