



JAGUAR FINANCIAL CORPORATION

**First Quarter
MD&A**

2009

Management's Discussion and Analysis – First Quarter 2009

Introduction

Jaguar Financial Corporation ("Jaguar" or the "Company") is a Canadian merchant bank that invests in undervalued small capitalization companies in a variety of industry sectors. The Company is governed by the *Business Corporations Act (Ontario)* and its common shares are listed on the Toronto Stock Exchange (the TSX) under the symbol "JFC". Jaguar's registered head office is Suite 2020, 145 King St. West, Toronto, Ontario.

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

The 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, 2009, compared to the three months ended March 31, 2008.

The unaudited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars unless otherwise indicated. These interim financial statements for the period ending March 31, 2009, have not been reviewed by the Company's auditors.

This report is dated as at May 11, 2009, and the Company's public filings, including its most recent Annual Information Form, can be reviewed via the SEDAR website (www.sedar.com).

Forward-Looking Statements

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

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

Strategic Focus

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

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

Investments

Since commencing operations as a merchant bank in Q1 of 2007, Jaguar has invested in publicly traded securities of forty-nine companies, which the Company believed were undervalued. Thirty-nine of those positions were sold – seven in fiscal 2007, twenty-six in 2008 and six in Q1 of 2009, respectively. As at March 31, 2009, the Company owned shares in ten companies.

The Company has a significant investment in Lakeside Steel Inc. ("Lakeside"). The investment in Lakeside represents approximately 23.2% (December 31, 2008 – 22.9%) of the total issued and outstanding Lakeside common shares. The Company therefore accounts for this investment using the equity method.

On March 31, 2009, the Company also had an investment in HudBay Minerals Inc. ("HudBay") of 1,020,100 shares. The investment in Hudbay represents a prime example of the Company's investment strategy. In November of 2008, Hudbay and Lundin Mining Corporation ("Lundin") announced a proposed acquisition by HudBay of Lundin that was dilutive for HudBay shareholders and did not require HudBay shareholder approval. Upon this announcement, HudBay's share price immediately fell and Jaguar acquired 1,500,000 shares of HudBay at the depressed price of \$3.23 per share. At that point the Company began a process to create shareholder value and announced an offer to acquire all of the issued common shares of HudBay.

On January 8, 2009, the Company announced that it had appealed the TSX's decision to give conditional approval to the proposed acquisition. The Company filed a Request for Hearing and Review with the Ontario Securities Commission (the "OSC") and asked the OSC for orders setting aside the TSX decision, i) requiring HudBay to call and hold a meeting of its shareholders in order to obtain their approval of the proposed arrangement with Lundin, and ii) prohibiting HudBay from closing the proposed arrangement with Lundin until such meeting is held and HudBay shareholders have approved the transaction.

On January 23, 2009, the OSC set aside the TSX's decision granting conditional approval for the proposed acquisition by HudBay of Lundin without the requirement of HudBay shareholder approval.

The OSC determined in its decision that HudBay shareholder approval of the acquisition of Lundin by HudBay was required as a condition to the listing of the additional common shares of HudBay, and prohibited HudBay from issuing any securities in connection with the acquisition without HudBay having first obtained the approval of a simple majority of the votes cast by HudBay shareholders entitled to vote at a duly convened special meeting of its shareholders.

On January 23, 2009, Jaguar announced that it would not proceed with its offer to acquire all of the issued common shares of HudBay. The reasons for not proceeding with the Offer included the decision of the OSC and, secondly, the convened HudBay shareholders meeting for March 31, 2009, as a result of a requisition made by a HudBay shareholder to replace the HudBay board of directors.

The proposed acquisition of Lundin was terminated and the HudBay board of directors was replaced prior to the shareholders meeting. HudBay shares closed at \$8.09 on May 11, 2009, above the value they were trading at prior to the proposed acquisition of Lundin. As of May 11, 2009, the Company has generated \$4.4 million in realized gains and \$1.9 million in unrealized gains on its investment in HudBay. Jaguar initiatives have created total shareholder value of approximately \$750 million for all holders of HudBay shares.

The Company also has significant investments in Royal Laser Corporation ("Royal") representing approximately 18.02% (December 31, 2008 – 18.02%) of the total issued and outstanding Royal common shares, and Tiomin Resources Inc. ("Tiomin") representing approximately 11.1% (December 31, 2008 – 9.1%) of the total issued and outstanding Tiomin shares.

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

Results of Operations

The economy and capital markets environment remained extremely challenging throughout the first quarter of 2009. Although credit markets have shown slight signs of improvement in Q1 of 2009, credit remained tight and global stock markets continued to be unstable. Liquidity conditions continued to be difficult, which combined with an economy which is still in a recession, have resulted in continued volatility in the equity market and a lack of investor confidence.

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

Financial Highlights for the three months ending March 31, 2009 with comparatives:

Operating Results	Three months ended March 31	
	2009	2008
Gain (loss) on investments, net	\$ 3,604,999	\$ (15,183)
Interest income	838	67,979
Equity loss of associated company	(307,624)	(23,063)
Net income (loss) for the period	681,840	(1,072,468)
Net income (loss) per share – basic and diluted	0.01	(0.01)
Cash, cash equivalents and term deposits	334,348	6,382,606
Investments, at fair value	12,310,527	20,031,617
Investment in associated company, at equity	5,993,430	4,554,538
Total Assets	\$ 18,716,214	\$ 30,993,077

For the three months ended March 31, 2009, the Company generated a net gain on investments of \$3,604,999 as compared to a net loss on investments of \$15,183 for the same period in 2008. During the quarter, the market value of the Company's investments increased resulting in an unrealized gain of \$6,327,739. The Company sold securities for realized losses of \$2,722,740. The primary driver of the gain in the quarter was the Company's investment in Hudbay. In the same period last year, the Company reported an unrealized loss of \$280,184 as a result of a decline in the market value of its investments.

Interest revenue for the three months was \$838 compared to interest income of \$67,979 of the prior year. The decrease is due to Jaguar's shift in investment focus as a merchant bank, moving funds away from short-term deposits to equity investments.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. For the three months ended March 31, 2009, the Company recorded an equity loss in the amount of \$307,624. The Company recorded an equity loss of \$23,063 for the same period in 2008.

Total expenses were \$2,710,153 in Q1 of 2009, an increase of \$1,607,952 as compared to Q1 of 2008. This increase in expenses was largely the result of the Company's investment in HudBay. The primary drivers were legal and audit fees – higher by \$866,471 as a result of the Company's costs to appeal the proposed HudBay acquisition of Lundin; advisory and financing fees – higher by \$582,977 primarily representing the share of the gain on the HudBay investment payable to lenders; transaction costs – higher by \$292,353; and interest expense – higher by \$90,564. A portion of the increases highlighted above were offset by a decrease in management salaries and consulting fees, lower by \$125,149, as the executive officers of the Company voluntarily agreed to reduce the remuneration they receive from the Company. Patent rights were lower by \$87,526 as the Company has determined that it is not economically viable to continue to maintain the patents it holds.

Stock based compensation at \$55,004 was slightly lower than the same period of the prior year, as a result of the revision of the amortization of the expenses, due to the cancellation of options for employees who are no longer with the firm.

Share Capital Information

As at March 31, 2009, the Company had 107,562,832 common shares together with 8,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 115,812,832 common shares. No stock options were granted and no common shares were issued during the quarter.

Liquidity and Capital Resources

As at March 31, 2009, the Company had cash, cash equivalents and investments, at fair value of \$12,310,527. The Company had net assets of \$8,573,311 as at March 31, 2009, or approximately \$0.08 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$14,495,966 as at March 31, 2009, as compared to \$24,586,155 for the same period in the prior year. The decrease in the value of the investment portfolio is primarily due to decreases in the fair value of all of the securities held by the Company, as a result of the continued challenging economy and capital markets environment in Q1 of 2009. The Company currently has investments in the securities of ten companies, compared to twenty at the end of Q1 of 2008.

Presently, the Company has sufficient funds on hand to fund its working capital requirements. At March 31, 2009, the Company had borrowed approximately \$6.5 million 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. One of the loans (\$800,000) is due on demand. The remainder mature at the earlier of (i)

the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at March 31, 2009, 20% of these loans were due to related parties and 80% to third parties.

Subsequent to quarter-end, the Company repaid \$2,939,800 of loans relating to its investments of which \$1,112,729 was to its associated company and \$200,000 was to a director of the Company.

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

	2009	2008
Transaction costs ¹	\$ 477,380	\$ 209,530
Consulting expenses ²	-	50,000
Advisory fees ¹	-	400,000
Financing fees ³	172,553	-
Interest expenses	14,276	-
Payables and accruals	174,591	-
Receivables	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 conflict 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 President of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chairman and President of Jaguar. Effective January 1, 2009, the Chairman and 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. Also effective January 1, 2009, the total annual salaries for all employees has been reduced to \$25,000.

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

As at March 31, 2009, the Company had interest payable of \$7,561 to its associated company. During Q1 of 2009, the Company repaid \$1,400,000 of a loan outstanding to its associated company. As at March 31, 2009, the Company had a loan payable to its associated company of \$1,112,729 (December 31, 2008 – \$2,512,729). Subsequent to quarter end, the Company repaid the entire loan.

As at March 31, 2009, the Company had interest payable of \$986 to directors and corporations wholly owned by directors of the Company. During Q1 of 2009, the Company received loans in the amount of \$582,500 from directors and corporations wholly owned by directors of the Company. The Company repaid \$707,500 of loans to corporations wholly owned by directors of the Company. As at March 31, 2009, the Company had loans payable to those directors and wholly owned corporations of \$200,000 (December 31, 2008 – \$325,000). Subsequent to quarter end, the Company repaid all of the loans.

Contractual Obligations

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

Summary of Quarterly Results

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

	2009		2008			2007		
	Q1	Q4	Q3 ¹	Q2	Q1	Q4	Q3	Q2
Income and equity earnings	3,391,993	(10,267,635)	(5,653,457)	(2,508,801)	29,733	(188,976)	9,786,813	1,271,027
Net income (loss)	681,840	(11,376,924)	(8,172,149)	(3,480,783)	(1,072,468)	(977,092)	5,432,843	779,803
Income (loss) per common share basic and diluted	0.01	(0.11)	(0.08)	(0.03)	(0.01)	(0.01)	0.05	0.01

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 in 2007, 2008 and 2009 is reflective of investment gains and losses, and the fluctuation in the prices of the securities held by the Company.

International Financial Reporting Standards (“IFRS”)

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

The Company is required to discuss the status of the key elements and timing of its changeover plan in its annual 2008 MD&A.

The Company is in the process of developing an IFRS 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 generally accepted accounting principles (“GAAP”) and accounting policy choices under IFRS;
- assessment/implementation of accounting and information systems changes required to accommodate the impact of major differences between Canadian GAAP and IFRS;
- assessment of changes to internal controls required to accommodate the impact of major differences between Canadian GAAP and IFRS; and
- assessment/identification of required financial reporting expertise and training required for financial reporting staff.

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

Management of Capital

The Company’s capital structure includes the following:

	March 31, 2009	December 31, 2008
Short-term loans payable	\$ 6,449,477	\$ 12,233,512
Shareholder’s equity comprised of		
Capital Stock	62,666,254	62,666,254
Contributed Surplus	3,782,995	3,727,991
Deficit	(57,875,938)	(58,557,778)
	\$ 15,022,788	\$ 20,069,979

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; and (iii) raising capital through loans from third party investors/lenders who seek to participate in investment opportunities..

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, 2009.

Financial instruments

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

Price risk:

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

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

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

As at March 31, 2009, 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 (\$123,000) (March 31, 2008 – (\$200,000)), based on a decrease and \$123,000 (March 31, 2008 – \$200,000), 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, 2009, the Company had borrowed approximately \$6.5 million 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. One of the loans (\$800,000) is due on demand. The remainder mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at March 31, 2009, 20% of these loans were due to related parties and 80% to third parties.

Subsequent to quarter-end, the Company has repaid \$2,939,800 of loans relating to its investments of which \$1,112,729 was to its associated company and \$200,000 was to a director of the Company.

Interest rate risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at March 31, 2009, the Company had short-term loans of \$2,086,748 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, 2009, a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at March 31, 2009, the estimated sensitivity of the Company's net income (loss) was (\$2,301) (March 31, 2008 – nil), based on an increase in rate and \$2,301 (March 31, 2008 – nil), based on a decrease in rate.

Critical Accounting Estimates

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

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

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

Disclosure Controls and Procedures

The 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 notwithstanding the material weaknesses noted below, the certifying officers have concluded the design to be sufficient to provide such reasonable assurance. Management has evaluated the effectiveness of the Company's internal control over financial reporting as at the Company's financial year end and as a result of the material weaknesses described below, has determined that it was not effective. The financial statements have been prepared by management in accordance with generally accepted accounting principles (GAAP) and in accordance with the accounting policies set out in the notes to the financial statements for the quarter ended March 31, 2009.

Management must disclose in its MD&A any material weakness found to exist within its system of internal control over financial reporting. Management has identified a material weakness relating to the lack of segregation of duties. The management group of the Company is small and the ability to achieve an appropriate level of segregation of duties throughout the year is limited. This is a typical issue for smaller companies, and while the Company has added additional management staff during the year, which has strengthened the segregation of duties, there still existed limited segregation. Management believes, however, that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures, the Company has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures. The Company has no further mitigation plans.

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

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