

Jaguar Resources Inc.

(formerly Lateral Capital Corp.)

Unaudited Interim Condensed Financial Statements
September 30, 2016

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, part 4, subsection 4.3(3)(a), if an auditor does not perform a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanied interim condensed financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

Jaguar Resources Inc.
 Statements of Financial Position
 (Unaudited)

(Canadian dollars)

	September 30, 2016	December 31, 2015
Assets (notes 8 and 9)		
Current assets		
Cash and cash equivalents	\$ 743	\$ 296
GST recoverable	19,968	100,542
Prepaid expense and deposits	10,143	16,029
Due from shareholder (note 10)	150,000	150,000
Total current assets	180,854	266,867
Non-current assets		
Financing costs	11,375	-
Property, plant and equipment (note 6)	1,616,020	1,616,020
Exploration and evaluation assets (note 7)	2,351,499	2,317,498
Total assets	\$ 4,159,748	\$ 4,200,385
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 7,140,089	\$ 5,982,698
Short-term loan (note 8)	5,195,806	5,482,196
Due to related party (note 10)	353,755	336,600
Promissory notes (note 9)	229,476	409,550
Total current liabilities	12,919,126	12,211,044
Decommissioning obligation (note 11)	315,029	310,042
Total liabilities	13,234,155	12,521,086
Shareholders' Deficit		
Share capital (note 12)	7,054,438	6,822,778
Warrants (note 12)	94,764	89,775
Contributed surplus (note 12)	701,797	701,797
Deficit	(16,925,406)	(15,935,051)
	(9,074,407)	(8,320,071)
	\$ 4,159,748	\$ 4,200,385

Nature of operations and Going Concern (note 2)
Contingencies and Subsequent event (note 16)

Approved by the Board:

(signed) "Corbin Blume", Director

(signed) "Murray Swanson", Director

Jaguar Resources Inc.

Statements of Net Loss and Comprehensive Loss
For the three and nine months ended September 30
(Unaudited)

(Canadian dollars)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2016	Three months ended September 30, 2015
Expenses				
Operating	\$ 12,123	\$ 27,027	\$ 3,823	\$ 7,341
Administration (note 13)	(664,951)	1,262,713	(455,814)	768,929
Finance (note 14)	1,560,298	1,507,197	508,875	595,546
Transaction costs	82,885	-	-	-
Depletion, depreciation and amortization	-	5,524	-	1,841
Net loss and comprehensive Loss	\$ 990,355	\$ 2,802,461	\$ 56,884	\$ 1,373,657
Weighted average number of shares outstanding	75,236,444	72,353,005	79,001,685	73,214,454
Basic and Diluted Loss per Share	\$ (0.01)	\$ (0.04)	\$ (0.00)	\$ (0.02)

Jaguar Resources Inc.
Statement of Changes in Equity
(Unaudited)

(Canadian dollars)

	Share Capital	Warrants	Compensation Options and Warrants	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2015	\$ 6,695,031	\$ 89,775	\$ -	\$ 701,797	\$ (10,795,759)	\$ (3,309,156)
Net Loss and comprehensive loss	-	-	-	-	(2,802,461)	(2,802,461)
Issued on settlement of debt	130,653	-	-	-	-	130,653
Share issuance costs	(2,906)	-	-	-	-	(2,906)
Balance September 30, 2015	\$ 6,822,778	\$ 89,775	\$ -	\$ 701,797	\$ (13,598,220)	\$ (5,983,870)
Balance, January 1, 2016	\$ 6,822,778	\$ 89,775	\$ -	\$ 701,797	\$ (15,935,051)	\$ (8,320,701)
Net Loss and comprehensive loss	-	-	-	-	(990,355)	(990,355)
Issuance of units (note 12)	24,060	5,940	-	-	-	30,000
Issued on settlement of debt (note 12)	219,489	-	-	-	-	219,489
Share issuance costs (note 12)	(11,889)	(951)	-	-	-	(12,840)
Balance September 30, 2016	\$ 7,054,438	\$ 94,764	\$ -	\$ 701,797	\$ (16,925,406)	\$ (9,074,407)

Nature of operations and Going Concern (note 2)
The accompanying notes are an integral part of these unaudited condensed financial statements.

Jaguar Resources Inc.

Statements of Cash Flows

For the three and Nine months ended September 30

(Unaudited)

(Canadian dollars)

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2016	Three months ended September 30, 2015
Cash provided by (used in):				
Operating activities				
Net loss and comprehensive loss	\$ (990,355)	\$ (2,802,461)	\$ (56,884)	\$ (1,373,657)
Depletion, depreciation and amortization	-	5,524	-	1,841
Gain on settlement of debt	(797,390)	(312,732)	(797,390)	-
Unrealized foreign exchange loss (gain)	(481,250)	928,038	144,852	496,255
Finance	1,557,298	1,507,197	526,881	595,546
Net change in non-cash working capital items:				
GST recoverable	80,574	(39,322)	1,199	(23,725)
Prepaid expense	5,886	(40,385)	1,367	36,473
Accounts payable and accrued liabilities	543,892	81,540	185,226	23,590
Cash used in operating activities	(81,345)	(672,601)	5,251	(243,677)
Investing activities				
Expenditures on exploration and evaluation assets	-	(445,296)	-	(310,974)
Permit deposits	-	102,758	-	102,758
Expenditures on exploration and evaluation assets	-	286,730	-	286,730
Cash used in investing activities	-	(55,808)	-	78,514
Financing activities				
Issuance of units	30,000	-	-	-
Short-term loan	-	309,800	-	-
Financing costs	(24,215)	(2,906)	(15,415)	-
Promissory notes	-	264,384	-	-
Due from shareholder	-	(100,000)	-	(100,000)
Due to related party	28,000	100,000	-	-
Net change in accounts payable and accrued liabilities	48,007	139,633	6,877	85,564
Cash provided by finance activities	81,792	710,911	(8,538)	(14,436)
Increase in cash and cash equivalents	447	(17,498)	(3,287)	(179,599)
Cash and cash equivalents, beginning of period	296	18,558	4,030	180,659
Cash and cash equivalents, end of period	\$ 743	\$ 1,060	\$ 743	\$ 1,060

Nature of operations and Going Concern (note 2)

The accompanying notes are an integral part of these unaudited condensed financial statements.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

1. Incorporation

Jaguar Resources Inc., formerly Lateral Capital Corp., (the “Company”) was incorporated under the Business Corporations Act (Alberta) on January 26, 2012. The registered address of the Company is Suite 730, 1015 4 Street SW, Calgary, Alberta T2R 1J4.

2. Nature of operations and Going Concern

The Company is involved in the exploration and development of and production of petroleum and natural gas properties in southern Alberta.

On October 26, 2012, the Company completed an acquisition of certain oil production, oil reserves, lands, leases and miscellaneous interests in Southern Alberta (the “Acquisition”). This Acquisition constituted the Company’s Qualifying Transaction (the “QT”) as set out in Policy 2.4 of the TSX Venture Exchange (the “Exchange”). The Company commenced trading on the Exchange on November 7, 2012 as a Tier 2 Oil and Gas issuer under the trading symbol “LCP”.

On June 5, 2014, the Company completed the acquisition and subsequent amalgamation of Vector Exploration Corp. (“Vector”). Vector owned a 50% earned interest in two significant land blocks consisting of 376,000 acres in the east Saskatchewan portion of the Williston Sedimentary Basin.

On July 21, 2014, the Company changed its name to Jaguar Resources Inc. and trading symbol to JRI.P on the Exchange.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due.

As at September 30, 2016, the Company had cash and cash equivalents of \$743 (December 31, 2015 - \$296), a working capital deficit of \$12,738,271 (December 31, 2015 - \$11,944,177), deficit of \$16,925,406 (December 31, 2015 – \$15,935,051) and cash flow from operating activities for the nine months ended September 30, 2016 of \$(81,345) (nine months ended September 30, 2015 – \$(672,601)). The short-term loan (note 8) and promissory notes (note 9) were in default at September 30, 2016.

As security for payment of the principal and interest on the short-term loan (note 8) and promissory notes (note 9), the Company has granted a first floating charge in favor of the lenders thereof as evidenced by a general security agreement. Unless the Company obtains additional financing, it will not be able to repay these amounts.

These events and conditions indicate a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due, and to generate sufficient funds to continue its exploration and development activities. The Company must raise additional funds through the issuance of common shares or incur additional debt to continue day to day operations, meet its working capital commitments and to fund future development of its exploration and evaluation assets and property and equipment. There is no assurance that future equity financings or debt will be available under acceptable terms to meet the Company’s ongoing obligations. Further, there is no assurance that the Exchange will approve any and all financings.

The Company continues to pursue financing opportunities to fund the proposed acquisitions of petroleum and natural gas assets that may include a private placement of common shares, preferred shares or debt instruments or the establishment of a debt facility.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

These financial statements do not reflect the adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for these financial statements, then necessary adjustments to the carrying values of assets and liabilities and the reported revenues and expenses and statement of financial position classifications would be required. Such adjustments could be material.

3. Basis of Presentation

Statement of Compliance

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”).

These financial statements have been prepared following the same IFRS accounting policies and methods of computation as disclosed in the annual financial statements for the year ended December 31, 2015. Certain information and disclosures normally required to be included in the notes to the annual audited financial statements have been condensed, omitted or have been disclosed on an annual basis only. Accordingly, these interim condensed financial statements should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2015.

The financial statements were approved by the Board of Directors on November 29, 2016.

Basis of measurement

These financial statements have been prepared on the historical cost basis except for derivative financial instruments, warrants and share-based transactions which are measured at fair value. Refer to note 5 for details on the determination of fair value.

Functional and presentation currency

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

4. Significant Accounting Policies

Effective January 1, 2016 the Company adopted the amendments to International Accounting Standards Board (“IASB”) IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” which provided specific guidance on the accounting for the acquisition of an interest in a joint operation that is a business. Jaguar has determined that there is no material impact on the Company’s financial statements.

Effective January 1, 2016 the Company adopted the amendments to International Accounting Standards Board (“IASB”) IAS 1 “Presentation of Financial Statements” which clarify guidance on materiality, use of subtotals, aggregation and disaggregation of financial statement line items, the order of the notes to the financial statements and disclosure of significant policies. Jaguar has determined that there is no material impact on the Company’s financial statements.

Effective January 1, 2016 the Company adopted the amendments to International Accounting Standards Board (“IASB”) IFRS 7 “Financial Instrument Disclosures” which clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosure required and the applicability of amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements. Jaguar has determined that there is no material impact on the Company’s financial statements.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

Effective January 1, 2016 the Company adopted the amendments to International Accounting Standards Board (“IASB”) IAS 34 “Interim Financial Reporting” which clarifies the requirements relating to information required by IAS 34 that is presented within the financial report but outside the interim financial statements. Jaguar has determined that there is no material impact on the Company’s financial statements.

Future accounting pronouncements issued but not yet applied

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to existing IFRS standards have been published but are not yet effective, and have not been adopted early by the Company. Management anticipates that all the pronouncements will be adopted in the Company’s accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company’s financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Company’s financial statements.

IFRS 9 “Financial Instruments: Classification and Measurement” is a new financial instruments standard effective for annual period beginning on or after January 1, 2018 that replaces IAS 39 and IFRIC 9 for classification and measurement of financial assets and financial liabilities. The Company is currently assessing the impact of this standard.

IFRS 15, “Revenue from Contracts with Customers” was issued in 2014 and replaces the two main recognition standards IAS 18, “Revenue”, and IAS 11, “Construction Contracts”. The new standard provides a five step model framework as a core principle upon which an entity recognizes revenue and becomes effective January 1, 2018. The Company is currently assessing the impact of this standard.

IFRS 16, “Leases” was issued and IAS 17 “Leases” was amended. IFRS 16 specifies how to recognize, measure, present and disclose leases effective for annual period beginning on or after January 1, 2019. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. IAS 17, as revised, now prescribes the accounting policies and disclosures applicable to leases, both for lessees and lessors. The Company is currently assessing the impact of this standard.

Other Accounting Standards and Interpretations

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 15 Revenue from Contracts with Customers - IFRS 15 was issued in May 2014 and replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard is required to be adopted either retrospectively or using a modified transaction approach for fiscal years beginning on or after January 1, 2017 with earlier adoption permitted. IFRS 15 will be adopted by the Company on January 1, 2017 and the Company is currently evaluating the impact of the standard on the financial statements.

IFRS 9 Financial Instruments - IFRS 9 was amended in July 2014 to include guidance to assess and recognize impairment losses on financial assets based on an expected loss model. The amendments are effective for fiscal years beginning on or after January 1, 2018 with earlier adoption permitted. This amendment will be adopted by the Company on January 1, 2018 and the Company is currently evaluating the impact of the amendment on the financial statements.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

5. Determination of Fair Values

The Company has adopted IFRS 13, Fair Value Measurement. This standard defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. This standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date.

Many the Company's accounting policies and disclosures require the determination of fair value of both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) PP&E and E&E assets

The fair value of PP&E recognized in a business combination is based on market values. The market value of PP&E is the estimated amount for which PP&E could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests (included in PP&E) and E&E assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The market values of E&E assets are estimated with reference to the market values of current arm's length transactions in comparable locations.

(ii) Financial instruments

Financial instruments are comprised of cash and cash equivalents, short-term loan, due to related party, due from shareholder, accounts payables and accrued liabilities and promissory notes. The fair value of cash and cash equivalents, accounts receivables, due from shareholder, accounts payables and accrued liabilities, short-term loan, due to related party and promissory notes are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. At September 30, 2016 and December 31, 2015, the fair value of these balances approximated their carrying value due to their short-term to maturity.

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

Cash and cash equivalents is valued using level 1 inputs.

(iii) Stock options, compensation options and warrants

The fair value of employee stock options, compensation options and warrants are measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected forfeiture rate, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

6. Property, Plant and Equipment

	Oil Properties \$	Computer \$	Furniture and Equipment \$	Total \$
Cost				
At December 31, 2014	1,880,642	4,000	18,100	1,902,742
Changes in decommissioning obligation (note 14)	(34,465)	-	-	(34,465)
At December 31, 2015 and September 30, 2016	1,846,177	4,000	18,100	1,868,277
Depletion, depreciation and amortization				
At December 31, 2014	99,051	2,844	12,872	114,767
Depletion and depreciation	-	1,156	5,228	6,384
Impairment ⁽¹⁾	131,106	-	-	131,106
At December 31, 2015 and September 30, 2016	230,157	4,000	18,100	252,257
Net book value				
At December 31, 2014	1,781,591	1,156	5,228	1,787,975
At December 31, 2015	1,616,020	-	-	1,616,020
At September 30, 2016	1,616,020	-	-	1,616,020

- (1) In light of low commodity prices, the Company performed an asset impairment test on its property, plant, and equipment and determined an impairment of \$131,106 for the year ended December 31, 2015 on its Medicine Hat CGU. An impairment review was conducted by comparing the carrying value of its petroleum and natural gas ("P&NG") properties to the recoverable amount. In determining the recoverable amount, the Company applied a pre-tax discount rate of 10% on cash flows from proved plus probable reserves as at December 31, 2015. The P&NG future prices are based on period end commodity price forecasts determined by the Company's independent reserves evaluator and are adjusted for quality differentials, heat content, transportation and marketing costs and other factors specific to the Company's operations. The exchange rate is forecasted to range from 0.74 \$US/\$CAN to 0.85 \$US/\$CAN.

	2016	2017	2018	2019	2020	2021	2022	2023
Western Canada Select (Cdn \$/bbl)	45.00	52.18	59.38	62.41	65.29	67.91	70.52	74.00
	2024	2025	2026	2027	2028	2029	2030	2031
Western Canada Select (Cdn \$/bbl)	75.48	76.99	78.53	80.10	81.70	83.34	85.00	86.70

Further declines to commodity prices for crude oil could result in additional impairment charges in the future. If the discount rates were increased to 15% for proved plus probable reserves, the impairment loss would increase by approximately \$335,160.

There were no further indicators of impairment as at September 30, 2016.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

7. Exploration and Evaluation Assets (“E&E”)

Balance, December 31, 2014	\$	2,860,753
Additions		676,529
Change in decommissioning obligation		(30,000)
Impairment ⁽¹⁾		(1,189,784)
Balance, December 31, 2015	\$	2,317,498
Additions		34,001
Balance, September 30, 2016	\$	2,351,499

⁽¹⁾ For the year ended December 31, 2015, the Company recognized impairment of \$1,189,784 (2014 – \$nil) on E&E assets relating to the Little Swan project with carrying values estimated to exceed the recoverable amounts. The Company determined there to be indicators of impairment regarding these E&E assets based on the prolonged decline in commodity prices, upcoming land expiries and near term reallocations of future capital spending. As a result, the Company impaired these E&E assets principally comprised of seismic and historic land acquisition costs.

There were no further indicators of impairment as at September 30, 2016.

The E&E assets consists of the Company’s exploration activities which are pending the determination of economic quantities of commercially producible proven reserves and includes the undeveloped lands from the Vector acquisition (the “Lands”). Additions represent the Company’s net share of costs incurred on E&E activities during the year. A review of each exploration project by area is carried out at each reporting date to ascertain whether economical quantities of proven reserves have been discovered and whether such costs should be transferred to depletable petroleum and natural gas components. There have not been any exploration costs reclassified from the E&E category to PP&E. The Company has not capitalized any general and administrative or finance costs to the E&E.

8. Short-term Loan

On June 5, 2014, the Company completed a first lien, senior secured 120-day term loan in the principal amount of US\$3,533,000 (\$3,858,389 Canadian) (the “Term Loan”). Proceeds from the Term Loan were used to complete the Vector acquisition, fund certain costs, fees and expenses related to the Term Loan and for working capital purposes. The Term Loan matured on October 3, 2014 (the “Maturity Date”) and was repayable anytime on or before maturity. At September 30, 2016, US\$3,533,000 (\$4,634,236) Canadian) remains outstanding. As the Term Loan was not fully repaid 90 days after the date of issuance, September 3, 2014 (the “Repayment Date”), the Company was obligated to grant the lender a 1.0% gross overriding royalty (“GORR”) interest in perpetuity on all the Company’s current and future production from the Company’s Medicine Hat assets and the Lands. Subsequently, the Term Loan was modified to extend the Repayment Date and GORR grant date to September 15, 2014 (the “Term Loan Extension”). As consideration for the Term Loan Extension, and subject to the review and approval of the Exchange, the lender will be granted US\$100,000 in Jaguar common shares.

The principal amount of the Term Loan was reduced at closing by an issuance discount of \$309,064 (US\$283,000), a structuring fee equal to 2% of the Term Loan or \$77,168 (US\$70,660), a finder’s fee of \$173,628 (US\$158,985) paid to an arm’s-length party for services provided to Jaguar equal to 4.5% of the principal amount of the Term Loan and net professional fees paid to the lender’s counsel of \$138,125 resulting in net proceeds of \$3,160,404. In addition, Jaguar incurred other professional fees of \$151,190 related to structuring and closing the Term Loan. The total deductions from the principal amount were \$849,176 resulting in net proceeds from the Term Loan of \$3,009,214. The cash consideration of \$750,000 for the Vector acquisition was paid out of the net proceeds resulting in \$2,259,214 for working capital purposes.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

As a condition of completing the Term Loan, a subordination and postponement agreement between the Company, the lender and the Promissory Notes (note 9) holders was executed. Under the terms of this agreement, these promissory note holders agreed to the subordination and postponement of any payments of principal, interest or any other amounts or exercise any right of offset which it has or may have until the Term Loan has been paid and satisfied in full. Subsequent to the closing of the Term Loan, the Company made payments to certain holders of the Promissory Notes.

In addition, the Company did not meet the requirement to repay the Term Loan prior to the Maturity Date and has not met certain reporting requirements. During the existence of any event of default, interest is payable at a rate of 3% per month, subject to applicable law.

In May 2015, the Term Loan was amended to increase the principle amount by US\$178,124 (\$212,342 Canadian), (the "May 2015 Addition") to enable the Company to participate in an exploration and evaluation capital program. In June 2015, the Term Loan was further amended to increase the principle amount by an additional US\$250,000 (\$309,800 Canadian), (the "Four Wells Loan"). Under the revised terms, the proceeds are to be used exclusively to drill four proposed wells and was to be repaid the earlier of July 20, 2015 or the close of a flow through offering. As further consideration for this loan, the Company is to provide the lender an additional GORR of 1% (the "Four Wells GORR") and 3,000,000 common shares of the Company to be issued on or before July 30, 2015. These common shares were issued on August 15, 2016. As a result of the Company not repaying the Four Wells Loan by July 20, 2015, a further GORR of 0.75% (the "Default GORR") is to be paid. The Four Wells GORR and Default GORR are in addition to the GORR of 1% granted in the Term Loan and is payable in perpetuity on the Medicine Hat assets, the Lands and any other operation that the Company proposes prior to repayment of all principle and interest owing

The Term Loan is secured by: (i) a first priority secured lien on Jaguar's Medicine Hat assets; (ii) a first priority secured lien on the Lands; and (iii) a general security agreement granting a security interest over all present and after-acquired personal property of Jaguar.

9. Promissory Notes

On July 2, 2013, the Company issued two secured promissory notes in the principal amount of \$25,000 each with a due date of October 2, 2013. On July 4, 2013, the Company issued two secured promissory notes in the principal amount of \$20,000 each with a due date of October 4, 2013. These four notes each a "Third Tranche Note" and collectively, the "Third Tranche Notes". Each Third Tranche Note was amended and restated as of August 29, 2013 to amend the due date to December 31, 2013. In April 2014, June 2014 and October 2014, the Third Tranche Notes were again amended to change the due dates to May 30, 2014, October 15, 2014 and August 30, 2015, respectively. Subsequent to June 30, 2015, new terms were negotiated and the due date was extended to September 30, 2015. At September 30, 2016, \$40,000 of these notes remain outstanding.

On March 14, 2014, the Company issued a secured promissory note in the principal amount of \$15,000 USD with a due date of April 15, 2014 (the "US Note"). This note was subsequently amended to change the due date to October 15, 2014. On February 24, 2015, this note was settled through the issuance of common shares of the Company.

On May 23, 2014, the Company issued a secured promissory note in the principal amount of \$40,000 with a due date of September 30, 2014 (the "May 2014 Note"). Subsequent to June 30, 2015, new terms were negotiated and the due date was extended to September 30, 2015.

On October 9, 2014, the Company received approval from the Exchange and issued 627,778 common shares as bonus shares on Third Tranche Notes and US Note and other previous issued notes.

On February 5, 2015, the Company issued a secured promissory note in the principal amount of \$60,000 with a due date of September 30, 2015. On March 25, 2015, the Company issued two secured promissory notes in the principal amount of \$10,000 each with a due date of September 30, 2015. These three notes each a "Fourth Tranche Note" and collectively, the "Fourth Tranche Notes". At September 30, 2016, \$60,000 of these notes remain outstanding.

Jaguar Resources Inc.

Notes to the Financial Statements

September 30, 2016

Going Concern – Note 2

During the three months ended June 30, 2015, the Company issued five additional secured promissory notes in the total principal amount of \$103,000 with a due date of September 30, 2015. These five notes each a "Fifth Tranche Note" and collectively, the "Fifth Tranche Notes". At September 30, 2016, \$60,000 of these notes remain outstanding.

Interest is calculated at a rate of 12% per annum and payable to the holder thereof on the due date of the notes or such earlier date that the total indebtedness is repaid on all promissory notes except for the US Note which carried an annual interest rate of 15% with a minimum of four months interest. As security for payment of the principal and interest on these promissory notes, the Company has granted a first floating charge in favor of the holders, subordinated to the holder of the short-term loan (note 8), as evidenced by a general security agreement.

Subject to approval by the Exchange, the holders of the Fourth Tranche Notes and Fifth Tranche Notes are entitled to common shares of the Company in an amount equal to 20% of the value of the note divided by the market price of the Company's common shares on the Exchange.

On August 15, 2016, \$50,000 of the Third Tranche Notes, the May 2014 Note, \$20,000 of the Fourth Tranche Notes, \$43,000 of the Fifth Tranche Notes and \$25,000 in bonus shares were settled through the issuance of common shares of the Company (see note 12).

In January 2015, the Company issued two secured promissory notes in the total principle amount of \$70,000 with a due date of March 31, 2015. In addition, there is a deferred fee of \$11,500 that is payable in common shares at \$0.08 per share or cash at the option of the note holders. The issuance of the common shares is subject to approval by the Exchange. On June 3, 2015, an additional total loan amount of \$26,550 was made by these two note holders with a due date of June 17, 2015. An extension fee of \$1,000 is payable to extend the due dates on the two promissory notes to June 17, 2015. Further extension fees of \$2,000 and \$2,000 are payable to extend the due dates of the two promissory notes and the additional total loan to August 14, 2015 and September 30, 2015, respectively. The two notes totaling \$70,000 and the additional loan totaling \$26,550 carry an interest of 2% per month and a structure fee of 12.5%. On August 15, 2016, \$27,074 of these notes were settled through the issuance of common shares of the Company (see note 12).

As of September 30, 2016, there were no new terms negotiated to extend the terms of all outstanding promissory notes beyond September 30, 2015. Unless the Company completes the proposed financing, there is a significant risk that it may default on the notes.

10. Related Party

In late 2013 and early 2014, loans were granted to Vector by a company controlled by a former director of Jaguar (the "Director Company"). Subsequent to the closing of the Term Loan, \$680,000, \$68,000 and \$24,219 were paid to the Director Company as a repayment of the loans, loan fees and interest, respectively.

An additional loan of USD \$150,000 (\$196,755 CDN), (the "Related Party Note") bearing interest at 20% per annum remains outstanding as at September 30, 2016. In February 2015, an additional loan of \$50,000 was made by the Director Company. This loan carries an interest of 24% per annum and was subject to a loan fee of \$10,000. In 2015, a former director of Jaguar made two loans totalling \$50,000. These loans are subject to an interest of 0% per annum and a total of \$19,000 in loan fees. In addition, the same former director made advances in the nine months ending September 30, 2016 totalling \$28,000. There are no terms on these advances.

The Company made loans in the amounts \$150,000 in 2014 and \$100,000 in September 2015 to an officer and shareholder of the Company. These loans are non-interest bearing and due on demand.

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At September 30, 2016, \$150,000 of these loans remained outstanding and included in due from shareholder in the statement of financial position.

11. Decommissioning Obligation

The key assumptions, on which the carrying amount of the decommissioning obligation is based, include a risk-free rate of 2.4 percent and inflation rate of 2.0 percent. The total undiscounted amount of the estimated cash flows required to settle the obligations was \$312,000. The expected timing of payment of the cash flows required for settling the obligations extends up to 15 years.

Balance, December 31, 2014	\$	359,793
Change in estimate		(64,465)
Accretion expense		14,714
Balance, December 31, 2015	\$	310,042
Accretion expense		4,987
Balance, September 30, 2016	\$	315,029

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12. Share capital

Authorized

Unlimited number of common shares

Unlimited number of preferred shares, issuable in series

Issued and outstanding common shares:

	Number	Amount
Balance, December 31, 2014	68,859,353	\$ 6,695,031
Issued on settlement of debt ⁽¹⁾	4,355,101	127,747
Balance, December 31, 2015	73,214,454	\$ 6,822,778
Issued in private placement ⁽²⁾	300,000	20,206
Issued on settlement of debt ⁽³⁾	10,974,462	211,454
Balance, September 30, 2016	84,488,916	\$ 7,054,438

Issued and outstanding Warrants:

	Number	Amount
Balance, December 31, 2014 and December 31, 2015	1,378,333	\$ 89,775
Issued in private placement ⁽²⁾	300,000	4,989
Balance, September 30, 2016	1,678,333	\$ 94,764

(1) On February 24, 2015, the Company issued 4,355,101 common shares, at a deemed issue price of \$0.10 per common share to settle \$443,385 of corporate debt owed to various arm's length parties of the Company. As the deemed issue price of \$0.10 exceeded the February 24, 2015 closing price of \$0.03 per common share, a gain on settlement of debt of \$312,732 was recorded. Share issuance costs of \$2,906 were incurred to issue these shares.

(2) In April 2016, the Company closed a non-brokered private placement unit offering. A total of 300,000 units were issued at \$0.10 per unit for total gross proceeds of \$30,000 (net proceeds of \$25,195 after issuance costs of \$4,805 - \$3,854 and \$951 were allocated as issuance costs to common shares and warrants, respectively.) Each unit is comprised of one common share and one warrant. Each warrant is exercisable for one common share at a price of \$0.05 and expires on April 20, 2021. These warrants have been ascribed a value of \$5,940 (\$0.02 per warrant). In determining this amount, the Company used the following weighted average assumptions in the Black-Scholes option pricing model:

Share price on issue date	\$0.02
Exercise price	\$0.05
Expected life	5 years
Interest rate	0.84%
Volatility	159%
Dividend yield	0%

(3) On August 15, 2016, the Company issued 10,974,462 common shares, at a deemed issue price of \$0.12 per common share to settle \$1,016,879 of corporate debt comprised of \$836,805 in accounts payable and \$180,074 in promissory notes. As the deemed issue price of \$0.12 exceeded the August 15, 2016 closing price of \$0.02 per common share, a gain on settlement of debt of \$797,390 was recorded. Share issuance costs of \$8,035 were incurred to issue these shares.

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Share-based compensation:

The Company has adopted an incentive stock option plan which provides that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable up to ten years from the date of grant. The fair value of each option grant will be estimated on the date of grant using the Black-Scholes option pricing model.

Pursuant to the stock option plan and concurrently with closing of the IPO, the Board of Directors granted 700,000 options to officers and directors. The options vested immediately, are exercisable at a price of \$0.10 per common share and had an original expiry on May 3, 2017. Under Policy 2.4 of the Exchange, these options are to expire within twelve months of the close of the QT. As a result, 600,000 options expired on October 26, 2013. Concurrent with the closing of the QT, the Company granted 1,451,000 options to officers and directors. These options vested immediately, are exercisable at a price of \$0.14 per common share and expire on October 26, 2017.

For stock options granted, the Company records compensation expense using the fair value method. Compensation costs are recognized over the vesting period on a graded basis from the date of grant as an increase to stock-based compensation expense and contributed surplus. When options are subsequently exercised, the fair value of such options in contributed surplus is credited to share capital.

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015 and September 30, 2016	660,206	\$ 0.14

Information about options outstanding and exercisable as at September 30, 2016 is summarized in the following table:

Exercise Price (\$)	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$/share)	Number Exercisable	Weighted Average Exercise Price (\$/share)
0.01 – 0.14	660,206	1.0	0.14	660,206	0.14

13. Administration Expenses

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2016	Three months ended September 30, 2015
Salaries and benefits	\$ 282,325	\$ 328,404	\$ 76,103	\$ 105,957
Professional fees	277,491	219,848	101,848	151,979
Travel	23,604	54,615	7,115	4,612
Public company filing fees	22,284	12,760	7,724	2,220
Insurance	-	9,536	-	3,179
Gain on settlement of debt	(797,390)	(312,732)	(797,390)	-
Foreign exchange losses (gain)	(481,250)	929,692	144,852	496,254
Other	7,985	20,590	3,934	4,728
	\$ (664,951)	\$ 1,262,713	\$ (455,814)	\$ 768,929

14. Finance Expenses

	Nine months ended September 30, 2016	Nine months ended September 30, 2015	Three months ended September 30, 2016	Three months ended September 30, 2015
Financing costs ⁽¹⁾	\$ 7,987	\$ 105,058	\$ 1,671	\$ 68,784
Interest expense ⁽²⁾	1,552,311	1,402,139	507,204	526,762
	\$ 1,560,298	\$ 1,507,197	\$ 508,875	\$ 595,546

⁽¹⁾ The nine months ended September 30, 2016 and September 30, 2015 amounts includes promissory note structuring and extension fees of \$3,000 and \$15,069, loan fees on related party loans of \$nil and \$29,000, loan fees on the Four Wells Loan of \$nil and \$60,000 and accretion of decommissioning obligation of \$4,987 and \$989, respectively.

⁽²⁾ The nine months ended September 30, 2016 amount includes interest on Term Loan (including the May 15 Addition and the Four Wells Loan), the Promissory Notes, related party loans, bank interest and vendor interest of \$1,416,470, \$37,839, \$39,110, \$1,285 and \$57,607, respectively. The nine months ended September 30, 2015 amount includes interest on Term Loan (including the May 15 Addition and the Four Wells Loan), the Promissory Notes, Director Company loans, bank interest, bonus interest on promissory notes and vendor interest of \$1,274,858, \$47,453, \$36,446, \$6,117, \$36,600 and \$665, respectively.

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15. Financial Risk Management

The Company is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The Board of Directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework. Management has implemented and monitors compliance with risk management guidelines as outlined by the Board of Directors.

Credit Risk

Credit risk is the risk of financial loss to the Company if a partner or counterparty to a product sales contract or financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash and cash equivalents and accounts receivable. The Company manages this credit risk as follows:

- By entering into sales contracts with established, creditworthy counterparties as verified by a third-party rating agency, through internal evaluation or by requiring security such as letters of credit;
- By limiting exposure to any one counterparty; and,
- By restricting cash equivalent investments to counterparties that, at the time of transaction, are not less than investment grade.

The maximum exposure to credit risk is as follows:

	September 30, 2016	December 31, 2015
Cash and cash equivalents	\$ 743	\$ 296

The cash and cash equivalents are held in accounts at Canadian Chartered Banks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due (see Note 2). As security for payment of the principal and interest on the Term Loan (note 8) and Promissory Notes (note 9), the Company has granted a first floating charge in favour of the lenders thereof as evidenced by a general security agreement. Unless the Company completes an additional financing, there is a significant risk that it may default on these loans.

The Company does not currently have any long term-debt or bank facilities. The Company is authorized to issue an unlimited number of Common Shares and Preferred Shares.

The Company will rely on operating cash flows, equity issuances and debt issuances to fund its capital requirements and provide liquidity. The Company may, from time to time, access the capital markets to meet additional financing needs and to maintain flexibility in funding its capital programs.

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The following tables detail the Company's financial liabilities and commitments as at September 30, 2016 and December 31, 2015:

September 30, 2016	<1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	7,140,089	-	7,140,089
Short-term loan	5,195,806	-	5,195,806
Promissory notes	229,476	-	229,476
Due to related party	353,755	-	353,755
Exploration and evaluation commitments	212,342	-	212,342
Total financial liabilities and commitment	13,131,468	-	13,131,468

December 31, 2015	<1 year	1 to 2 years	Total
Accounts payable and accrued liabilities	5,982,698	-	5,982,698
Short-term loan	5,482,196	-	5,482,196
Promissory notes	409,550	-	409,550
Due to related party	336,600	-	336,600
Total financial liabilities	12,211,044	-	12,211,044

Future liquidity will depend primarily on funds from operations and the ability to access debt and equity markets. There can be no assurance that the Company will be able to obtain these funds or attain these funds at favourable terms to the Company. Should the Company not be able to obtain the necessary funding, it may not be able to meet its capital and operating commitments including the proposed acquisitions of additional oil and gas producing assets.

Market Risk

Commodity Price Risk

The Company's operational results and financial condition are largely dependent on the commodity price received for its oil production. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, weather, economic and geopolitical factors. The Company is evaluating its risk management policy to manage commodity price changes. It does not currently have any risk management contracts in place.

Interest Rate Risk

The Company is exposed to fluctuations in interest rates on its cash and cash equivalents balance. Changes to interest rates would impact the Company's future cash flows. Based on the cash and cash equivalents at September 30, 2016, a 25-basis point increase or decrease in market interest rates would be insignificant to the Company's financial statements.

Foreign Exchange Risk

The Company is exposed to the risk of changes in the Canadian/U.S. dollar exchange rate on debts denominated in U.S. dollars and may be exposed on sales of commodities that are denominated in U.S. dollars or directly influenced by U.S. dollar benchmark prices. At September 30, 2016, the Company has foreign exchange exposure on the U.S. denominated debts including the Term Loan (including the May 2015 Addition and the Four Wells Loan) of USD \$3,961,124, Term Loan Extension of USD \$100,000 and Related Party Note of USD \$150,000. In addition, the Company has exposure to the interest payable on the Term Loan and Related Party Note. At September 30, 2016, a 25-basis point increase or decrease in foreign exchange rates would impact the Company's annual pre-tax income by approximately \$18,612.

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Notes to the Financial Statements

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Capital Management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern (see Note 2).
- To maintain appropriate cash reserves on hand to meet ongoing operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' deficit and cash and cash equivalents in the definition of capital. The Company manages the capital structure and adjusts it considering changes in economic conditions and the risk characteristics of the underlying assets.

16. Contingencies and Subsequent events

In January 2014, the Company entered an agreement with respect to a proposed private placement in the United States and Canada of up to \$60 million of certain debt or equity securities and up to \$25 million of common shares to be issued on a flow-through basis on a "commercially reasonable efforts" basis. The Company agreed to pay a cash fee of six percent (6%) of any principal amount of debt or equity sold or arranged pursuant to such private placement and reimburse the financial advisor's expenses, including an initial legal retainer of \$50,000. This agreement may be terminated by either party upon 30 days prior written notice. If, within 3 months following any such termination, a financing similar to the transaction contemplated by this agreement is completed by the Company, the financial advisor is entitled to payment of the cash fee and expense reimbursement.

The Company has received five claims from vendors related to the non-payment of amounts outstanding. These amounts outstanding have been included in the accounts payable as at September 30, 2016. In 2015, one vendor applied for and has received a default judgment against the Company. As a result of this default judgment, a garnishee summons was issued against the Company's bank account in the amount of \$9,214.