



JAGUAR FINANCIAL CORPORATION
Third Quarter
MD&A and
Financial Statements

2011

Management's Discussion and Analysis – Third Quarter 2011

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 three months ended September 30, 2011, compared to three months ended September 30, 2010.

Effective January 1, 2011, the Company adopted International Financial Reporting Standards ("IFRS") in accordance with the Accounting Standards Board ("AcSB") requirement for publicly accountable enterprises to converge with IFRS. The unaudited financial statements for the three months ended September 30, 2011, which are discussed in this MD&A, have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. These interim financial statements for the period ending September 30, 2011, have not been reviewed by the Company's auditors.

This report is dated as at November 14, 2011, and the Company's public filings, including its most recent Annual Information Form, can be reviewed via the SEDAR website (www.sedar.com).

Forward-Looking Statements

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

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

Strategic Focus

The Company is a merchant bank, focused on creating value for Jaguar's shareholders by making investments in what management considers undervalued companies in various industry sectors. The Company believes that management has very good merchant banking experience, which assists the Company in making investments in undervalued companies and realizing on such investments, passively or proactively, depending on the circumstances. Proactive involvement by Jaguar could include working with management or the directors of the particular company to implement necessary changes to create shareholder value, by initiating change at the board level, or by implementing a change of control transaction.

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

Investments

Since commencing operations as a merchant bank in Q1 of 2007, Jaguar has invested in publicly traded securities of over seventy companies, which the Company believed were undervalued. Most of those positions were sold over the course of the last four years. As at September 30, 2011, the Company owned shares in five companies and short sold the shares of one company.

On September 30, 2011, the Company has a significant investment in Lakeside Steel Inc. ("Lakeside"). During the second quarter of 2011, the Company sold 2,020,020 shares of Lakeside for proceeds of \$995,000, generating a gain of \$563,195. On May 19, 2011, Lakeside completed a prospectus offering through which Lakeside issued 44,275,000 common shares. This offering, along with the sale of part of its ownership interest in Lakeside, significantly diluted the Company's ownership in Lakeside and resulted in the Company reassessing its determination of significant influence on Lakeside and concluding that the Company no longer had significant influence on Lakeside, at the end of Q2, 2011. The Company's investment in Lakeside of 16,865,314 shares represented less than 9.0% (December 31, 2010 – 11.7%) of the outstanding common shares of Lakeside as at September 30, 2011.

Upon determination that the Company no longer had significant influence, the Company accounted for its investment in Lakeside using the fair value method at that point in time.

Subsequent to September 30, 2011, the Company sold its investment in MOSAID Technologies Inc. for gross proceeds of \$17,108,815 generating a gain of \$2,326,786.

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 global stock markets continue to experience extreme volatility, on fears of Europe's debt crisis primarily as it relates to Greece's potential euro debt default and Italy's stagnant economy and bulging euro debt. As a result, capital markets environment, credit markets and the economy continue to be extremely fragile and unpredictable.

For the three months ended September 30, 2011, Jaguar reported a loss from operations of \$5,106,403 compared to a loss from operations of \$690,724 for the same period in the prior year. The increase in the operating loss in Q3, 2011 is primarily due to market volatility, which is reflected by lower share prices of securities held in Jaguar's portfolio, as September 30, 2011. In the prior year including the Company's share of Lakeside's income of \$411,274 under the equity method of accounting, net loss was \$279,450.

Financial Highlights for the three months ending September 30, 2011 with comparatives:

Operating Results	Three months ended September 30,	
	2011	2010
Loss on investments, net	\$ (4,553,964)	\$ (381,521)
(Loss) gain on derivatives, net	(16,278)	-
Net loss from operations*	(5,106,403)	(690,724)
Equity earnings/(loss) of associated company	-	411,274
Net loss and comprehensive income for the period	(5,106,403)	(279,450)
Net income per share – basic and diluted	(0.05)	0.00
Cash and cash equivalents	205,263	7,086,679
Investments, at fair value	15,207,080	2,070,506
Investment in associated company, at equity	-	2,969,489
Obligations relating to securities sold short	(1,406,328)	-
Shareholders equity	\$ 6,239,095	\$ 9,957,153

*Net income before equity accounted investment gains/losses

For the three months ended September 30, 2011, the Company generated a net loss on investments of \$4,553,964 as compared to a net loss of \$381,521 for the same period last year. \$3,562,356 of the loss on investments is unrealized.

As at September 30, 2011, Jaguar held a short position in the shares of a company whose shares the Company believes are overvalued. The short position as at September 30, 2011, has resulted in an unrealized investment gain of \$90,127, which is recorded in net gain on investments.

Total expenses for the three months ended September 30, 2011, increased to \$538,732 from \$316,975 in 2010. The primary drivers of the \$221,758 increase in expenses were interest expense – higher by \$94,418, transaction costs – higher by \$79,147 and advisory fees – higher by \$57,500.

Stock based compensation and office and general were down by \$59,577 and \$44,215, respectively.

Financial Highlights for the nine months ending September 30, 2011 with comparatives:

Operating Results	Nine months ended September 30,	
	2011	2010
(Loss) gain on investments, net	\$ (2,777,548)	\$ 3,829,300
Loss on derivatives, net	(418,064)	-
Revenue – fees	3,700	62,106
Net income from operations*	(4,494,555)	3,056,673
Equity earnings/(loss) of associated company	152,244	(670,403)
Dilution gain on issue of common shares by associated company	-	(88,932)
Net income and comprehensive income for the period	(3,779,116)	2,297,338
Net income per share – basic and diluted	(0.04)	0.04
Cash and cash equivalents	205,263	7,086,679
Investments, at fair value	15,207,080	2,070,506
Investment in associated company, at equity	-	2,969,489
Obligations relating to securities sold short	(1,406,328)	-
Shareholders' equity	\$ 6,239,095	\$ 9,957,153

*Net income before equity accounted investment gains/losses

For the nine months ended September 30, 2011, the Company generated a net loss on investments of \$2,777,548, compared to a net gain of \$3,829,300 in the first nine months of 2010.

Fee revenue was \$3,700 for the nine months ended September 30, 2011, compared to \$62,106 in 2010.

Total expenses for the nine months ended September 30, 2011, increased from \$843,211 to \$1,320,659, compared to the same period in 2010. The \$477,448 increase in expenses was driven, primarily, by legal and audit fees – higher by \$354,861 as the prior year included a recovery of legal fees relating to an investment, and interest expense – higher by \$299,107.

Share Capital Information

As at September 30, 2011, the Company had 107,803,832 issued common shares together with 10,150,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 117,953,832 common shares. On April 29, 2010, the Company issued 2,000,000 common shares, which had previously been allotted and reserved for issuance in accordance with the terms of its Equity Incentive Plan. The Company issued an additional 2,000,000 common shares under the same plan on April 29, 2011. An additional 1,300,000 common shares of the Company will be issued under this plan on April 29, 2012.

Reduction of Stated Capital

On June 8, 2011, the shareholders of the Company approved a reduction in the stated capital of the Company in the amount of \$56,129,885. The reduction of share capital resulted in a reduction of the Company's deficit by a corresponding amount.

Dividend

The Company paid dividends of \$0.0021 and \$0.0025 per share on July 8, 2011 and August 29, 2011, respectively.

Normal Course Issuer Bid

On June 29, 2011, 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 July 4, 2011, and ending July 4, 2012, the Company may purchase a maximum of 8,081,616 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 14,997 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at September 30, 2011, the Company purchased and cancelled, from the commencement date of the bid, 33,000 common shares.

Liquidity and Capital Resources

As at September 30, 2011, the Company had cash, cash equivalents and investments, at fair value of \$15,412,343 and securities sold short with a fair value of \$1,460,328. The Company had net assets of \$6,236,095 as at September 30, 2011, or approximately \$0.06 per issued common share.

The fair value of the Company's investment portfolio was \$15,207,080 as at September 30, 2011, as compared to \$1,969,540 for the prior year. The increase in the value of the investment portfolio is primarily due to increased investment activity throughout the third quarter of 2011. Jaguar also holds a short position with a fair value of \$1,460,328. The Company currently has investments in the securities of five companies, six less than at the end of Q3 of 2010.

As at September 30, 2011 had debt of \$7,453,002 outstanding, all of which has been repaid subsequent to the end of the quarter.

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

The fair value used in valuing the Company's investment portfolio is based on the closing bid price of each security held in the Company's investment portfolio as at September 30, 2011.

Related Party Information

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Merchant banking fees ¹	\$ -	\$ -	\$ 3,700	\$ -
Interest income ¹	-	-	13,064	-
Transaction costs ¹	97,788	18,643	128,249	123,920
Advisory fees ¹	57,500	-	-	24,871
Profit participation fees ³	-	-	-	67,644
Equity compensation ¹	110,423	-	184,315	-
Interest expense ³	-	-	-	19,952
Receivable ¹	25,000	50,000	25,000	50,000
Loans payable ³	700,000	-	700,000	-

1. Northern Securities Inc. ("NSI"), a Canadian investment dealer, is a wholly owned subsidiary of Northern Financial Corporation ("NFC"), a shareholder of Jaguar and acts as investment advisor and financial advisor to Jaguar in the course of its merchant banking activities. Jaguar has established a governance agreement between Jaguar, NFC and NSI to address any potential conflicts of interest. The Chairman and Chief Executive Officer of NFC is also the Chairman and Chief Executive Officer of Jaguar.
2. All remuneration of the Chief Executive Officer of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chief Executive Officer of Jaguar. Effective January 1, 2009, the Chief Executive Officer of Jaguar waived all salary and all bonuses to which he may be entitled until a total amount of \$1,150,000 has been waived. To September 30, 2011, \$550,000 in compensation has been waived.
3. Profit participation fees and interest on loans provided by directors of the Company. The Company identifies investment opportunities and forms investor groups to participate in the opportunities through loans to the Company. Participation in the investor groups, at commercial terms, is open to accredited investors, including directors of the Company. The loans are repaid once the related investments are sold, in accordance with each loan agreement. Loans were provided by Stature Inc and family members of Vic Alboini; Johwel Investments Inc, a corporation wholly owned by John Welton; and Joseph Panetta and family members of Joseph Panetta.

Contractual Obligations

Jaguar currently occupies space under a lease between NSI and its landlord. Jaguar reimburses NSI on a monthly basis for its portion of occupancy expenses, as governed by a management agreement between Jaguar and NSI.

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

The Company has entered into employment agreements with its executive officers. In the event of a change in control of the Company, and the employment of the executive officers is terminated, the Company is required to pay the executive officers an amount equal to two times the average of the executive officer's aggregate annual compensation in the past two years in the case of the Chief Executive Officer, and an amount of one times the average of the executive officer's aggregate annual compensation in the case of the Chief Financial Officer.

Summary of Quarterly Results

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

	2011			2010			2009	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1 Restated	Q4
Revenue	(4,567,671)	2,531,452	(1,137,677)	(157,191)	(373,750)	1,883,388	2,390,247	(26,705)
Net (loss) income and comprehensive income	(5,106,403)	2,671,248	(1,343,960)	295,213	(279,450)	1,317,831	1,258,957	(1,377,223)
(Loss) income per common share basic and diluted	(0.05)	0.02	(0.01)	0.00	0.00	0.02	0.01	(0.01)

The 2010 first quarter net income was restated when the Company issued its December 31, 2010 financial statements, for a dilution loss of \$88,932 as Lakeside completed a financing to outside investors, which reduced the Company's ownership interest from 28.1% to 25.3%. As well, the Company's equity loss was increased by \$89,507.

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

Future changes in accounting policies

- (i) Deferred income taxation: On December 20, 2010, the IASB published Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12. The amendments provide an exception to the general principle in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. This amendment applies to deferred tax assets or deferred tax liabilities that arise from investment property measured using the fair value model in IAS 40 and introduces a rebuttable presumption that the carrying value of the investment property

will be recovered entirely through sale. The amendments must be applied on in annual periods beginning on or after January 1, 2012.

- (ii) Financial instruments disclosures: The IASB amended IFRS 7 Financial Instruments: Disclosures for Disclosures – Transfers of Financial Assets. The amendments are designed to provide information that allows users to (i) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and (ii) evaluate the nature of, and risk associated with, any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.
- (iii) Financial Instruments: IFRS 9, Financial Instruments (“IFRS 9”) was issued by the International Accounting Standards Board (“IASB”) on October 28, 2010, and will replace IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.
- (iv) Consolidation: IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.
- (v) Joint Arrangements: IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.
- (vi) Disclosure of Interests in Other Entities: IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.
- (vii) Fair Value Measurement: IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

Management of Capital

The Company’s capital structure includes the following:

	September 30, 2011	December 31, 2010
Loans payable	\$ 7,453,002	\$ -
Shareholders’ equity comprised of		
Capital stock	4,760,411	60,900,299
Contributed surplus	5,753,886	5,586,471
Retained earnings (deficit)	(4,275,202)	(56,129,885)
	\$ 13,692,097	\$ 10,356,885

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. The Company paid dividends of \$0.0021 and \$0.0025 per share on July 8, 2011 and August 29, 2011, respectively. 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 September 30, 2011.

Financial instruments

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

Price risk:

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

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

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

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

As at September 30, 2011, 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 \$137,000 (December 31, 2010 – (\$10,000)), based on an increase, and (\$137,000) (December 31, 2010 – \$10,000) based on a decrease.

Liquidity risk:

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

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

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks. As at September 30, 2011, the Company had no short-term loans or other liabilities that were interest rate sensitive.

Critical Accounting Estimates

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

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

Transition to IFRS:

The Company has adopted IFRS effective January 1, 2011. For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP. The financial statements for the three months ended September 30, 2011 are the second set of statements the Company has prepared in accordance with IFRS. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Consequently, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. In preparing the Company's first annual consolidated financial statements under IFRS, the Company is required to use the standards in effect as at December 31, 2011, which may differ from the policies the Company currently expects to adopt and used in the current financial statements. Differences may arise as a result of new standards being issued, with an effective date of December 31, 2011 or prior, before the preparation of the Company's 2011 annual consolidated financial statements. Consequently, to the extent that new standards are issued with an effective date of December 31, 2011 or prior, the accounting policies used in the Company's current interim financial statements would differ from those used in the Company's 2011 annual financial statements.

Please see Note 2 to the Third Quarter 2011 Financial Statements for Jaguar's significant accounting policies.

(a) Transition to IFRS Reconciliations:

The Company has disclosed the following Canadian GAAP to IFRS reconciliations in note 18 of the Notes to the financial statements for the three months ended September 30, 2011 (refer to that note for details):

(i) reconciliation of the statement of financial position and equity as at September 30, 2010.

No reconciliation is required for the statement of comprehensive income and statement of cash flows as there are no significant differences.

All reconciliations relating to the statement of financial position for each of the periods highlighted above are due to reclassifications only.

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 assurance that material information relating to Jaguar is accumulated and communicated to Jaguar's Chief Executive Officer and Chief Financial Officer to allow for timely decisions regarding required disclosure and to ensure that information required to be disclosed in Jaguar's annual and interim filings and other reports filed or submitted under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified therein. Our disclosure controls and procedures have not required significant modification as a result of our adoption of IFRS. The certifying officers have evaluated the design of the Company's ICFR as at the date of this report and have concluded that the design was effective to provide such reasonable assurance. The financial statements have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the

International Accounting Standards Board (“IASB”) and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011.

As at September 30, 2011, management evaluated the effectiveness of our disclosure controls and procedures as defined under the Canadian Securities Administrators’ National Instrument 52-109 - *Certification of Disclosure in Issuers’ Annual and Interim Filings*. This evaluation was performed under the supervision of, and with the participation of, Jaguar’s Chief Executive Officer and Chief Financial Officer. Based on the evaluation conducted as at September 30, 2011, the Chief Executive Officer and Chief Financial Officer concluded that Jaguar’s disclosure controls and procedures were effective as of September 30, 2011.

Changes in Internal Control over Financial Reporting

The conversion to IFRS from Canadian GAAP impacts the way we present our financial results. We have evaluated the impact of the conversion on our accounting and financial reporting systems and have updated the requisite systems to enable our reporting under IFRS, including comparative information.

To the best of the knowledge of Jaguar’s Chief Executive Officer and Chief Financial Officer, no changes were made in Jaguar’s internal control over financial reporting in the third quarter of 2011 that have materially affected, or are reasonably likely to materially affect, Jaguar’s internal control over financial reporting.

Jaguar Financial Corporation

Notice of Non-review of Interim Financial Statements

The attached interim financial statements for the period ended September 30, 2011, have not been reviewed by the Company's auditors.

Jaguar Financial Corporation
Statement of Financial Position
(Unaudited)

	September 30 2011 \$	December 31 2010 \$
Assets		
<i>Current assets</i>		
Cash and cash equivalents	205,263	7,526,377
Investments (Note 3)	15,207,080	1,969,540
Derivatives (Note 5)	-	418,064
Receivables from		
Related parties	25,000	50,596
Associate	-	-
Employees	-	-
Other assets	-	551
Total current assets	<u>15,437,343</u>	<u>9,965,128</u>
<i>Non-current assets</i>		
Property, plant and equipment (Note 6)	223	822
Investment in associated company (Note 4)	-	3,617,759
Total non-current assets	<u>223</u>	<u>3,618,581</u>
Total assets	<u><u>15,437,566</u></u>	<u><u>13,583,709</u></u>
Liabilities		
<i>Current liabilities</i>		
Obligations related to securities sold short (Note 3)	1,460,328	2,960,640
Accounts payables and accrued liabilities	285,141	266,184
Loans payable (Note 7)	7,453,002	-
Total current liabilities	<u>9,198,471</u>	<u>3,226,824</u>
Total liabilities	<u><u>9,198,471</u></u>	<u><u>3,226,824</u></u>
Shareholders' Equity		
Capital stock (Note 8(b))	4,760,411	60,900,299
Contributed surplus (Note 8(f))	5,753,886	5,586,471
Accumulated other comprehensive income	-	-
Deficit	<u>(4,275,202)</u>	<u>(56,129,885)</u>
	<u>6,239,095</u>	<u>10,356,885</u>
	<u><u>15,437,566</u></u>	<u><u>13,583,709</u></u>
Nature of operations (Note 1)		
Commitments and contingencies (Note 14)		
Management of capital (Note 15)		

Approved on behalf of the Board:

"Vic Alboini"

Director

"Victor Lazarovici"

Director

Jaguar Financial Corporation
Statements of Operations, Comprehensive Income and Deficit
(Unaudited)

	Three Months		Nine Months	
	Ended September 30		Ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Revenue				
Merchant banking fees	-	-	3,700	62,106
Interest	-	7,772	15,445	8,478
Dividend	2,571	-	2,571	-
(Loss) gain on investments, net (Note 3)	(4,553,964)	(381,521)	(2,777,548)	3,829,300
Loss on derivatives, net (Note 5)	(16,278)	-	(418,064)	-
	<u>(4,567,671)</u>	<u>(373,749)</u>	<u>(3,173,896)</u>	<u>3,899,884</u>
Expenses				
Management salaries, directors and consulting fees	17,186	16,196	40,946	140,221
Transaction costs	97,791	18,643	128,249	123,920
Advisory fees	57,500	-	57,500	24,871
Participation and loan fees	25,000	-	25,000	218,198
Stock based compensation (Note 9)	110,423	170,000	184,315	170,000
Office and general	72,637	116,853	259,444	282,335
Shareholder information and transfer agent	11,701	6,183	43,481	28,913
Travel	2,178	11,771	7,893	13,859
Legal and audit fees	39,992	46,819	180,958	(173,903)
Amortization	164	271	598	1,132
Interest	104,160	9,742	392,275	93,168
Settlement of debt	-	(79,503)	-	(79,503)
	<u>528,732</u>	<u>316,975</u>	<u>1,320,659</u>	<u>843,211</u>
(Loss) income from operations	(5,106,403)	(690,724)	(4,494,555)	3,056,673
Equity income (loss) of associated company	-	411,274	152,244	(670,403)
Dilution loss on investment in associated company (net)	-	-	-	(88,932)
Gain on sale of shares in associated company (Note 4)	-	-	563,195	-
(Loss) income before income tax	(5,106,403)	(279,450)	(3,779,116)	2,297,338
Income tax (Note 11)	-	-	-	-
Net (loss) income and comprehensive income	(5,106,403)	(279,450)	(3,779,116)	2,297,338
Basic and diluted (loss) earnings per common share (Note 10)	(0.05)	0.00	(0.04)	0.02
Retained earnings (deficit) at beginning of period				
	1,327,287	(55,976,209)	(56,129,885)	(58,722,436)
Reduction in stated capital (Note 8 (e))	-	-	56,129,885	-
Dividend	(496,086)	-	(496,086)	-
Net income	(5,106,403)	(279,450)	(3,779,116)	2,297,338
Deficit at end of period	(4,275,202)	(56,246,659)	(4,275,202)	(56,425,098)

Jaguar Financial Corporation
Statements of Change in Equity
As at and for the Nine months ended September 30
(Unaudited)

	Common Shares #	Common Shares \$	Contributed Surplus \$	(Deficit)/ Retained Earnings \$	Shareholders' Equity \$
Balance, January 1, 2010	104,432,332	60,897,970	5,331,830	(58,722,436)	7,494,111
Cancellation of repurchased shares	(133,000)	(75,126)	61,853	-	(20)
Share based compensation	2,000,000	170,000			170,000
Shares, repurchased, not yet cancelled	(31,500)	(4,276)			(4,276)
Net income	-	-	-	2,297,338	2,297,338
Balance, September 30, 2010	106,267,832	60,988,568	5,393,683	(56,425,098)	9,957,153
Balance, December 31, 2010	106,132,832	60,900,299	5,586,471	(56,129,885)	10,356,885
Cancellation of repurchased shares	(329,000)	(180,003)	153,100	-	(26,903)
Share based compensation	2,000,000	170,000	(170,000)		-
Accrual of share based compensation	-	-	184,315	-	184,315
Reduction in stated capital	-	(56,129,885)	-	56,129,885	-
Dividend				(496,086)	(496,086)
Net income	-	-	-	(3,779,116)	(3,779,116)
Balance, September 30, 2011	107,803,832	4,760,411	5,753,886	(4,275,202)	6,239,095

Jaguar Financial Corporation
Statements of Cash Flows
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
	\$	\$	\$	\$
Increase (decrease) in cash and cash equivalents				
Operating activities				
Net (loss) income	(5,106,403)	(279,450)	(3,779,116)	2,297,338
Items not affecting cash				
Unrealized loss (gain) on sale of investments	3,562,356	356,999	(591,010)	(7,003,134)
Loss on derivatives	16,278	-	418,064	-
Amortization	164	271	598	1,132
Gain on partial sale of shares in associated company	-	-	(563,195)	-
Equity loss of associated company	-	(411,274)	(152,244)	759,335
Stock-based compensation	110,423	170,000	174,315	170,000
	(1,417,182)	(163,454)	(4,492,588)	(3,775,329)
Changes in non-cash working capital balances				
Purchase of investments	(16,537,922)	(1,268,579)	(19,699,855)	(4,454,519)
Proceeds from sale of investments	4,143,629	1,388,726	9,886,211	17,121,453
Decrease in other assets	-	(24,380)	26,147	11,348
Decrease in payables and accruals	(5,234)	1,809,818	18,957	1,158,004
	(13,816,709)	1,742,131	(14,261,128)	10,060,957
Financing activities				
Purchase of capital stock – normal course issuer bid	(2,155)	(4,276)	(26,902)	(4,296)
Payment of cash dividend	(496,086)	-	(496,086)	-
Proceeds (repayment) of short-term loans payable	7,453,002	-	7,453,002	(1,957,247)
Repayment of loans payable	-	(1,016,064)	-	(1,032,471)
	6,954,761	(1,020,340)	6,930,014	(2,994,014)
Investing activities				
Purchase of property, plant and equipment	-	-	-	-
	-	-	-	-
Net (decrease) increase in cash and cash equivalents	(6,861,948)	721,791	(7,321,114)	7,066,943
Cash and cash equivalents at beginning of period	7,067,211	6,364,888	7,526,377	19,736
Cash and cash equivalents at end of period	205,263	7,086,679	205,263	7,086,679
Supplemental cash flow information				
Cash and cash equivalents consist of:				
Cash	205,263	3,897,269	205,263	3,897,269
Short term deposits	-	3,497,410	-	3,497,410
	205,263	7,086,679	205,263	7,086,679

1. Nature of operations

Jaguar Financial Corporation (“Jaguar” or the “Company”) is a Canadian merchant bank that invests in undervalued small capitalization companies in a variety of industry sectors. The Company, in its review of small capitalization companies, may decide to short sell the securities of companies whose shares it believes are overvalued. The Company is governed by the *Business Corporations Act (Ontario)* (the “OBCA”) and its common shares are listed on the Toronto Stock Exchange (the “TSX”) under the symbol “JFC”. Jaguar’s registered head office is Suite 2020, 145 King St. West, Toronto, Ontario.

2. Summary of significant accounting policies

Statement of compliance

These unaudited financial statements have been prepared by management in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies the Company expects to adopt in its consolidated financial statements as at and for the year ending December 31, 2011. The accounting policies of the Company have not changed since the first quarter of 2011.

These unaudited financial statements are the Company’s third financial statements prepared using International Financial Reporting Standards (“IFRS”). Certain disclosures that are required to be included in annual financial statements prepared in accordance with IFRS have been included in these financial statements for the comparative annual period.

These financial statements should be read in consideration of the IFRS transition disclosures included in note 18 to these financial statements and the additional annual disclosures included herein. All defined terms used herein are consistent with those terms as defined in the financial statements for the year ended December 31, 2010.

These unaudited financial statements are presented in Canadian dollars, which is the Company’s functional and presentation currency.

These unaudited interim consolidated financial statements were authorized for issuance by the Company’s Board of Directors on November 14, 2011.

Estimates, risks and uncertainties

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

Cash and cash equivalents

Cash and cash equivalents 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.

Financial instruments

Investments

Investments, other than those in associates, are all classified as held for trading and are recorded at fair value. Publicly traded securities values and securities sold short with quoted prices in an active market, are based on quoted closing bid prices on the last day of trading in the reporting period. The securities currently held and sold short by the Company are all from publicly traded companies.

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

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

Derivatives

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

Impairment

(i) Financial assets

Loans and receivables

Loans and receivables are considered impaired when there is objective evidence that the full carrying amount of the loan or receivable is not collectible.

When an impaired loan or receivable is identified, the carrying amount of the loan or receivable is reduced to its estimated realizable amount, which is measured by discounting the expected future cash flows at the original effective interest rate of the loan or receivable. The excess of the carrying amount over the estimated realizable value of the loan or receivable represents an impairment loss which is recognized in the Statements of Operations, Comprehensive Income and Deficit. If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognized, the excess is recognized in the current period Statements of Operations, Comprehensive Income and Deficit by adjusting the carrying amount of the loan or receivable accordingly.

(ii) Non-financial assets

The carrying values of non-financial assets with finite lives, such as equipment, are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, long-lived assets that are not amortized, such as investments in associates, are subject to an annual impairment assessment. The Company evaluates impairment losses for potential reversals when events or changes in circumstances warrant such consideration.

(iii) Goodwill and intangible assets

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is assessed for impairment annually or more frequently if events or circumstances suggest that there may be impairment. A write-down is recognized if the recoverable amount, determined as the greater of the estimated fair value less costs to sell or value-in-use, is less than the carrying value. Any impairment of goodwill is expensed in the period in which the impairment is identified. Impairment losses relating to goodwill are not reversed if there is a subsequent recovery in value.

Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Identifiable finite-life intangible assets are amortized over their estimated useful lives on a straight-line basis. The amortization period and the method of amortization for an intangible asset with a finite useful life are reviewed at least annually, at each financial year-end.

At each balance sheet date, intangible assets are assessed for indicators of impairment. If indicators are present, these assets are subject to an impairment review. Any loss resulting from impairment of intangible assets is expensed in the period the impairment is identified.

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.

Interest Income

Interest income primarily includes interest earned on the Company's own cash and cash equivalents and interest on a promissory note to a related party. Interest revenue is recognized on an effective interest rate basis.

Dividend Income

Dividend income primarily includes dividend earned on the Company's investments in securities. Dividend revenue is recorded on the ex-dividend date and when the right to receive the dividend has been established.

Transaction costs

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

Investments in associated companies

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

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

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

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. Deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered likely to be realized.

Earnings (loss) per common share

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

Property, plant and equipment

Property, plant and equipment 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.

Provisions

Provisions represent liabilities to the Company for which the amount or timing is uncertain. Provisions are recognized when (a), the Company has a present obligation (legal or constructive) as a result of a past event, and (b), it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Comprehensive income

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

Future changes in accounting policies

- (i) **Deferred income taxation:** On December 20, 2010, the IASB published *Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12*. The amendments provide an exception to the general principle in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. This amendment applies to deferred tax assets or deferred tax liabilities that arise from investment property measured using the fair value model in IAS 40 and introduces a rebuttable presumption that the carrying value of the investment property will be recovered entirely through sale. The amendments must be applied on in annual periods beginning on or after January 1, 2012.
- (ii) **Financial instruments disclosures:** The IASB amended IFRS 7 *Financial Instruments: Disclosures for Disclosures – Transfers of Financial Assets*. The amendments are designed to provide information that allows users to (i) understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and (ii) evaluate the nature of, and risk associated with, any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. IFRS 7 is effective for annual periods beginning on or after July 1, 2011. The Company is currently evaluating the impact of IFRS 7 on its consolidated financial statements.
- (iii) **Financial Instruments: IFRS 9, Financial Instruments (“IFRS 9”)** was issued by the International Accounting Standards Board (“IASB”) on October 28, 2010, and will replace IAS 39, *Financial Instruments: Recognition and Measurement (“IAS 39”)*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss (“FVTPL”) and amortized cost. Financial liabilities held for trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 9 on its consolidated financial statements.
- (iv) **Consolidation:** IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 10 on its consolidated financial statements.
- (v) **Joint Arrangements:** IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures*, and SIC-13, *Jointly Controlled Entities—Non-monetary Contributions by Venturers*. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 11 on its consolidated financial statements.
- (vi) **Disclosure of Interests in Other Entities:** IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address

Jaguar Financial Corporation
Notes to the Financial Statements
September 30, 2011
(Unaudited)

the nature of, and risks associated with, an entity's interests in other entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 12 on its consolidated financial statements.

- (vii) Fair Value Measurement: IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. IFRS 13 is effective for annual periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of IFRS 13 on its consolidated financial statements.

3. Investments:

- a) Investments consist of the following as at September 30, 2011:

Issuer	Security Description	Cost	Fair Value	% of Port.(FV)
Lakeside Steel Inc.	16,865,314 common shares	4,042,899	3,373,063	22.2
Other public companies	common shares, warrants	13,941,932	11,834,017	77.8
Total		\$ 17,984,831	\$ 15,207,080	100.0

Securities sold short consist of the following as at September 30, 2011:

Issuer	Security Description	Proceeds	Fair Value	% of Port.(FV)
Publicly traded companies	common shares	1,550,455	1,460,328	100.0
Total		\$ 1,550,455	\$ 1,460,328	100.0

For the three months ending September 30, 2011, the Company had a net loss on investments of \$4,553,964, of which \$3,562,356 was unrealized.

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

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

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

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

4. Investment in associated company:

The Company's carrying value of its investment in Lakeside is as follows:

	2011	2010
Balance, beginning of year	\$ 3,617,759	\$ 3,429,389
Acquisition cost:		
Market purchase	-	120,996
Purchase through prospectus offering	545,701	-
	545,701	120,996
Equity earnings (loss)	152,244	(645,185)
Dividend	-	-
Dilution gain on issue of common shares by associated company (Note 10)	-	712,559
Partial disposition	(431,805)	-
Reclassification from associated company to investments	(3,878,899)	-
Balance, at the end of period	\$ -	\$ 3,617,759

During the second quarter of 2011, the Company sold 2,020,020 shares of Lakeside for proceeds of \$995,000, generating a gain of \$563,195. On May 19, 2011, Lakeside completed a prospectus offering through which Lakeside issued 44,275,000 common shares. This offering, along with the sale of part of its ownership interest in Lakeside, significantly

Jaguar Financial Corporation
Notes to the Financial Statements
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diluted the Company's ownership in Lakeside and resulted in the Company reassessing its determination of significant influence on Lakeside and concluding that the Company no longer had significant influence on Lakeside, at the end of Q2, 2011. The Company's investment in Lakeside of 16,865,314 shares represented less than 9.0% (December 31, 2010 – 11.7%) of the outstanding common shares of Lakeside as at September 30, 2011.

Upon determination that the Company no longer had significant influence the Company accounted for its investment in Lakeside using the fair value method, at that time.

5. Derivatives

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

Proceeds from the sale of all shares, which was paid to the Investor, was \$891,412. The fair value of the remaining warrants was \$90,617, resulting in a fair value of \$nil for the derivative (December 31, 2010 – \$418,064) held by the Investor.

6. Property, plant and equipment

	<u>September 30, 2011</u>	<u>December 31, 2010</u>
Cost	\$ 275,899	\$ 275,899
Less: Accumulated amortization	275,676	275,077
Net book value	<u>\$ 223</u>	<u>\$ 822</u>

7. Loans Payable

As at September 30, 2011, the Company had an outstanding loan in the amount of \$700,000 (December 31, 2010 - nil), used to fund one of the Company's investments. The loan is a demand loan, bears interest at 15% and is payable within 20 days of notice. The loan is secured by a personal guarantee from the Chairman and Chief Executive Officer (CEO) of the Company. This loan was issued September 2, 2011. A director of the Company provided the loan. Subsequent to the end of the third quarter, the Company repaid the loan in full.

As at September 30, 2011, the Company had an outstanding loan in the amount of \$1,250,000 (December 31, 2010 - nil), used to fund one of the Company's investments. The loan is repayable as to \$500,000 of principal and interest on or before June 23, 2012 and the balance in full on September 23, 2012. The loan bears interest at 15% per annum and is secured by marketable securities and a personal guarantee from the CEO of the Company. This loan was issued September 23, 2011. Subsequent to the end of the third quarter, the Company repaid the loan in full.

As at September 30, 2011, the Company had a margin loan outstanding in the amount of \$5,503,002 (December 31, 2010 – \$nil), at an interest rate of 5%. Security on the loan is provided by a charge on all of the Company's marketable securities.

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	
107,803,832 common shares	\$4,760,411

Share capital activity for the nine months ended September 30, 2011 is summarized as follows:

	<u>Shares</u>	<u>Amount</u>
Outstanding as at December 31, 2010	106,132,832	\$ 60,900,299
Reduction in stated capital (Note 8 (e))	-	(56,129,885)
Shares issued	2,000,000	170,000
Shares cancelled under normal course issuer bid	(329,000)	(180,003)
Outstanding as at September 30, 2011	<u>107,803,832</u>	<u>\$ 4,760,411</u>

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, 2010 – 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, 2011, there were 10,150,000 (December 31, 2010 – 6,250,000) options outstanding and 165,300 (December 31, 2010 – 4,065,300) options available to be granted.

3,900,000 options were granted to employees and directors in Q3 of 2011.

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

Year ended December 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	-	-	2,000,000	6,250,000
		8,250,000	-	-	2,000,000	6,250,000

Three months ended September 30, 2011

Expiry Date	Exercise Price	Number of Common Shares				Closing Balance
		Opening Balance	Options Granted	Options Exercised	Options Expired	
August 2017	\$0.215	6,250,000	-	-	-	6,250,000
September 2021 ¹	\$0.055	-	3,900,000	-	-	3,900,000
		6,250,000	3,900,000	-	-	10,150,000

1. Options vest 60% immediately in September 2011, then 20% on September 27, 2012 and 20% on September 27, 2013.

All options are currently exercisable except for 1,560,000 expiring September 2021.

e) Reduction of stated capital

On June 8, 2011, the shareholders of the Company approved a reduction in the stated capital of the Company in the amount of \$56,129,885. The reduction of share capital resulted in a reduction of the Company's deficit by a corresponding amount.

f) Contributed surplus

Contributed surplus transactions for the period are as follows:

	Amount
Balance, December 31 2010	\$ 5,586,471
Shares issued	(170,000)
Normal course issuer bid	153,100
Stock-based compensation	184,315
Balance, September 30, 2011	\$ 5,753,886

g) Dividend

The Company paid dividends of \$0.0021 and \$0.0025 per share on July 8, 2011 and August 29, 2011, respectively.

9. Stock-based compensation

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

On September 27, 2011, 3,900,000 options to purchase common shares of the Company were granted to the directors and certain employees of the Company. Each option is exercisable at \$0.055 per share for ten years. The options vest as to 60% upon the date of grant, as to 20% on the first year anniversary of the date of grant and as to 20% on the second year anniversary of the date of grant.

The shares were valued using the closing price on the day the grant was made. Stock options granted during the quarter are accounted for in accordance with fair value method of accounting for stock-based compensation. The fair value for

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these options was estimated at the date of grant using the Black-Scholes option pricing model. For the three months ending September 30, 2011, the fair value of stock-based compensation was \$110,423.

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:

	Three months ended	Nine Months Ended
September 30, 2010	105,430,460	106,299,332
September 30, 2011	107,836,544	106,112,715

11. Income taxes

No income taxes have been recorded in the interim period for 2011 because there are adequate tax losses available to offset taxable income.

12. Financial instruments

Additional disclosures regarding fair value measurement of financial instruments as required by IFRS 7 are presented below. The fair value hierarchy presented distinguishes between the inputs used in determining the fair value measurement of the Company's various financial instruments. The hierarchy levels are defined as:

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

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

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

	Carrying Value	Estimated Fair Value		
	September 30, 2011	Level 1	Level 2	Level 3
Held for trading				
Cash and term deposits	\$ 205,263	\$ 205,263	-	-
Investments	15,207,080	15,019,077	188,003	-
Securities sold short	1,460,328	1,460,328	-	-
	Carrying Value	Estimated Fair Value		
	December 31, 2010	Level 1	Level 2	Level 3
Held for trading				
Cash and term deposits	\$ 7,526,377	\$ 5,527,897	\$ 1,998,480	-
Investments	1,969,540	1,726,777	106,229	136,534
Derivatives	418,064	-	418,064	-
Securities sold short	2,960,640	2,960,640	-	-

Level 1 financial instruments include cash and publicly traded equities. Fair values for cash are based on principal amounts deposited. Fair values for publicly traded equities are based on the closing bid price on the stock exchange where the investment is listed as at September 30, 2011. Fair values for publicly traded equities sold short are based on the closing ask price on the stock exchange where the investment is listed as at September 30, 2011.

Level 2 financial instruments include term deposits, warrants, derivatives and debt instruments. Fair values for warrants are based on the Black-Scholes Option Pricing Model using the quoted closing bid price of the underlying security as at September 30, 2011, a 52 week volatility, and the Government of Canada treasury bill rate for equivalent maturity dates.

Level 3 financial instruments include warrants where any of the model inputs noted for Level 2 are not available. Fair values for warrants issued by public companies are based on the Black-Scholes Option Pricing Model using the quoted closing bid price of the underlying security as at September 30, 2011 (or the last available closing bid price when a closing bid price as September 30, 2011 is not available), a 52 week volatility (or the next available volatility less than 52 weeks where a 52 week volatility is not available), and the Government of Canada treasury bill rate for equivalent maturity dates.

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13. Related party information

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

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Merchant banking fees ¹	\$ -	\$ -	\$ 3,700	\$ -
Interest income ¹	-	-	13,064	-
Transaction costs ¹	97,788	18,643	128,249	123,920
Advisory fees ¹	57,500	-	-	24,871
Profit participation fees ³	-	-	-	67,644
Equity compensation ¹	110,423	-	184,315	-
Interest expense ³	-	-	-	19,952
Receivable ¹	25,000	50,000	25,000	50,000
Loans payable ⁴	700,000	-	700,000	-

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

2. All remuneration of the Chief Executive Officer of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chief Executive Officer of Jaguar. Effective January 1, 2009, the Chief Executive Officer of Jaguar waived all salary and all bonuses to which he may be entitled until a total amount of \$1,150,000 has been waived. To September 30, 2011, \$550,000 in compensation has been waived.

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

4. Loans provided by directors of the Company.

14. Commitments and contingencies

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

15. Management of capital

The Company's capital structure includes the following:

	September 30, 2011	December 31, 2010
Loans payable	\$ 7,453,002	\$ -
Shareholders' equity comprised of		
Capital stock	4,760,411	60,900,299
Contributed surplus	5,753,886	5,586,471
Deficit	(4,275,202)	(56,129,885)
	\$ 13,692,097	\$ 10,356,885

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 or requirements imposed by a regulator. The Company paid dividends of \$0.0021 and \$0.0025 per share on July 8, 2011 and August 29, 2011, respectively. 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 September 30, 2011.

16. Financial instrument risks

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

Price risk:

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

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

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

The Company manages this risk by seeking to have a diversified portfolio, which is not singularly exposed to any one or class of issuer.

As at September 30, 2011, 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 \$137,000 (December 31, 2010 – (\$10,000)), based on an increase, and (\$137,000) (December 31, 2010 – \$10,000) based on a decrease.

Liquidity risk:

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

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

Interest rate risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks. As at September 30, 2011, the Company had no short-term loans or other liabilities that were interest rate sensitive.

17. Normal course issuer bid

On June 29, 2011, 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 July 4, 2011, and ending July 4, 2012, the Company may purchase a maximum of 8,081,616 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 14,997 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at September 30, 2011, the Company purchased and cancelled, from the commencement date of the bid, 33,000 common shares.

18. Operating segment information

The management of the Company is responsible for the Company's entire portfolio and considers the business to have a single operating segment. The management's investment decisions are based on a single, integrated investment strategy, and the performance is evaluated on an overall basis.

The internal reporting provided to the management of the Company's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of IFRS. There were no changes in the reportable segments during the three months ended September 30, 2011.

19. Transition to IFRS

The Company has adopted IFRS effective January 1, 2011. For all periods up to and including the year ended December 31, 2010, the Company prepared its financial statements in accordance with Canadian GAAP. The financial statements for the three months ended September 30, 2011 are the third set of statements the Company has prepared in accordance with IFRS. The Company's financial statements for the year ending December 31, 2011 will be the first annual financial statements that comply with IFRS. Consequently, the Company will make an unreserved statement of compliance with IFRS beginning with its 2011 annual financial statements. In preparing the Company's first annual consolidated financial statements under IFRS, the Company is required to use the standards in effect as at December 31, 2011, which may differ from the policies the Company currently expects to adopt and used in financial statements.

In preparing these interim financial statements, the opening consolidated statement of financial position was prepared as at January 1 2010, the Company's date of transition to IFRS. These financial statements have been prepared in accordance with the accounting policies described in note 2. This note explains the principal adjustments made in restating the previous Canadian GAAP balance sheet as at January 1, 2010 and its previously published Canadian GAAP financial statements for the three months ended September 30, 2010 and as at December 31, 2010.

a) Exemptions applied:

IFRS requires full retrospective application of applicable accounting standards. IFRS 1, *First time Adoption of International Financial Reporting Standards* ("IFRS 1") does, however, provide entities adopting IFRS for the first-time with a number of optional exemptions and mandatory exceptions to this general requirement. The Company has elected to apply the following exemptions:

- (i) IFRS 2 *Share-based Payment* has not been applied to the options issued under the Stock Option Plans that were vested prior to January 1, 2010.

Mandatory exceptions to retrospective application

In accordance with the mandatory exceptions to retrospective restatement under IFRS 1, hindsight was not used to create or revise estimates at the transition date and accordingly the estimates previously made by the Corporation under Canadian GAAP are consistent with their application under IFRS, except where necessary to reflect any difference in accounting policies.

b) Reconciliations:

The reconciliations between the previously reported financial results under Canadian GAAP and the current reported financial results under IFRS are provided as follows:

- (i) reconciliation of the statement of financial position and equity as at September 30, 2010.

No reconciliation is required for the statement of comprehensive income and statement of cash flows as there are no significant differences.

All reconciliations relating to the statement of financial position for each of the periods highlighted above are due to reclassifications only.

The following are the notes to the reconciliations presented below:

1. Adjustment required to reclassify from current assets to non-current asset under the same asset class. Under Canadian GAAP investment in associated company was classified as a current asset the same as any other investment in common shares of any other company over which the Company is deemed not to have significant influence. Under IFRS, IAS 28 require investments in associates to be presented as non-current assets.

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The Company has chosen to reclassify the items relating to notes 2, 3 and 4. The reclassification of these items are not as a result of IFRS.

2. Adjustments required to reclassify from other assets to specific asset classes – receivables from related parties, from associate and from employees.
3. Adjustment required to reclassify from capital assets to new name property, plant and equipment.

(i) The following is a reconciliation of the consolidated statement of financial position as at September 30, 2010:

	<u>Notes</u>	<u>CGAAP</u>	<u>IFRS adjust.</u>	<u>IFRS</u>
Assets				
<i>Current assets</i>				
Cash and cash equivalents		7,086,679	-	7,086,679
Investments, at fair value		2,070,506	-	2,070,506
Investment in associated company	1.	2,969,489	(2,969,489)	-
Derivatives		-	-	-
Receivables from				
Related parties		-	25,000	25,000
Associate		-	-	-
Employees		-	-	-
Other assets	2.	51,492	(25,000)	26,492
Total current assets		<u>12,178,166</u>	<u>(2,969,489)</u>	<u>9,208,677</u>
<i>Non-current assets</i>				
Capital assets	3.	1,092	(1,092)	-
Property, plant and equipment		-	1,092	1,092
Investment in associated company		-	2,969,489	2,969,489
Total non-current assets		<u>1,092</u>	<u>2,969,489</u>	<u>2,970,581</u>
Total assets		<u><u>12,179,258</u></u>	<u><u>-</u></u>	<u><u>12,179,258</u></u>
Liabilities				
<i>Current liabilities</i>				
Obligations related to securities sold short		1,815,372	-	1,815,372
Accounts payables and accrued liabilities		228,294	-	228,294
Loans payable		-	-	-
Total current liabilities		<u>2,043,666</u>	<u>-</u>	<u>2,043,666</u>
<i>Non-current liabilities</i>				
Loan payable		-	-	-
Total liabilities		<u><u>2,043,666</u></u>	<u><u>-</u></u>	<u><u>2,043,666</u></u>
Shareholders' Equity				
Capital stock		60,988,568	-	60,988,568
Contributed surplus		5,393,683	-	5,393,683
Deficit		(56,246,659)	-	(56,246,659)
		<u>10,135,592</u>	<u>-</u>	<u>10,135,592</u>
		<u><u>12,179,258</u></u>	<u><u>-</u></u>	<u><u>12,179,258</u></u>

20. Subsequent events

1. The \$700,000 loan referred to in Note 7 was repaid on November 3, 2011.
2. The \$1,250,000 loan referred to in Note 7 was repaid on November 8, 2011.
3. Subsequent to September 30, 2011, the Company sold its investment in MOSAID Technologies Inc. for gross proceeds of \$17,108,815, generating a gain of \$2,326,786.