



JAGUAR FINANCIAL CORPORATION

**First Quarter
MD&A and
Financial Statements**

2010

Management's Discussion and Analysis – First Quarter 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 unaudited financial statements and related notes for the period ended March 31, 2010, compared to the three months ended March 31, 2009.

The unaudited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars unless otherwise indicated. These interim financial statements for the period ending March 31, 2010, have not been reviewed by the Company's auditors.

This report is dated as at May 11, 2010, 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 fifty-nine companies, which the Company believed were undervalued. Fifty-one of those positions were sold – seven in fiscal 2007, twenty-six in 2008, seventeen in fiscal 2009 and one in Q1 of 2010, respectively. As at March 31, 2010, the Company owned shares in eight companies.

On March 31, 2010, the Company has a significant investment in Lakeside Steel Inc. ("Lakeside"). The investment in Lakeside represents approximately 25.3% (December 31, 2009 – 28.1%) of the total issued and outstanding Lakeside common shares. As at March 31, 2010, the fair value of the Company's investment in Lakeside was \$5,230,827.

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

As at March 31, 2010, the Company also had significant investments in Royal Laser Corp. ("Royal") representing approximately 18.8% (December 31, 2009 – 18.8%) of the total issued and outstanding Royal shares and WGI Heavy Minerals, Incorporated ("WGI") representing approximately 16.0% (December 31, 2009 – 16.0%) of the total issued and outstanding WGI shares. The Chairman and Chief Executive Officer of the Company is a director of both Royal and WGI.

Subsequent to quarter-end, the Company entered into a lock-up agreement with Triple M Metal L.P. ("Triple M") to tender all of the Royal shares owned by Jaguar to Triple M's all cash take-over bid offer of \$0.47 per Royal share. Triple M's offer was made on May 7, 2010, and Jaguar anticipates receiving approximately \$8.5 million on June 15, 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 and capital markets environment, though challenging, continued to improve through the first quarter of 2010. Credit markets continue to show signs of easing, however, at a very slow pace and global stock markets were more stable than in the previous quarters and by the end of first quarter were trading at their highest levels, since the economic downturn. The economy remains fragile and unpredictable. While equity markets experienced less volatility, investors remained cautious.

The improvement in market conditions resulted in improved opportunities for Jaguar, including an increase in the value of the Company's investments, resulting in both realized and unrealized gains. The improved liquidity conditions make it less difficult to exit an investment within the planned time horizon.

These improved economic and capital markets conditions created a more favourable investment climate for the Company. Jaguar reported net income from operations of \$2,139,551 for the quarter ending March 31, 2010, a significant improvement from the gain of \$989,464 reported in Q1 of the prior year. The Company's share of losses in Lakeside was \$702,155, resulting in net income of \$1,437,396 for quarter ending March 31, 2010, compared to net income of \$681,840 in Q1 of last year.

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

Operating Results	Three months ended March 31	
	2010	2009
Gain on investments, net	\$ 2,328,141	\$ 3,604,999
Revenue – fees	62,106	-
Net income from operations	2,139,551	989,464
Equity loss of Lakeside	(702,155)	(307,624)
Net income for the period	1,437,396	681,840
Net income (loss) per share – basic and diluted	0.01	0.01
Cash, cash equivalents and term deposits	26,272	334,348
Investments, at fair value	9,573,300	12,310,527
Investment in Lakeside, at equity	2,848,230	5,993,429
Total Assets	\$ 12,476,923	\$ 18,716,213
Investment in Lakeside, at fair value	\$ 5,230,827	\$ 2,185,139

During the quarter, the market value of the Company's investments increased resulting in an unrealized gain of \$2,310,045. The Company sold securities for realized gains of \$18,096. In the same period last year, the Company reported a net investment gain of \$3,604,999.

For the three months ended March 31, 2010, the Company recorded an equity loss attributed to its investment in Lakeside in the amount of \$702,155. The Company recorded an equity loss relating to Lakeside of \$307,624 for the same period in 2009.

Fee revenue was \$62,106 for the first quarter ended March 31, 2010, compared to nil in 2009.

Total expenses were \$250,696 in Q1 of 2010, a decrease of \$2,459,457 as compared to Q1 of 2009. This decrease in expenses was largely the result of less investment activity by the Company. The primary drivers were legal and audit fees – lower by \$937,499; participation and financing fees – lower by \$913,702; transaction costs – lower by \$470,889.

Stock based compensation at nil was lower by \$55,004 compared to the same period of the prior year, as all options granted were fully vested as at September 1, 2009.

Share Capital Information

As at March 31, 2010, the Company had 104,299,332 common shares together with 8,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 112,594,332 common shares. No stock options were granted and no common shares were issued during the quarter.

Normal course issuer bid

On June 2, 2009, 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 5, 2009, and ending June 4, 2010, Jaguar may purchase a maximum of 7,918,184 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 19,337 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid are cancelled.

As at March 31, 2010, Jaguar purchased, from the commencement date of the bid, 3,263,500 common shares of the Company and cancelled these shares.

Liquidity and Capital Resources

As at March 31, 2010, the Company had cash, cash equivalents and investments, at fair value of \$14,830,399. The Company had net assets of \$8,931,488 as at March 31, 2010, or approximately \$0.09 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$14,804,127 as at March 31, 2010, as compared to \$14,495,666 for the same period in the prior year. The increase in the value of the investment portfolio is primarily due to increases in the fair value of all of the securities held by the Company, as a result of improvements in the economy and capital markets environment in Q1 of 2010. The Company currently has investments in the securities of eight companies, compared to ten at the end of Q1 of 2009.

Presently, the Company has sufficient funds on hand to fund its working capital requirements. At March 31, 2010, the Company had borrowed approximately \$1,783,494 for specific investment opportunities (see Note 6). These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. The loans mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at March 31, 2010, 19.6% of these loans were due to related parties and 80.4% to third parties.

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 March 31, 2009.

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:

	2010	2009
Transaction costs ¹	\$ 5,733	\$ 477,380
Consulting expenses ²	-	-
Advisory fees ¹	9,121	-
Profit participation fees ³	-	172,553
Interest expenses	6,958	14,276
Payables and accruals	12,658	174,591
Receivables	25,000	52,500

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 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 has agreed to waive all salary and all bonuses to which he may be entitled until a total amount of \$1,150,000 has been waived. To March 31, 2010, \$300,000 in compensation has been waived.
3. Profit participation fees on loans provided by directors of the Company.

As at March 31, 2010, the Company had interest payable of \$12,658 to directors and corporations wholly owned by directors of the Company. As at March 31, 2010, the Company had short-term loans payable to those wholly owned corporations of \$450,000 (December 31, 2009 – \$500,000).

Contractual Obligations

The Company's annual payments for the retirement of its long-term debt obligations are as follows:

2010	\$	306,036
2011		217,126
2012		228,235
2013		239,912
2014		41,162
	\$	<u>1,032,471</u>

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

Summary of Quarterly Results

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

	2010	2009				2008		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3 ¹	Q2
Revenue	2,390,247	(26,705)	2,216,678	2,269,345	3,699,617	(10,448,456)	(6,272,234)	(2,494,474)
Net (loss) income	1,437,396	(1,377,223)	791,802	(261,077)	681,840	(11,376,924)	(8,172,149)	(3,480,783)
(Loss) income per common share basic and diluted	0.01	(0.01)	0.01	0.00	0.01	(0.11)	(0.08)	(0.03)

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

The fluctuation in income and total assets quarter over quarter 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 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.

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011, the Company will adopt IFRS and intends to have financial statements that are IFRS – compliant for the first reporting quarter of 2011.

The Company is required to discuss the status of the key elements and timing of its changeover plan in its annual 2009 MD&A.

The Company is in the process of developing an IFRS transition plan. Key elements of the plan include the following:

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

- assessment/implementation of accounting and information systems changes required to accommodate the impact of major differences between Canadian GAAP and IFRS;
- assessment of changes to internal controls required to accommodate the impact of major differences between Canadian GAAP and IFRS; and
- assessment/identification of required financial reporting expertise and training required for financial reporting staff.

The Company has had initial discussions with its external auditors on IFRS disclosure requirements and timelines regarding milestones towards implementation. The Company 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.

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-controlling Interests". These sections replace the former CICA Handbook Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements" and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3, "Business Combinations" (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27, "Consolidated and Separate Financial Statements" (January 2008). CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The impact of the adoption of these sections is not expected to be significant.

Management of Capital

The Company's capital structure includes the following:

	March 31 2010	December 31 2009
Short-term loans payable	\$ 1,783,494	\$ 1,957,248
Loans payable	1,032,471	1,032,471
Shareholder's equity comprised of		
Capital Stock	60,822,844	60,884,717
Contributed Surplus	5,393,683	5,331,830
Deficit	(57,285,039)	(58,722,436)
	\$ 11,747,453	\$ 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 March 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.

The Company primarily 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 – industrial, technology, telecommunication and natural resources.

As at March 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 (\$96,000) (March 31, 2009 – (\$123,000)), based on a decrease and \$96,000 (March 31, 2009 – \$123,000), based on an Increase.

Liquidity risk:

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

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

At March 31, 2010, the Company had borrowed approximately \$1,783,494 for specific investment opportunities. These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. The loans mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at March 31, 2010, 19.6% of these loans were due to related parties and 80.4% to third parties.

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at March 31, 2010, the Company had no short-term loans that were interest rate sensitive. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks.

For the three months ended March 31, 2010, a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at March 31, 2010, the estimated sensitivity of the Company's net income (loss) was (\$82) (March 31, 2009 – (\$2,301)), based on an increase in rate and \$82 (March 31, 2009 – \$2,301), based on a decrease in rate.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the determination of fair value of the Company's investments. 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 Company's financial year end and have concluded the design to be sufficient to provide such reasonable assurance. 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 quarter ended March 31, 2010.

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 staff, which has strengthened the segregation of duties, there still exists limited segregation. Management believes, however, that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures, the Company has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures. The Company has no further mitigation plans.

Jaguar Financial Corporation

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the period ended March 31, 2010, have not been reviewed by the Company's auditors.

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Balance Sheets
(Unaudited)

	March 31 2010	December 31 2009
	<u>\$</u>	<u>\$</u>
Assets		
Current		
Cash and cash equivalents	26,272	19,736
Investments, at fair value (Note 3)	9,573,300	7,855,302
Investment in associated company (Note 4)	2,848,230	3,429,389
Other assets	<u>27,327</u>	<u>62,840</u>
	12,475,129	11,367,267
Capital assets (Note 5)	<u>1,794</u>	<u>2,225</u>
	<u><u>12,476,923</u></u>	<u><u>11,369,492</u></u>
Liabilities		
Current		
Payables and accruals	729,470	885,662
Short-term loans payable (Note 6)	1,783,494	1,957,248
Loan payable (Note 7)	<u>359,306</u>	<u>306,036</u>
	2,872,270	3,148,946
Long-term		
Loan payable (Note 7)	<u>673,165</u>	<u>726,435</u>
Total liabilities	3,545,435	3,875,381
Shareholders' Equity		
Capital stock (Note 8(b))	60,822,844	60,884,717
Contributed surplus (Note 8(d))	5,393,683	5,331,830
Deficit	<u>(57,285,039)</u>	<u>(58,722,436)</u>
	8,931,488	7,494,111
	<u><u>12,476,923</u></u>	<u><u>11,369,492</u></u>

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

Approved on behalf of the Board:

"Vic Alboini"

 Director

"Doug Fowler"

 Director

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Operations and Deficit
Three Months Ended March 31
(Unaudited)

	2010	2009
	<u>\$</u>	<u>\$</u>
Income and equity earnings		
Fees	62,106	-
Interest	-	838
Gain on investments, net	2,328,141	3,604,999
Gain on derivatives, net	-	93,780
	<u>2,390,247</u>	<u>3,699,617</u>
Expenses		
Management salaries and consulting fees	84,915	97,430
Transaction costs	6,491	477,380
Advisory fees	9,121	-
Participation & Financing fees	-	913,702
Stock based compensation (Note 9)	-	55,004
Office and general	82,849	57,478
Shareholder information and transfer agent	4,837	43,245
Travel	1,173	1,124
Legal and audit fees	26,813	964,313
Amortization	431	267
Interest	34,066	90,719
Patent rights	-	9,491
	<u>250,696</u>	<u>2,710,153</u>
Net Income from operations	<u>2,139,551</u>	<u>989,464</u>
Equity loss of associated company	(702,155)	(307,624)
Net Income	<u>1,437,396</u>	<u>681,840</u>
Basic and diluted gain per common share (Note 10)	0.01	0.01
Deficit at beginning of period	<u>(58,722,436)</u>	<u>(58,557,778)</u>
Net Income	1,437,396	681,840
Deficit at end of period	<u>(57,285,040)</u>	<u>(57,875,938)</u>

See accompanying notes to the financial statements.

Jaguar Financial Corporation
Statements of Cash Flows
Three Months Ended March 31
(Unaudited)

	2010	2009
	\$	\$
Increase (decrease) in cash and cash equivalents		
Operating activities		
Net income	1,437,396	681,840
Purchase of investments	-	(3,688,228)
Proceeds from sale of investments	489,147	9,134,265
Gain on sale of investments	(2,328,141)	(3,604,999)
Unrealized gain on derivatives	-	(93,780)
Amortization	431	267
Equity loss of associated company	702,155	307,624
Stock based compensation	-	55,004
	<u>300,988</u>	<u>2,791,993</u>
Decrease (increase) in other assets	35,513	(32,275)
Increase (decrease) in payables and accruals	(156,191)	1,373,852
	<u>180,310</u>	<u>4,133,570</u>
Financing activities		
Purchase of capital stock – normal course issuer bid	(20)	-
Repayment from short-term loans payable	(173,754)	(5,784,035)
	<u>(173,774)</u>	<u>(5,784,035)</u>
Investing activities		
Capital assets	-	-
	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	6,536	(1,650,465)
Cash and cash equivalents at beginning of period	19,736	1,984,813
Cash and cash equivalents at end of period	<u>26,272</u>	<u>334,348</u>
Supplemental cash flow information		
Cash and cash equivalents consist of:		
Cash	26,272	334,348
Short term deposits	-	-
	<u>26,272</u>	<u>334,348</u>

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

Cash and cash equivalents

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

Investments

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

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.

Investment in associated companies

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

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

Any excess paid for net assets (i.e. Purchase Price compared to the Book Value) will first be assigned to specific assets and liabilities and will be depreciated. The unassigned portion will be considered Goodwill, which will be subject to an annual impairment test. Depreciation on the excess assigned to assets reduces the investment account and is charged to equity in earnings of associated companies. In the case of the Company’s associated company investment, the Company’s purchase price was lower than the book value of the acquired shares, which resulted in an allocation of that difference to capital assets and as such, the depreciation on the excess book value compared to purchase price increases the investment account and the equity in earnings of associated companies.

Stock-based compensation

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

Override payments

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

Income/(loss) per common share

Income/(loss) per common share is computed by dividing the income/(loss) for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares, which are included when the conditions necessary for issuance have been met, and excluding shares of the Company, which were acquired and not yet cancelled. Diluted income/(loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method.

Capital assets

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

Other financial liabilities

Payables, 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.

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. IFRS 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.

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, Section 1601, “Consolidations”, and Section 1602, “Non-controlling Interests”. These sections replace the former CICA Handbook Section 1581, “Business Combinations” and Section 1600, “Consolidated Financial Statements” and establish a new section for accounting for a non-controlling interest in a subsidiary. CICA Handbook Section 1582 establishes standards for the accounting of a business combination. It provides the Canadian equivalent to IFRS 3, “Business Combinations” (January 2008). The section applies prospectively to business combinations for which the acquisition date is on or after the

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beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Handbook Section 1601 establishes standards for the preparation of consolidated financial statements. CICA Handbook Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS International Accounting Standard 27, "Consolidated and Separate Financial Statements" (January 2008). CICA Handbook Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The impact of the adoption of these sections is not expected to be significant.

Comparative information

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

3. Investments:

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

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Royal Laser Corp.	18,234,500 common shares	\$12,114,544	\$6,746,765	70.5
Vaaldiam Mining Inc.	2,468,400 common shares	853,521	962,674	10.1
WGI Heavy Minerals, Incorporated	3,777,100 common shares	1,303,158	1,473,069	15.4
Other public companies	common shares/warrants	3,721,934	390,792	4.0
Total Investments		\$ 17,993,157	\$ 9,573,300	100.0

The investment in Royal Laser Corporation ("Royal") represents approximately 18.8% (December 31, 2009 – 18.8%) of the total issued and outstanding common shares of Royal.

Subsequent to quarter-end, the Company entered into a lock-up agreement with Triple M Metal L.P. ("Triple M") to tender all of the Royal shares owned by Jaguar to Triple M's all cash take-over bid offer of \$0.47 per Royal share. Triple M's offer was made on May 7, 2010, and Jaguar anticipates receiving approximately \$8.5 million on June 15, 2010.

The investment in WGI Heavy Minerals, Incorporated ("WGI") represents approximately 16.0% (December 31, 2009 – 16.0%) of the total issued and outstanding common shares of WGI.

For the period ending March 31, 2010, the Company had a net gain on investments of \$2,328,141.

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

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Royal Laser Corp.	18,234,500 common shares	\$12,114,544	\$4,923,315	62.7
Vaaldiam Mining 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:

	March 31 2010	December 31 2009
Balance, beginning of year	\$ 3,429,389	\$ 6,301,054
Acquisition cost:		
Private placement	\$ 120,996	\$ -
Market purchase	-	622,530
	120,996	622,530
Equity earnings (loss)	(702,155)	(2,757,486)
Dividend	-	(777,530)
Depreciation adjustment for the excess of book value over purchase price	-	40,821
Balance, end of year	\$ 2,848,230	\$ 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.

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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. The shares were acquired in a private placement at an average price of \$0.27 per share.

The Company's investment in Lakeside totals 17,436,090 shares and represents 25.3% (December 31, 2009 – 28.1%) of the outstanding common shares of Lakeside as at March 31, 2010. Quoted market value of the investment as at March 31, 2010, was \$5,230,827 (\$4,949,021 – December 31, 2009).

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

5. Capital assets

	March 31 2010	December 31 2009
Cost	\$ 275,899	\$ 275,899
Less: Accumulated amortization	274,105	273,674
Net book value	<u>\$ 1,794</u>	<u>\$ 2,225</u>

6. Short-term loan payable

As at March 31, 2010, the Company had loans outstanding in the amount of \$350,000 (December 31, 2009 – \$350,000), used to fund one of the Company's investments. The loans are unsecured, bear interest of 2% per annum, receive 50% of their pro rata share of any gain resulting from a liquidity event for the investment and mature at the earlier of (i) the date the investment is sold, or (ii) 9 months following the date of the issuance of the loan. These outstanding loans were issued February 25, 2009, through to March 10, 2009.

As at March 31, 2009, the Company had loans outstanding in the amount of \$1,433,494 (December 31, 2008 – \$1,607,248), used to fund one of the Company's investments. The loans are unsecured, bear interest of 5% per annum, receive 50% of their pro rata share of any gain resulting from a liquidity event for the investment and mature at the earlier of (i) the date the investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans were issued August 21, 2009, through to October 1, 2009. Directors of the company and their immediate families provided \$450,000 of these loans.

7. Loan payable

As at March 31, 2009, the Company had an outstanding, non-interest bearing, loan of \$1,032,471 (December 31, 2009 – \$1,032,471), of which \$359,306 is due within one year and is categorized as a current liability. The loan is recorded at the discounted cash flow value using the effective interest method.

As at December 31, 2008, the Company had a put option liability in the amount of \$1,336,365, requiring the Company to purchase shares of a publicly traded company at a specified price upon the exercise of the put option. On February 12, 2009, the Company reached an agreement to discharge its outstanding derivative liability. In exchange for cancellation of the outstanding put option, the Company agreed to pay the holder of the put option \$1,242,585 in 60 monthly payments of \$20,710 beginning on March 18, 2009. The repayment schedule will be accelerated by an amount equal to 20% of the net profit on any completed merchant banking transaction. Repayment schedule for the next five years is as follows:

2010	\$ 306,036
2011	217,126
2012	228,235
2013	239,912
2014	41,162
	<u>\$ 1,032,471</u>

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8. 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 104,299,332 common shares	\$60,822,844
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Share capital activity for the quarter ended March 31, 2010, and December 31, 2009, is summarized as follows:

	Shares	Amount
Outstanding as at December 31, 2009	104,432,332	\$ 60,884,717
Shares cancelled under normal course issuer bid	(133,000)	(61,873)
Outstanding as at March 31, 2010	104,299,332	\$ 60,822,844

(c) **Stock option plan**

The Company has a stock option plan (the "Plan") under which the directors of the Company can grant options to acquire up to a maximum of 19,000,000 (December 31, 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 March 31, 2010, there were 8,250,000 (December 31, 2009 – 8,250,000) options outstanding and 2,065,300 (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

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

Three months ended March 31, 2010

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

	Number of Stock Options	Weighted Average Exercise Price
Balance December 31, 2009	8,250,000	\$ 0.215
Cancelled	-	-
Granted	-	-
Balance March 31, 2010	8,250,000	\$ 0.215

Range Of Exercise Prices	Number of Stock Options	Average Remaining Life	Weighted Average Exercise Price
\$ 0.215	8,250,000	7.39 years	\$ 0.215

All options are currently exercisable.

(d) **Contributed Surplus**

Contributed surplus transactions for the period are as follows:

	Amount
Balance, December 31 2009	\$ 5,331,830
Normal course issuer bid	61,853
Balance, March 31 2010	\$ 5,393,683

9. Stock-based compensation

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

As at the three months ending March 31, 2010, the fair value of stock-based compensation was nil, options granted were fully vested as at September 1, 2009.

10. Per share amounts

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

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

	Period Ended
March 31, 2009	107,562,832
March 31, 2010	104,175,199

11. Income taxes

No income taxes have been recorded in the interim period for 2010 because there are adequate tax losses available to offset taxable income.

12. Related party information

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

	2010	2009
Transaction costs ¹	\$ 5,733	\$ 477,380
Consulting expenses ²	-	-
Advisory fees ¹	9,121	-
Profit participation fees ³	-	172,553
Interest expenses	6,958	14,276
Payables an accruals	12,658	174,591
Receivables	25,000	52,500

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 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 has agreed to waive all salary and all bonuses to which he may be entitled until a total amount of \$1,150,000 has been waived. To March 31, 2010, \$300,000 in compensation has been waived.

3. Profit participation fees on loans provided by directors of the Company.

As at March 31, 2010, the Company had interest payable of \$12,658 to directors and corporations wholly owned by directors of the Company. As at March 31, 2010, the Company had short-term loans payable to those wholly owned corporations of \$450,000 (December 31, 2009 – \$500,000).

13. Commitments and contingencies

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

14. Management of capital

The Company's capital structure includes the following:

	March 31 2010	December 31 2009
Short-term loans payable	\$ 1,783,494	\$ 1,957,248
Loans payable	1,032,471	1,032,471
Shareholder's equity comprised of		
Capital Stock	60,822,844	60,884,717
Contributed Surplus	5,393,683	5,331,830
Deficit	(57,285,039)	(58,722,436)
	\$ 11,747,453	\$ 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 March 31, 2010.

15. Financial instrument risks

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

Price risk:

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

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

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

As at March 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 (\$96,000) (March 31, 2009 – (\$123,000)), based on a decrease and \$96,000 (March 31, 2009 – \$123,000), based on an Increase.

Liquidity risk:

Liquidity risk is the risk that results from the Company's potential inability to meet its financial obligations as they come due. The nature of investments in small market capitalization companies that are not heavily traded exposes

the Company to a liquidity risk whereby it may not be able to liquidate the investments quickly at close to fair value. The Company generates cash flow primarily from its investment activity and proceeds from the liquidation of its investments, in addition to interest income earned on its investments. The Company has sufficient marketable securities, which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions.

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

At March 31, 2010, the Company had borrowed approximately \$1,783,494 for specific investment opportunities (see Note 6). These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. The loans mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at March 31, 2010, 19.6% of these loans were due to related parties and 80.4% to third parties.

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at March 31, 2010, the Company had no short-term loans that were interest rate sensitive. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks.

For the three months ended March 31, 2010, a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at March 31, 2010, the estimated sensitivity of the Company's net income (loss) was (\$82) (March 31, 2009 – (\$2,301)), based on an increase in rate and \$82 (March 31, 2009 – \$2,301), based on a decrease in rate.

16. Indemnities

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

17. Normal course issuer bid

On June 2, 2009, 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 5, 2009, and ending June 4, 2010, Jaguar may purchase a maximum of 7,918,184 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 19,337 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at March 31, 2010, Jaguar purchased, from the commencement date of the bid, 3,263,500 common shares of the Company and cancelled 3,263,500 of those shares.

18. Subsequent events

- (a) On April 23, 2010, the Company entered into a lock-up agreement with Triple M Metal L.P. ("Triple M") to tender all of the Royal shares owned by Jaguar to Triple M's all cash take-over bid offer of \$0.47 per Royal share. Triple M's offer was made on May 7, 2010, and Jaguar anticipates receiving approximately \$8.5 million on June 15, 2010.
- (b) On April 30, 2010, the Company issued 2,000,000 common shares under its equity incentive plan. After giving effect to the issue, the Company has 106,299,332 issued and outstanding common shares.