



JAGUAR FINANCIAL CORPORATION
ANNUAL MD&A

2009

Management's Discussion and Analysis – Full Year 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)* (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.

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 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 audited financial statements and related notes for the year ended December 31, 2009, compared to the year ended December 31, 2008.

The audited financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars unless otherwise indicated.

This report is dated as at February 5, 2010, and the Company’s public filings, including its most recent Annual Information Form, can be reviewed via the SEDAR website (www.sedar.com).

Forward-Looking Statements

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

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

Strategic Focus

The Company is a merchant bank, focused on creating value for Jaguar’s shareholders by making investments in what management considers undervalued companies in various industry sectors. The Company believes that management has very good merchant banking experience, which assists the Company in making investments in undervalued companies and realizing on such investments, passively or proactively, depending on the circumstances 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 fifty-nine companies, which the Company believed were undervalued. Fifty of those positions were sold – seven in fiscal 2007, twenty-six in 2008 and seventeen in 2009, respectively. As at December 31, 2009, the Company owned shares in nine companies.

On December 31, 2009 the Company has a significant investment in Lakeside Steel Inc. (“Lakeside”). The investment in Lakeside represents approximately 28.1% (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. As at December 31, 2009, the fair value of the Company’s investment in Lakeside was \$4,949,021.

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

As at December 31, 2009, the Company also had significant investments in Royal Laser Corp. ("Royal") representing approximately 18.80% (December 31, 2008 – 18.02%) of the total issued and outstanding Royal common shares, and Tiomin Resources Inc. ("Tiomin") representing approximately 7.86% (December 31, 2008 – 9.1%) of the total issued and outstanding Tiomin shares. In Q2 of 2009, the Chairman and Chief Executive Officer of the Company became a director of Royal.

During fiscal 2009, the Company completed two very successful transactions. The first of these was the Company's investment in HudBay Minerals Inc. ("HudBay"), initially acquired in late 2008, which represented 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 of Lundin by HudBay. The Company filed a Request for Hearing and Review with the Ontario Securities Commission (the "OSC") and asked the OSC for orders i) setting aside the TSX decision, ii) requiring HudBay to call and hold a meeting of its shareholders in order to obtain their approval of the proposed arrangement with Lundin, and iii) prohibiting HudBay from closing the proposed arrangement with Lundin until such meeting was held and HudBay shareholders approved the transaction.

On January 23, 2009, the OSC set aside the TSX's decision and 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.

The Company sold its remaining shares in HudBay on May 20, 2009. In total, Jaguar realized gains of \$5.8 million on its investment. The Company's investment was largely financed by loans, wherein the lenders participated in the gains. After all expenses, including lender participation fees of approximately \$2.0 million, the Company generated a net profit of \$2.2 million on its investment in HudBay.

In the third quarter of 2009, the Company sold its investment in Kinbauri Gold Corporation and realized a gain of \$1.2 million on its investment.

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 challenging through the first half of 2009 with improvements seen in the latter half of the year. Credit markets, though improving, remained tight in throughout fiscal 2009 and global stock markets were more stable than in the previous year and by the end of 2009 were trading at their highest levels, since the economic downturn. The economy remains fragile and unpredictable. While equity markets experienced less volatility, investors remained cautious.

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

These improved economic and capital markets conditions created a more favourable investment climate for the Company. Jaguar reported net income from operations of \$2,552,007, a significant improvement from the loss of \$25,825,775 reported in the prior year. The Company's share of losses in Lakeside was \$2,716,665, resulting in a net loss of \$164,658 for the year ended December 31, 2009 compared to net loss of \$24,102,323 a year ago. The Company's small loss in 2009 represents a very good turnaround from the large loss realized in the difficult year of 2008.

Financial Highlights for the year ending December 31, 2009 with comparatives:

Operating Results	2009	2008	2007
Net investment gain/(loss)	\$ 7,834,036	\$ (19,119,937)	\$ 10,117,137
Revenue – fees	59,746	264,505	-
Revenue – interest	26,211	68,185	353,704
Net income (loss) from operations	2,552,007	(25,825,775)	4,571,787
Equity (loss)/earnings of associated company	(2,716,665)	1,723,452	(53,144)
Net (loss)/income for the period	(164,658)	(24,102,323)	4,518,643
Net (loss)/income per share – basic and diluted	0.00	(0.22)	0.04
Cash, cash equivalents and term deposits	19,736	1,984,813	9,163,422
Investments, at fair value	7,855,302	14,057,785	18,438,247
Investment in associated company, at equity	3,429,389	6,301,054	4,125,821
Total assets	\$ 11,369,492	\$22,389,553	\$ 32,005,068
Short-term loans	\$ 1,957,248	\$12,233,512	-

For the year ended December 31, 2009, the Company generated a net gain on investments of \$7,834,036 as compared to a net loss of \$19,119,937 for fiscal 2008. The investment gain in 2009 is a solid turnaround from the large investment loss in 2008. During the year, the Company sold securities for realized gains of \$2,059,092. In fiscal 2008, the Company sold securities for realized loss of \$3,465,796.

Fee revenue was \$59,746 for the year ended December 31, 2009, compared to \$264,505 in 2008.

Interest revenue for the year ended December 31, 2009, was \$26,211, compared to interest income of \$68,185 for the prior year. The reduction in interest revenue is attributable to Jaguar being almost fully invested in equities throughout the year.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. During 2009, the Company recorded an equity loss of \$2,716,665. The Company recorded an equity gain of \$1,723,452 in 2008.

Total expenses for 2009 decreased to \$5,606,927 from \$5,702,163 in 2008. The \$95,235 decrease in total expenses in 2009 was due primarily to decreases in advisory fees – down by \$1,320,806, which is reflective of the Company's involvement in fewer investments than in 2008; management salaries and consulting fees – down by \$596,484, as the executive officers of the Company voluntarily agreed to reduce the remuneration they receive from the Company; legal and audit fees – down by \$197,359, as the Company received reimbursements in legal expenses totalling \$1,025,000 relating to two investments; shareholder information and transfer agent cost – down by \$229,509; and travel – down by \$73,416. The aggregate decrease in the above expenses was largely offset by increases in participation fees – up by \$2,126,376 relating to fees paid to lenders who participated in gains on the underlying investments financed by the loans.

Patent rights were lower by \$106,889 as the Company has determined that it is not economically viable to continue to maintain the patents it holds.

Stock based compensation at \$144,010 was \$76,006 lower than in the prior year, as the vesting period ended after eight months in 2009, compared to twelve months of vesting in the prior year.

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

Operating Results	Three months ended December 31	
	2009	2008
Net investment loss	\$ (231,985)	\$ (10,494,246)
Revenue – fees	34,746	42,270
Revenue – interest	25,373	3,521
Net income (loss) from operations	(422,036)	(11,557,745)
Equity (loss)/earnings of associated company	(955,187)	1,142,065
Net loss for the period	(1,377,223)	(11,376,924)
Net loss per share – basic and diluted	(0.01)	(0.11)
Cash, cash equivalents and term deposits	19,736	1,984,813
Investments, at fair value	7,855,302	14,057,785
Investment in associated company, at equity	3,429,389	6,301,054
Total Assets	\$11,369,492	\$22,389,553
Short-term loans	\$ 1,957,248	\$12,233,512

For the three months ended December 31, 2009, the Company generated a net loss of \$1,337,223, compared to a net loss of \$11,376,924 for the same period in 2008. During the quarter, the market value of the Company's investments increased resulting in an unrealized gain of \$131,478. The Company sold securities for realized losses of \$363,463. In the same period last year, the Company reported a net investment loss of \$10,494,246.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. For the three months ended December 31, 2009, the Company recorded an equity loss in the amount of \$955,187. The Company recorded an equity gain of \$1,142,065 for the same period in 2008.

Fee revenue was \$34,746 for the fourth quarter ended December 31, 2009, compared to \$42,270 in 2008.

Interest revenue for the three months was \$25,373, compared to interest income of \$3,521 for the same period of the prior year. The increase is the result of an investment in bonds the Company made in the fourth quarter of 2009.

Total expenses were \$395,331 in Q4 of 2009, a decrease of \$713,958 from Q4 of 2008. This decrease in expenses was due primarily to decreases in most categories, a result of the Company's involvement in a lower number of transactions compared to the same period in 2008.

Share Capital Information

As at February 5, 2010, the Company had 104,432,332 common shares together with 8,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 112,682,332 common shares. No stock options were granted and no common shares were issued during the year.

Normal Course Issuer Bid

On June 2, 2009, the Company announced a normal course issuer bid. According to the terms of the bid, and in accordance with the rules of the TSX, during the period commencing June 5, 2009, and ending June 4, 2010, Jaguar may purchase a maximum of 7,918,184 of its common shares, which represents approximately 10% of the public float, as defined in the TSX Company Manual. Purchases of common shares will be effected through the facilities of the TSX in open market transactions at market prices prevailing at the time of acquisition. Daily purchases may not exceed 19,337 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at December 31, 2009, Jaguar purchased, from the commencement date of the bid, 3,263,500 common shares of the Company and cancelled 3,130,500 of those shares.

Liquidity and Capital Resources

As at December 31, 2009, the Company had cash, cash equivalents and investments, at fair value of \$12,824,059. The Company had net assets of \$7,391,617 as at December 31, 2009, or approximately \$0.07 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$12,804,323 as at December 31, 2009, compared to cost of \$23,839,537. The decrease in the value of the investment portfolio is primarily due to decreases in the fair value of the securities held by the Company, as a result of the continued challenging economy and capital markets environment in 2009. The Company currently has investments in the securities of nine companies, compared to twelve at the end of Q4 of 2008.

Presently, the Company has sufficient funds on hand to fund its working capital requirements. At December 31, 2009, the Company had borrowed approximately \$1,957,248 for specific investment opportunities. These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. The loans mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at December 31, 2009, 26% of these loans were due to related parties and 74% to third parties.

During fiscal 2009, the Company reduced its short-term loans by \$10,276,264.

On February 12, 2009, the Company reached an agreement to discharge its outstanding derivative liability. In exchange for cancellation of the outstanding put option, the Company agreed to pay the holder of the put option \$1,242,585 in 60 monthly payments of \$20,710 beginning on March 18, 2009. The repayment schedule will be accelerated by an amount equal to 20% of the net profit on any completed merchant banking transaction.

The fair value used in valuing the Company's investment portfolio is based on the closing bid price of each security held in the Company's investment portfolio as at December 31, 2009.

Related Party Information

For the year ended December 31, 2009, 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:

	2009	2008
Merchant banking fees	\$ 59,746	\$ -
Transaction costs ¹	1,118,297	1,136,025
Consulting expenses ²	-	200,004
Advisory fees ¹	389,052	1,643,883
Profit participation fees ³	694,110	6,457
Interest expense	46,918	22,602
Payables and accruals	9,164	153,703
Receivable	59,746	-

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 Chief Executive Officer of Jaguar is paid to Stature Inc., a corporation wholly owned by the Chief Executive Officer of Jaguar. Effective January 1, 2009, the Chief Executive Officer of Jaguar has agreed to waive all salary and all bonuses to which he may be entitled until a total amount of \$1,150,000 has been waived. Effective December 31, 2009, the Chief Executive Officer has waived \$300,000 of the total amount such that \$850,000 remains to be waived. Therefore, the Chief Executive Officer has received no compensation in 2009.

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

As at December 31, 2009, the Company had interest payable of \$6,301 to corporations wholly owned by directors of the Company. As at December 31, 2009 the Company had short-term loans payable to those wholly owned corporations of \$500,000 (December 31, 2008 – nil).

Contractual Obligations

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

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

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

Summary of Quarterly Results

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

	2009				2008			
	Q4	Q3	Q2	Q1	Q4	Q3 ¹	Q2	Q1
Revenue	(26,705)	2,216,678	2,269,345	3,699,617	(10,448,456)	(6,272,234)	(2,494,474)	52,796
Net (loss) income	(1,377,223)	791,802	(261,077)	681,840	(11,376,924)	(8,172,149)	(3,480,783)	(1,072,468)
(Loss) income per common share basic and diluted	(0.01)	0.01	0.00	0.01	(0.11)	(0.08)	(0.03)	(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 2008 and 2009 is reflective of investment gains and losses, and the fluctuation in the prices of the securities held by the Company.

Recent accounting pronouncements

In February 2008, the CICA issued an amendment to Section 1000 "Financial Statement Concepts", to clarify certain criteria of recognition of an asset and timing of expense recognition. This amendment is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The new standard is in effect for the Company beginning January 1, 2009. The effect of this standard was not significant.

Effective January 1, 2009, the Company adopted Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064 Goodwill and Intangible Assets. Section 3064 prescribes when expenditures qualify for recognition as intangible assets and provides guidance on recognition and measurement of internally generated goodwill and intangible assets. The effect of this standard was not significant.

In June 2009, the Canadian Accounting Standards Board (“AcSB”) incorporated the recent amendments to International Financial Reporting Standards (“IFRS”) 7, “Financial Instruments: Disclosures”, into CICA Handbook Section 3862, “Financial Instruments – Disclosures”. The amendments introduce a three level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. In addition, the amendments require enhanced disclosures regarding the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments were applicable to the Company’s annual financial statements beginning with fiscal 2009. Comparative information is not required in the year of adoption. The impact of the adoption of these amendments is not significant.

International Financial Reporting Standards (“IFRS”)

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

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

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

- engage external auditors to consult on impact assessment and conversion methodology;
- identification of accounting policies under IFRS that are relevant to the Company;
- identification of situations where alternate IFRS accounting policies exist;
- identification of major differences between accounting policies under Canadian 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 has completed its assessment of the impact of the transition to IFRS including its effect on accounting policies, disclosures, financial systems, and internal controls, and has determined that the impact will be minimal.

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

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

Management of Capital

The Company's capital structure includes the following:

	2009	2008
Short-term loans payable	\$ 1,957,248	\$ 12,233,512
Loans payable	1,032,471	-
Shareholders' equity comprised of		
Capital stock	60,884,717	62,666,254
Contributed surplus	5,331,830	3,727,991
Deficit	(58,722,436)	(58,557,778)
	\$ 10,483,830	\$ 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; (iii) raising capital through loans from third party investors/lenders who seek to participate in investment opportunities; and (iv) purchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company's share capital is not subject to external restrictions/requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 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 seeking to have a diversified portfolio, which is not singularly exposed to any one or class of issuer. Jaguar's investment activities are currently diversified across five industries – pharmaceuticals, industrial, technology, telecommunication and natural resources.

As at December 31, 2009, based on a 1% change in the fair value of the Company's investments and derivatives, the estimated sensitivity of the Company's net income (loss) was (\$79,000) (2008 – (\$154,000)), based on a decrease and \$79,000 (2008 - \$154,000), 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 December 31, 2009, the Company had borrowed approximately \$1,957,248 for specific investment opportunities (see Note 6). These loans are repaid once the related investments are sold, in accordance with each loan agreement. If the economic and capital markets environment continues to be challenging, there is the potential that the Company may be forced to sell its investments at a loss, to fund repayments. The loans mature at the earlier of (i) the date the related investment is sold, or (ii) 9 months following the date of the issuance of the loan. These loans consist of funds received from related and third parties. As at December 31, 2009, 26% of these loans were due to related parties and 74% to third parties.

Interest Rate Risk:

Interest rate risk is the risk of loss due to the volatility of interest rates and the impact that changes in interest rates could have on the Company's earnings and liabilities. As at December 31, 2009, the Company had no short-term loans that were interest rate sensitive. Liabilities can be repaid by the Company at any time, without notice or penalty, which provides the Company with some ability to manage and mitigate its interest rate risk. The Company does not hedge against any interest rate risks.

For the twelve months ended December 31, 2009, a 1% change in interest rate on the average interest risk liabilities with all other variables held constant as at December 31, 2009, the estimated sensitivity of the Company's net income (loss) was (\$24,741) (2008 – \$8,768), based on an increase in rate and \$24,741 (2008 – \$8,768), based on a decrease in rate.

Critical Accounting Estimates

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

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

Disclosure Controls and Procedures

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

Internal Control Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer are responsible for certifying that they have designed the Company's internal control over financial reporting ("ICFR") to a standard that provides reasonable assurance of the reliability and accuracy of financial reporting. The certifying officers have evaluated the design of the Company's ICFR as at the Company's financial year end and have concluded the design to be sufficient to provide such reasonable assurance. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and in accordance with the accounting policies set out in the notes to the financial statements for the year ended December 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 staff, which has strengthened the segregation of duties, there still exists limited segregation. Management believes, however, that the risks associated with the lack of segregation of duties have been mitigated by the implementation of other controls. The Audit Committee has direct oversight responsibilities for the review and approval of the quarterly and annual financial disclosures, the Company has a qualified senior accountant engaged on a full time basis to manage the Company's financial disclosures. The Company has no further mitigation plans.