



JAGUAR FINANCIAL CORPORATION
ANNUAL MD&A

2010

Management's Discussion and Analysis – Full Year 2010

Introduction

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

The following Management Discussion and Analysis (“MD&A”) of the financial condition and results of operations of the Company are the views of management and should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2010, compared to the year ended December 31, 2009.

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 March 28, 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 sixty-eight companies, which the Company believed were undervalued. Sixty-two of those positions were sold over the course of the last three years. As at December 31, 2010, the Company owned shares in ten companies and short sold the shares of one company.

On December 31, 2010, the Company has a significant investment in Lakeside Steel Inc. (“Lakeside”). The investment in Lakeside represents approximately 11.7% (December 31, 2009 – 28.1%) of the total issued and outstanding Lakeside common shares. In addition, the Chairman and Chief Executive Officer of the Company owns or controls 6,929,024 Lakeside common shares or 4.7% of Lakeside. Together the Company and its Chairman own or control 16.4% of the outstanding common shares of Lakeside. As at December 31, 2010, the fair value of the Company’s investment in Lakeside was \$5,579,549 as at December 31, 2010 (December 31, 2009 – \$4,949,021) compared to its carrying value of \$3,617,759.

The Chairman and Chief Executive Officer of the Company is also the Chairman and Chief Executive Officer of Lakeside. The Company’s General Counsel is also the General Counsel for 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.

In the second quarter of 2010 the Company tendered its shares of Royal Laser Corp. ("Royal") into Triple M Metal LP's all cash take-over bid for proceeds of \$8,570,215. The Company started investing in Royal in Q3 of 2007 and over the course of 2007 and 2008 accumulated a significant stake in Royal. The Company's investment in Royal represented approximately 18.80% of the total issued and outstanding Royal common shares.

The Company also sold its investment in WGI Heavy Minerals Inc. ("WGI") in Q2 of 2010, generating a gain of \$566,507. The Company's investment in WGI represented approximately 16.0% of the total issued and outstanding WGI shares. The Company's investment in WGI was made in the third quarter of 2010.

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

Results of Operations

The economy, the capital markets environment, credit markets and global stock markets have all shown improvement throughout fiscal 2010. The economy remains fragile and unpredictable, as the improvement in the credit markets has been much slower than anticipated. Global stock markets are at their highest levels since the economic downturn, but remain much lower than before the downturn and can be somewhat volatile.

Jaguar reported net income from operations of \$2,525,177, \$26,830 lower than the prior year. The Company's share of losses in Lakeside was \$645,185. The Company also reported a net dilution gain of \$712,559, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity. As a result of the Company's share of Lakeside losses and the dilution gain, the Company reported net income and comprehensive income of \$2,592,551 for the year ended December 31, 2010 compared to a net loss of \$164,658 a year ago. The Company's basic and comprehensive income in 2010 is reflective of the improving trend in the Company's performance over the previous two years.

Financial Highlights for the year ending December 31, 2010 with comparatives:

Operating Results	2010	2009	2008
Gain/(loss) on investments, net	\$ 3,247,764	\$ 7,834,036	\$ (19,119,937)
Gain on derivatives, net	418,064	238,941	(1,336,365)
Revenue – fees	62,106	59,746	264,505
Net income (loss) from operations*	2,525,177	2,552,007	(25,825,775)
Equity (loss)/earnings of associated company	(645,185)	(2,716,665)	1,723,452
Dilution gain on issue of common shares by associated company	712,559	-	-
Net income (loss) and comprehensive income (loss) for the period	2,592,551	(164,658)	(24,102,323)
Net income/(loss) per share – basic and diluted	0.02	0.00	(0.22)
Cash and cash equivalents	7,526,377	19,736	1,984,813
Investments, at fair value	1,969,540	7,855,302	14,057,785
Investment in associated company, at equity	3,617,759	3,429,389	6,301,054
Securities sold short	(2,960,640)	-	-
Shareholders equity	\$ 10,356,885	\$ 7,494,111	\$ 7,836,467

* Net income before equity accounted investment gains/losses

For the year ended December 31, 2010, the Company generated a net gain on investments of \$3,247,764 as compared to a net gain of \$7,834,036 for fiscal 2009.

As at December 31, 2010, Jaguar held a short position in the shares of a company whose shares the Company believes are overvalued. The short position as at December 31, 2010 has resulted in an unrealized loss of \$562,072, which is recorded in net gain on investments.

Fee revenue was \$62,106 for the year ended December 31, 2009, compared to \$59,746 in 2009.

Interest revenue for the year ended December 31, 2010, was \$14,759, compared to interest income of \$26,211 for the prior year. The reduction in interest revenue is attributable to Jaguar being almost fully invested in equities throughout the year as well as the low interest rate environment.

The Company accounts for its investment in Lakeside using the equity method, recording its share of earnings in income. During 2010, the Company recorded an equity loss of \$645,185. The Company recorded an equity loss of \$2,716,665 in 2009. The Company also reported a net dilution gain of \$712,559, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity.

Total expenses for 2010 decreased to \$1,217,516 from \$5,606,927 in 2009. The \$4,389,411 decrease in expenses was largely the result of less investment activity by the Company. The primary drivers were participation and financing fees – down by \$2,183,936; transaction costs – down by \$973,033; advisory fees – down \$322,181; and interest – down \$171,417.

Legal and audit fees were down by \$660,693 compared to 2009, as the Company received a reimbursement in legal expenses totalling \$250,000 relating to one of its investments and negotiated a \$40,070 reduction of its legal expenses owing.

In Q3 of 2010, the Company negotiated a settlement of its loan payable. In exchange for paying the loan immediately rather than over the scheduled life of the loan, the Company made a payment of \$150,000 lower than the face value of the loan, resulting in a gain of \$79,503.

Stock based compensation at \$284,575 was \$140,565 higher than in the prior year. 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.

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

Operating Results	Three months ended December 31	
	2010	2009
Loss on investments, net	\$ (581,536)	\$ (231,985)
Gain on derivatives, net	418,064	145,161
Revenue – fees	-	34,746
Net loss from operations*	(531,496)	(422,036)
Equity gain (loss) of associated company	25,218	(955,187)
Dilution gain on issue of common shares by associated company	801,491	-
Net income (loss) and comprehensive income (loss) for the period	295,213	(1,377,223)
Net loss per share – basic and diluted	0.00	(0.01)
Cash, cash equivalents and term deposits	7,526,377	19,736
Investments, at fair value	1,969,540	7,855,302
Investment in associated company, at equity	3,617,759	3,429,389
Securities sold short	(2,960,640)	-
Shareholders equity	\$ 10,356,885	\$ 7,494,111

* Net income before equity accounted investment gains/losses

For the three months ended December 31, 2010, the Company generated net income and comprehensive income of \$295,213, compared to a net loss and comprehensive loss of \$1,377,223 for the same period in 2009. The Company reported a net loss on investments of \$581,536. In the same period last year, the Company reported a net investment loss of \$231,985.

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, 2010, the Company recorded an equity income in the amount of \$25,218. The Company recorded an equity loss of \$955,187 for the same period in 2009. The Company also reported a dilution gain in Q4 of \$801,491, as Lakeside sold its own shares to outside interests for proceeds of which the Company's share was higher than the carrying value of the underlying equity.

Fee revenue was nil for the fourth quarter ended December 31, 2010, compared to \$34,746 in 2009.

Interest revenue for the three months was \$6,281, compared to interest income of \$25,373 for the same period of the prior year. The decrease is the result of the Company investing its available free funds in instruments bearing less interest than in 2009.

Total expenses were \$374,305 in Q4 of 2010, a decrease of \$21,025 from Q4 of 2009. 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 2009.

Share Capital Information

As at December 31, 2010, the Company had 106,132,832 common shares together with 6,250,000 stock options outstanding, which, if exercised, would amount to a fully diluted position of 112,382,832 common shares. On April 29, 2010, the Company issued 2,000,000 common shares, under its Equity Incentive Plan. An additional 3,300,000 common shares of the Company will be issued under this plan – 2,000,000 on April 29, 2011 and 1,300,000 on April 29, 2012.

Normal Course Issuer Bid

On June 3, 2010, 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 7, 2010, and ending June 6, 2011, the Company may purchase a maximum of 7,561,183 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 made through the facilities of the TSX in open market transactions at market prices prevailing at the time of acquisition. Daily purchases may not exceed 15,523 common shares, unless otherwise permitted by the TSX. All common shares purchased under the bid will be cancelled.

As at December 31, 2010, Jaguar had purchased and cancelled 166,500 common shares of the Company.

Liquidity and Capital Resources

As at December 31, 2010, the Company had cash, cash equivalents and investments, including the investment in associated company, at fair value of \$15,075,466 and securities sold short with a fair value of \$2,960,640. The Company had net assets of \$10,356,885 as at December 31, 2010, or approximately \$0.10 per issued share.

The fair value of the Company's investment portfolio including the investment in associated company was \$7,549,089 as at December 31, 2010, as compared to \$12,804,323 for the prior year. The decrease in the value of the investment portfolio is primarily due to the disposal of the largest investment held by the Company and continued reduced investment activity throughout 2010. Jaguar also holds a short position with a fair value of \$2,960,640. The Company currently has investments in the securities of ten companies, compared to nine at the end of Q4 of 2009.

In the third quarter of 2010 the Company retired the last of its loans and currently has no debt outstanding.

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 December 31, 2010.

Related Party Information

For the year ended December 31, 2010, 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:

	2010	2009
Merchant banking fees ⁴	\$ 62,106	\$ 59,746
Interest income ¹	596	-
Transaction costs ¹	145,104	1,118,297
Advisory fees ¹	24,871	389,052
Equity compensation ¹	284,575	-
Profit participation fees ³	67,644	694,110
Interest expense ³	18,582	46,918
Payables and accruals ³	-	9,164
Receivable ¹	125,596	59,746

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 December 31, 2010, \$650,000 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.

4. Stock swap fees from Lakeside Steel Inc., Jaguar's associated company.

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:

	2010				2009			
	Q4	Q3	Q2	Q1 Restated	Q4	Q3	Q2	Q1
Revenue	(157,191)	(373,750)	1,883,388	2,390,247	(26,705)	2,216,678	2,269,345	3,699,617
Net income (loss) and comprehensive income (loss)	295,213	(279,450)	1,317,831	1,258,957	(1,377,223)	791,802	(261,077)	681,840
(Loss) income per common share basic and diluted	0.00	0.00	0.02	0.01	(0.01)	0.01	0.00	0.01

The first quarter net income is restated for a dilution loss of \$88,932 as Lakeside sold its own shares to outside investors, which reduced the Company's ownership interest from 28.1% to 25.3%. As well, the Company's equity loss has been increased by \$89,507.

The fluctuation in income and total assets quarter over quarter in 2009 and 2010 is reflective of investment gains and losses, and the fluctuation in the prices of the securities held by the Company.

Recent accounting pronouncements

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

Future Accounting Policies

International Financial Reporting Standards ("IFRS")

The AcSB requires Canadian publically accountable enterprises to adopt IFRS for fiscal years beginning on or after January 1, 2011. The Company's first IFRS compliant financial statements will be for the first quarter of 2011.

Key senior management and finance personnel have attended IFRS training and the Company has set up an IFRS project team for conversion to IFRS. The Company commissioned a scoping of convergence to IFRS, which has now been completed. The study also summarized relevant IFRS initial adoption requirements and options and strategy for its application.

The Company has assessed and evaluated the effects of changes required under IFRS upon its operations, internal controls, and financial reporting. The Company has defined each of the IFRS sections that are applicable and has made changes to how particular items are tracked in anticipation of the new disclosure requirements. The IFRS sections that have the largest impact on the Company have been evaluated by management. The changes are in disclosures to the financial statements.

Management of Capital

The Company's capital structure includes the following:

	2010	2009
Short-term loans payable	\$ -	\$ 1,957,248
Loans payable	-	1,032,471
Shareholders' equity comprised of		
Capital stock	60,900,299	60,884,717
Contributed surplus	5,586,471	5,331,830
Deficit	(56,129,885)	(58,722,436)
	\$ 10,356,885	\$ 10,483,830

The Company's objectives when managing capital are to (i) provide financial capacity and flexibility in order to preserve its ability to meet its strategic objectives and financial obligations and continue as a going concern; (ii) maintain a capital structure which allows the Company to respond to changes in economic and/or marketplace conditions and affords the Company the ability to participate in new investments; (iii) optimize the use of its capital to provide an appropriate investment return to its shareholders equal with the level of risk; and (iv) maintain a flexible capital structure which optimizes the cost of capital at acceptable levels of risk.

The Company's financial strategy is formulated and adapted according to market conditions in order to maintain a flexible capital structure that is consistent with its objectives and the risk characteristics of its underlying assets. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its underlying assets. The Company maintains or adjusts its capital level to enable it to meet its objectives by: (i) realizing proceeds from the disposition of its investments; (ii) utilizing leverage in the form of margin loans on its investments; (iii) raising capital through loans from third party investors/lenders who seek to participate in investment opportunities; and (iv) purchasing the Company's own shares for cancellation pursuant to its normal course issuer bid.

The Company's share capital is not subject to external restrictions/requirements imposed by a regulator. To date, the Company has not declared any cash dividends to its shareholders as part of its capital management program. The

Company's management is responsible for the management of capital and monitors the Company's use of various forms of leverage on a daily basis. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at December 31, 2010.

Financial instruments

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

Price risk:

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

With respect to long positions, rising commodity and equity prices may increase the price of an investment while declining commodity and equity prices may have the opposite effect. The Company's short selling activities are also affected by commodity and 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 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, 2010, based on a 1% change in the fair value of the Company's investments, the estimated sensitivity of the Company's net income (loss) was \$10,000 (December 31, 2009 – (\$79,000)), based on a decrease, and (\$10,000) (December 31, 2009 – \$79,000) 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.

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 December 31, 2010, the Company had no short-term loans or other liabilities that were interest rate sensitive. The Company has short-term deposits that are 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.

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 date of this report and have concluded that the design was not effective to provide such reasonable assurance as a result of the material weakness described below. 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, 2010.

Management must disclose in its MD&A any material weaknesses found to exist within the system of internal control over financial reporting. While finalizing the statements for the Q4 filing an adjustment was noted, that is considered material to the financial statements. Management concluded that a material weakness existed at December 31, 2010 relating to the depth of review of complex accounting issues. In the first quarter of fiscal 2011 the Company implemented a formal process requiring in-depth review of complex transactions, which includes, if necessary, consulting with outside accounting advisors to ensure appropriate accounting treatment.