

Consolidated Financial Statements
[Expressed in U.S. dollars]

JumpTV Inc.
December 31, 2006

AUDITORS' REPORT

To the Shareholders of
JumpTV Inc.

We have audited the consolidated balance sheets of **JumpTV Inc.** as at December 31, 2006 and 2005 and the consolidated statements of operations, shareholders' equity and cash flows for the year ended December 31, 2006 and the nine months ended December 31, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and its cash flows for the year ended December 31, 2006 and the nine months ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 22, 2007.

/s/ Ernst & Young LLP
Chartered Accountants

JumpTV Inc.**CONSOLIDATED BALANCE SHEETS**

[Expressed in U.S. dollars, unless otherwise noted]

As at December 31

	2006 \$	2005 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 5]</i>	21,936,878	5,475,052
Short-term investments <i>[note 6]</i>	28,115,378	—
Other receivables	723,621	78,309
Prepaid expenses and deposits	1,178,119	14,812
Total current assets	51,953,996	5,568,173
Property, plant and equipment, net <i>[note 7]</i>	1,269,488	379,694
Intangible assets <i>[notes 3 and 8]</i>	312,140	—
Goodwill <i>[note 3]</i>	102,069	—
Other assets <i>[note 9]</i>	161,246	105,216
Deferred direct broadcast operating costs, net <i>[note 14[iii]]</i>	61,605	96,803
Total assets	53,860,544	6,149,886
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and other accrued liabilities	3,950,284	1,008,845
Bank loan <i>[note 10]</i>	1,287,150	—
Due to related parties <i>[note 11]</i>	14,676	138,323
Current portion of accrued license fees	106,916	79,592
Accrued professional fees	371,782	195,592
Accrued stock appreciation rights <i>[note 14[iv]]</i>	1,087,760	—
Deferred revenue	205,314	56,268
Income taxes payable	61,800	16,800
Total current liabilities	7,085,682	1,495,420
Accrued license fees <i>[note 14[iii]]</i>	—	120,000
Deferred rent	18,502	—
Total liabilities	7,104,184	1,615,420
Shareholders' equity		
Share capital <i>[note 13]</i>	75,227,648	9,744,084
Contributed surplus <i>[note 14]</i>	2,937,219	609,908
Accumulated other comprehensive loss	(32,240)	(40,355)
Accumulated deficit	(31,376,267)	(5,779,171)
Total shareholders' equity	46,756,360	4,534,466
Total liabilities and shareholders' equity	53,860,544	6,149,886

Commitments and contingencies *[note 12]*

See accompanying notes

On behalf of the Board:

"Lorne Abony"

"James McNamara"

Director

Director

JumpTV Inc.**CONSOLIDATED STATEMENTS OF OPERATIONS**

[Expressed in U.S. dollars, unless otherwise noted]

	Year ended December 31, 2006 \$	Nine months ended December 31, 2005 \$
Revenue	2,061,031	1,081,268
Direct broadcast operating costs <i>[notes 7,8, 11[ii] and 14[iii]]</i>	(2,569,648)	(1,518,978)
	(508,617)	(437,710)
Other costs and expenses		
Selling, general and administrative <i>[note 11]</i>	21,690,938	3,990,732
Stock-based compensation <i>[note 14]</i>	4,097,351	203,934
Amortization of property, plant and equipment	128,549	27,939
Amortization of intangible assets	22,401	—
	25,939,239	4,222,605
Loss before the following:	(26,447,856)	(4,660,315)
Loss (gain) on foreign exchange	186,990	(4,391)
Interest income	(1,083,050)	(41,654)
Loss before income taxes	(25,551,796)	(4,614,270)
Provision for income taxes <i>[note 16]</i>	45,300	16,800
Net loss for the period	(25,597,096)	(4,631,070)
Net loss per share - basic and diluted <i>[note 4]</i>	(0.99)	(0.35)
Weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	25,848,396	13,162,916

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

[Expressed in U.S. dollars, unless otherwise noted]

	Share capital						Special warrants	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' equity	
	Common shares		Class A common shares		Class C common shares							
	#	\$	#	\$	#	\$						#
Balance, March 31, 2005	—	—	8,245,000	1,036,648	—	—	3,000,000	750,000	290,757	(40,355)	(1,148,101)	888,949
Net loss and comprehensive loss for the period	—	—	—	—	—	—	—	—	—	—	(4,631,070)	(4,631,070)
Exercise of special warrants <i>[note 14[iii]]</i>	—	—	3,000,000	750,000	—	—	(3,000,000)	(750,000)	—	—	—	—
Exercise of stock options <i>[note 14[i]]</i>	—	—	500,000	192,799	—	—	—	—	(67,799)	—	—	125,000
Net proceeds from issuance of common shares through private placements <i>[notes 13 and 14]</i>	—	—	4,500,556	7,764,636	1	1	—	—	80,346	—	—	7,844,983
Stock-based compensation												
Stock options <i>[note 14[i]]</i>	—	—	—	—	—	—	—	—	190,712	—	—	190,712
Warrants <i>[note 14[iii]]</i>	—	—	—	—	—	—	—	—	13,222	—	—	13,222
Issuance of warrants for services <i>[note 14[iii]]</i>	—	—	—	—	—	—	—	—	102,670	—	—	102,670
Balance, December 31, 2005	—	—	16,245,556	9,744,083	1	1	—	—	609,908	(40,355)	(5,779,171)	4,534,466
Net loss for the year	—	—	—	—	—	—	—	—	—	—	(25,597,096)	(25,597,096)
Unrealized gain on short-term investments <i>[note 6]</i>	—	—	—	—	—	—	—	—	—	8,115	—	8,115
Comprehensive loss for the year	—	—	—	—	—	—	—	—	—	—	—	(25,588,981)
Exercise of stock options for Class A shares <i>[note 14[i]]</i>	—	—	1,772,420	918,284	—	—	—	—	(318,238)	—	—	600,046
Net proceeds from issuance of Class A common shares through private placements <i>[note 13]</i>	—	—	3,066,784	8,179,046	—	—	—	—	—	—	—	8,179,046
Issuance of restricted share units <i>[note 14[ii]]</i>	—	—	171,427	685,800	—	—	—	—	(685,800)	—	—	—
Exchange of Class A common shares for common shares <i>[note 13]</i>	21,256,187	19,527,213	(21,256,187)	(19,527,213)	—	—	—	—	—	—	—	—
Net proceeds from issuance of common shares through initial public offering <i>[note 13]</i>	12,000,000	48,528,346	—	—	—	—	—	—	1,260,540	—	—	49,788,886
Net proceeds from issuance of common shares through underwriters' over-allotment option <i>[note 13]</i>	1,273,500	5,707,632	—	—	—	—	—	—	133,773	—	—	5,841,405
Exercise of stock options for common shares <i>[note 14[i]]</i>	39,275	209,583	—	—	—	—	—	—	(96,248)	—	—	113,335
Exercise of warrants for common shares <i>[note 14[iii]]</i>	100,000	282,670	—	—	—	—	—	—	(102,670)	—	—	180,000
Redemption of Class C common share <i>[note 13]</i>	—	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Stock-based compensation												
Stock options <i>[note 14[i]]</i>	—	—	—	—	—	—	—	—	1,231,434	—	—	1,231,434
Restricted share units <i>[note 14[ii]]</i>	—	—	—	—	—	—	—	—	1,658,004	—	—	1,658,004
Warrants <i>[note 14[iii]]</i>	—	—	—	—	—	—	—	—	146,776	—	—	146,776
Issuance of restricted share units <i>[note 14[ii]]</i>	152,159	972,204	—	—	—	—	—	—	(972,204)	—	—	—
Warrants issued to agent on HVMedia acquisition <i>[notes 3 and 14[iii]]</i>	—	—	—	—	—	—	—	—	19,222	—	—	19,222
Issuance of warrants for services <i>[note 14[iii]]</i>	—	—	—	—	—	—	—	—	52,722	—	—	52,722
Balance, December 31, 2006	34,821,121	75,227,648	—	—	—	—	—	—	2,937,219	(32,240)	(31,376,267)	46,756,360

See accompanying notes

JumpTV Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Expressed in U.S. dollars, unless otherwise noted]

	Year ended December 31, 2006 \$	Nine months ended December 31, 2005 \$
OPERATING ACTIVITIES		
Net loss for the period	(25,597,096)	(4,631,070)
Adjustments to reconcile net loss to net cash used in operating activities		
Amortization of property, plant and equipment	256,183	40,165
Amortization of intangible assets	58,360	—
Stock-based compensation <i>[note 14]</i>	4,123,974	203,934
Amortization of deferred direct broadcast operating costs <i>[note 14[iii]]</i>	87,920	5,867
	(21,070,659)	(4,381,104)
Changes in operating assets and liabilities		
Other receivables	(645,312)	(70,248)
Prepaid expenses, deposits and other assets	(1,219,337)	(113,408)
Accounts payable and other accrued liabilities	2,941,439	829,236
Due to related parties	(123,647)	123,486
Accrued license fees	(92,676)	58,337
Accrued professional fees	176,190	195,592
Deferred revenue	149,046	(14,367)
Income taxes payable	45,000	16,800
Deferred rent	18,502	—
Cash used in operating activities	(19,821,454)	(3,355,676)
INVESTING ACTIVITIES		
(Purchase) redemption of short-term investments	(28,107,263)	74,462
Purchase of property, plant and equipment	(1,145,977)	(343,987)
Purchase of intangible assets	(12,500)	—
Acquisition, net of cash acquired <i>[note 3]</i>	(440,847)	—
Cash used in investing activities	(29,706,587)	(269,525)
FINANCING ACTIVITIES		
Proceeds from share issuances, net <i>[note 13]</i>	63,809,337	7,844,982
Proceeds from bank loan <i>[note 10]</i>	1,287,150	—
Proceeds from (redemption of) Class C common share <i>[note 13]</i>	(1)	1
Proceeds from exercise of stock options	713,381	125,000
Proceeds from exercise of warrants	180,000	—
Cash provided by financing activities	65,989,867	7,969,983
Net increase in cash and cash equivalents during the period	16,461,826	4,344,782
Cash and cash equivalents, beginning of period	5,475,052	1,130,270
Cash and cash equivalents, end of period	21,936,878	5,475,052

See accompanying notes

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

1. Nature of Operations and Basis of Presentation

JumpTV Inc. ["JumpTV" or "the Company"], formerly JumpTV.com Inc. was incorporated in January 2000 under the laws of Canada. JumpTV's primary business is providing online broadcasting of international ethnic television channels over the Internet on a subscription basis.

On August 10, 2006 the Company completed its initial public offering of the Company's common shares. The Company's common shares are listed on both the Toronto Stock Exchange ["TSX"] and the Alternative Investment Market ["AIM"] [note 13].

In November 2005, JumpTV's Board of Directors approved a change in JumpTV's fiscal year end from March 31 to December 31, effective 2005. As a result of this change, JumpTV is reporting a nine-month transition period ended December 31, 2005 for the comparative figures.

On September 2, 2005, JumpTV's Board of Directors authorized a 10-for-1 stock split of the common shares. The stock split was effective on September 2, 2005 and the historical information disclosed within these consolidated financial statements and related notes has been adjusted retroactively to account for the stock split.

2. Summary of Significant Accounting Policies

The consolidated financial statements of JumpTV have been prepared in U.S. dollars in accordance with Canadian generally accepted accounting principles ["GAAP"]. The more significant accounting policies are summarized as follows:

Principles of consolidation

The consolidated financial statements include the accounts of JumpTV, JumpTV Ltd., a wholly-owned subsidiary in the United Kingdom, JumpTV International FZ LLC, a wholly-owned subsidiary in the United Arab Emirates, and KIT Capital Ltda. (formerly, JumpTV Colombia Ltda.), a variable interest entity where JumpTV has been determined to be the primary beneficiary, collectively the "Company". All significant inter-company transactions and balances have been eliminated on consolidation. The Company has included the results of operations of these companies from the dates of inception. The Company has included the results of operations of acquired companies from the date of acquisition.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by management include the determination of the useful lives of long-lived assets, allocation of the purchase price for acquisitions and the assumptions used in determining the fair value of stock options and warrants. On an ongoing basis, management reviews its estimates to ensure they appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future actual results, the Company's financial position and results of operations could be materially impacted.

Revenue recognition

The Company's revenues are derived from subscriptions to ethnic television channels available over the Internet. Subscription revenue is deemed to be realizable and earned when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the Company's price to the customer is fixed or determinable and collectibility is reasonably assured. The Company recognizes revenue from subscriber fees on a straight-line basis over the subscription period which generally ranges from 30 days to 1 year. The Company defers the appropriate portion of cash received for which services have not been rendered. Revenue is presented net of refunds.

Stock-based compensation and other stock-based payments

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognized over the vesting period [note 14]. The offsetting entry is an increase to contributed surplus for an amount equal to the stock-based compensation expense related to the issuance of stock options. Upon exercise, the proceeds of the options and warrants together with the fair value recorded in contributed surplus are reclassified to share capital.

Stock appreciation rights give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the stock appreciation right price or to receive common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury or receive common shares by making a cash payment equal to the exercise price. The Board has discretionary authority to accept or reject a cash payment request in whole or in part. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the option price with ongoing measurement of the outstanding liability. The liability is entitled accrued stock appreciation rights and is classified

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

as a current liability on the consolidated balance sheets. If the holder elects to purchase common shares, the liability is credited to contributed surplus.

Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over the vesting period which is four years. Stock-based compensation expense related to restricted share units is accrued over the term of the vesting period based on the expected market value of the shares when the shares are issued, which generally coincides with the period that vesting occurs [*note 14*].

Variable interest entities

Accounting Guideline No. 15, "Consolidation of Variable Interest Entities", provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights; such entities are known as variable interest entities. The guideline requires variable interest entities to be consolidated by the primary beneficiary of the variable interest entities and expands disclosure requirements for both variable interest entities that are consolidated as well as those of which an enterprise holds a significant variable interest.

The Company has a variable interest in KIT Capital Ltda. for which the Company is the primary beneficiary and has consolidated KIT Capital Ltda.'s financial results since its inception date [August 22, 2005] within the consolidated financial statements. As at December 31, 2006, the carrying value of the assets associated with KIT Capital Ltda. included in the consolidated balance sheets was \$14,035 [as at December 31, 2005 - nil] and the carrying value of the liabilities was \$51,216 [as at December 31, 2005 - nil]. For the year ended December 31, 2006, revenues associated with KIT Capital Ltda. included in the consolidated statements of operations were \$67,162 [August 22, 2005 to December 31, 2005 - nil] and operating costs included within selling, general and administrative expenses were \$67,924 [August 22, 2005 to December 31, 2005 - nil].

Cash and cash equivalents

Cash and cash equivalents consist of cash and short-term interest-bearing deposits with original maturities of 90 days or less at the date of purchase.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

Property, plant and equipment

Property, plant and equipment are reported at cost less accumulated amortization. Amortization is calculated using the declining balance method at the annual rates outlined below, which allocates the cost of the property, plant and equipment over their estimated useful lives as follows:

Computer equipment	30%
Infrastructure equipment	30%
Computer software	50%
Furniture and fixtures	20%

Leasehold improvements are amortized over the shorter of their useful lives and the lease term.

Intangible assets

Intangible assets are recorded at cost less amortization. Cost for intangible assets acquired through business combinations represents the fair market value at the date of acquisition. Amortization is calculated using the straight line method over the estimated useful lives of the intangible assets which are as follows:

Contractual agreements	3-4 years
Trademarks, trade names and domain names	2 years

Impairment of long-lived assets

The Company evaluates its property, plant and equipment assets and intangible assets for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. Recoverability of these assets is measured by comparison of the carrying amounts to the future estimated undiscounted cash flows expected to be derived from these assets. If these future cash flows are less than the carrying amount of the asset, then the carrying amount of the asset is written down to its fair value, based on the related estimated discounted future cash flows. The Company has made no adjustments to its long-lived assets in any of the periods presented.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but is subject to an annual impairment test at the reporting unit level (operating segment or one level below an operating segment) and between annual tests if changes in circumstances indicate a potential impairment. Goodwill impairment is assessed based on a comparison of the fair value of each reporting unit to the underlying carrying value of the reporting unit's net assets, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. The Company's impairment test was based on its single operating segment and reporting unit structure. There was no impairment in the year ended December 31, 2006.

Financial instruments

Financial instruments comprise cash and cash equivalents, short-term investments, other receivables, deposits, accounts payable and other accrued liabilities, bank loan, due to related parties, accrued license fees, accrued professional fees, accrued stock appreciation rights and deferred revenue. They have been classified as one of the following: held-for-trading; available-for-sale, held-to-maturity; loans and receivables; or other financial assets and liabilities. Cash and cash equivalents are classified as "held for trading" and are measured at fair value with gains and losses recognized in the net loss for the period. Short-term investments are classified as "available-for-sale" and are measured at fair value with unrealized gains and losses recognized within accumulated other comprehensive income (loss). Other financial instruments are classified as "held to maturity" and are measured at cost.

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

Comprehensive loss

Comprehensive loss is defined as the overall change in the net assets of an entity for a period, other than changes attributable to transactions with owners. Major components of comprehensive loss include unrealized gains and losses on financial assets classified as available-for-sale and unrealized foreign currency translation amounts.

Foreign currency translation

Until March 31, 2005, the Company's functional currency was the Canadian dollar. Accordingly, for reporting purposes, the Company translated its Canadian dollar accounts into the United States ["U.S."] reporting currency using the current rate method whereby assets and liabilities are translated at the consolidated balance sheet date exchange rates and revenues and expenses are

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

translated at the average rate for the period. Adjustments resulting from the translation of the consolidated financial statements from their functional currency into U.S. dollars through March 31, 2005 are included within accumulated other comprehensive loss and have not been included in the determination of net loss for the relevant periods.

Beginning April 1, 2005, the Company's functional currency was determined to be the U.S. dollar. This change resulted from several significant economic and operational changes within the Company, including an increase in U.S. dollar vendors, increased U.S. dollar revenues and the movement of certain operations to locations in the United States. The Company's foreign operations are considered to be integrated with the reporting entity and therefore transactions denominated in other than U.S. dollars are translated into U.S. dollars using the exchange rate at the dates they occur. Monetary assets and liabilities denominated in other than U.S. dollars are translated into U.S. dollars at the consolidated balance sheet date exchange rate and any resulting gains or losses are recognized in the net loss for the relevant periods. Non-monetary assets and liabilities are translated at rates of exchange in effect when the assets were acquired or obligations were incurred.

Operating leases

The Company leases office space under operating lease agreements with original lease periods up to 5 years. Certain of the lease agreements contain rent holidays and rent escalation provisions. Rent holidays and rent escalation provisions are considered in determining straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease expense on a straight-line basis over the term of the lease. Lease renewal periods are considered on a lease-by-lease basis and are generally not included in the initial lease term.

Income taxes

Income taxes are accounted for under the liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the differences between the financial statement and income tax bases of assets and liabilities, and for operating losses. A valuation allowance is provided for the portion of future tax assets that is more likely than not to remain unrealized. Future tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply when these assets or liabilities are expected to be realized or settled.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

3. Business Acquisition

On June 11, 2006, the Company completed the acquisition of the assets of HVMedia, Limited ["HVMedia"], a company operating in Trinidad and Tobago offering broadcasting over the Internet targeted to the Caribbean market. The total purchase price of \$464,195 consisted of cash consideration of \$375,000, of which \$25,000 is to be held in escrow for the next 3 years and approximately \$89,000 in direct transaction costs including non cash consideration relating to warrants of approximately \$19,000. The assets purchased primarily represent agreements with television and radio channels, and right to Internet domain names. In addition, the Company acquired employment contracts for certain employees of HVMedia.

The acquisition has been accounted for using the purchase method, with the results of HVMedia included in the Company's results of operations from the date of acquisition. The allocation of the purchase price to the assets acquired based on fair values is as follows:

Cash acquired	\$ 4,126
Amortizable intangible assets:	
Contractual agreements	330,800
Trademarks, trade names and domain names	27,200
Goodwill	102,069
Total assets acquired	<u>\$464,195</u>

The amortizable intangible assets have useful lives between 2 and 4 years and the goodwill is not deductible for tax purposes.

Further, in connection with the acquisition, two key employees of HVMedia received 75,000 warrants each, with an exercise price of \$4.97 [Cdn\$5.50] per share. The fair value of these warrants is being recorded as compensation expense over the vesting period of four years. In addition, the Company issued 10,000 warrants to acquire common shares at \$6.00 per share to a third party as a finder's fee in connection with the acquisition. The fair value of these warrants has been included in direct transaction costs which are part of the total purchase price.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

4. Loss per Share

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding for the period. Diluted loss per share is computed by dividing net loss by the weighted average number of shares outstanding and if dilutive, potential common shares using the treasury stock method. Potential common shares consist of stock options, restricted share units, stock appreciation rights and warrants for each period.

For the year ended December 31, 2006 and the nine months ended December 31, 2005, the Company had potential common shares which, due to the losses incurred, were considered anti-dilutive equity instruments. Accordingly, the effect of these instruments has not been reflected in computing diluted loss per share for the year ended December 31, 2006 and the nine months ended December 31, 2005.

The following table summarizes the different potential common shares that were outstanding as of December 31, 2006 and December 31, 2005 but were not included in the computation of diluted net loss as their effect would have been anti-dilutive. See note 14 for additional details.

	2006 #	2005 #
Stock options	4,112,059	3,797,757
Restricted share plan units	915,000	840,000
Stock appreciation rights	1,300,000	—
Warrants	1,261,174	200,000

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following as at December 31 for the following periods:

	2006 \$	2005 \$
Cash [i]	6,220,296	1,528,070
Money market funds [ii]	15,637,690	964,497
Unrestricted funds held in trust [iii]	78,892	2,982,485
	21,936,878	5,475,052

[i] Of this amount, \$1,287,150 [Cdn\$1,500,000] is held as security against the bank loan [note 10].

[ii] Money market funds consist of a U.S. [\$10,245,347] and a Canadian dollar account [Cdn\$6,284,050] which earn interest at approximately 4% to 5%.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

[iii] As at December 31, 2006, funds held in trust relate to monies held to fund costs for a subsidiary of the Company and monies held by underwriters to fund future expenditures. There are no restrictions related to monies held in trust. As at December 31, 2005, funds held in trust are related to net proceeds from private placements.

6. Short-term Investments

As at December 31, 2006, short-term investments consisted of investments in equity instruments with a market value of \$28,008,115, and a guaranteed investment certificate with a cost plus accrued interest of \$107,263 which matures on July 17, 2007 and bears interest at 3.6%.

7. Property, Plant and Equipment

The details of property, plant and equipment and the related accumulated amortization are set forth below as at December 31 for the following periods:

	2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	507,217	155,049	352,168
Infrastructure equipment	773,198	139,861	633,337
Computer software	169,614	49,752	119,862
Furniture and fixtures	124,683	14,528	110,155
Leasehold improvements	58,386	4,420	53,966
	<u>1,633,098</u>	<u>363,610</u>	<u>1,269,488</u>

	2005		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	225,459	80,216	145,243
Infrastructure equipment	220,433	12,226	208,207
Computer software	23,099	7,361	15,738
Furniture and fixtures	18,130	7,624	10,506
	<u>487,121</u>	<u>107,427</u>	<u>379,694</u>

Amortization expense related to the Company's infrastructure equipment for the year ended December 31, 2006 of \$127,634 [nine months ended December 31, 2005 - \$12,226] is included within direct broadcast operating costs on the consolidated statements of operations.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

8. Intangible Assets

The details of intangible assets and the related accumulated amortization are set forth below as at December 31 for the indicated period:

	2006		
	Cost	Accumulated	Net book
	\$	amortization	value
		\$	\$
Contractual agreements	330,800	48,967	281,833
Trademarks, trade names and domain names	39,700	9,393	30,307
	<u>370,500</u>	<u>58,360</u>	<u>312,140</u>

Amortization expense related to the Company's contractual agreements with channel partners for the year ended December 31, 2006 of \$35,959 [nine months ended December 31, 2005 - nil] is included within direct broadcast operating costs on the consolidated statements of operations.

Based on the current amount of intangible assets subject to amortization, the estimated amortization expense over the next five years is as follows:

	\$
2007	104,683
2008	97,165
2009	78,075
2010	31,592
2011	625

9. Other Assets

Other assets are comprised of long-term deposits related to rental premises, charge cards and other miscellaneous deposits.

10. Bank Loan

The Company has a \$1,287,150 [Cdn\$1,500,000] credit facility with a Canadian chartered bank in order to finance general corporate requirements, which has been fully drawn upon as of December 31, 2006. The loan is repayable on demand and bears interest at prime [6% as of December 31, 2006]. The loan is fully secured by cash in the amount of \$1,287,150 [Cdn\$1,500,000]. Subsequent to December 31, 2006, this loan has been fully repaid.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

11. Due to Related Parties

The Company has entered into certain transactions and agreements in the normal course of operations with certain of its related parties as follows:

[i] Patstar Inc.

On occasion, Patstar Inc., a company controlled by the Company's current Chief Executive Officer and Chairman of JumpTV, receives reimbursement of expenditures incurred on behalf of JumpTV or by employees of JumpTV. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. The balances owing to Patstar Inc. related to these reimbursements outstanding as at December 31, 2006 and December 31, 2005 were \$14,676 and \$138,323, respectively. In addition, for the year ended December 31, 2006 and for the nine months ended December 31, 2005, included in the Company's selling, general and administrative expenses was rent expense of \$47,818 and \$42,416, respectively, that was paid to Patstar Inc. for the use of office space. All reimbursements and rent expense are recorded at the exchange amount.

[ii] Other related party transactions

On May 20, 2005, the Company entered into a consulting agreement for ongoing business and operations related to online television broadcasting with the former Chief Executive Officer of the Company for a term of four years ending May 20, 2009 at a cost of \$150,000 per year with an annual bonus payable in cash and/or options at the sole discretion of the Company. During the year ended December 31, 2006, the Company paid and expensed \$75,000 related to this consulting agreement [nine months ended December 31, 2005 – \$87,500] which is included within selling, general and administrative expenses. On January 24, 2006, this consulting agreement was terminated and the Company paid a termination fee of \$162,000 which is also included in selling, general and administrative expenses for the year ended December 31, 2006.

During the nine months ended December 31, 2005, the Company paid and expensed \$950,000, regarding a bandwidth settlement, to a company owned by the former Chief Executive Officer of the Company. The expense is included in direct broadcast operating costs on the consolidated statements of operations for the nine months ended December 31, 2005.

As at December 31, 2005, a contract with one of the Company's bandwidth and Internet hosting service providers was held with a company controlled by the President of the Company. All amounts paid to this bandwidth and Internet hosting service provider were paid directly by the Company to the service provider and such amounts are included in direct broadcast operating costs on the consolidated statements of operations. During the year ended December 31, 2006, this contract was transferred to JumpTV from a company controlled by the President of the Company.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

12. Commitments and Contingencies

Commitments

The Company has operating lease commitments for its premises in New York, United States, Mississauga and Toronto, Canada, Bogota, Colombia, Dubai, United Arab Emirates, Kingston, Jamaica, Kampala, Uganda and Singapore. In addition, the Company has operating leases for certain computer hardware and infrastructure equipment. Furthermore, the Company has marketing and content license fee commitments to channel partners. Future minimum annual payments per fiscal year [exclusive of taxes, insurance and maintenance costs] under these commitments are as follows:

	Marketing and license fees \$	Operating leases \$
2007	910,194	1,585,172
2008	731,024	1,073,736
2009	860,000	557,997
2010	208,500	490,597
2011	—	976,457
Thereafter	—	282,628
	<u>2,709,718</u>	<u>4,966,587</u>

As at December 31, 2006, the Company has the following outstanding letters of credit:

(i) \$300,000 to secure the Company's obligations under an agreement entered into with an equipment financing company as described below (the "Equipment Lease"). The Equipment Lease, dated July 27, 2006, provides for an uncommitted leasing facility allowing the Company to purchase up to \$650,000 worth of equipment which the Company will be obligated to repay by way of monthly payments. As at December 31, 2006, the Company has drawn upon \$226,141 (Cdn\$255,743) under this facility through equipment purchases.

(ii) \$375,000 to secure the Company's obligations under certain corporate credit card accounts.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

Contingencies

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been made in the accounts where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes that the ultimate resolution of any such contingencies will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

13. Share Capital

Share capital consists of the following:

	December 31, 2006 \$	December 31, 2005 \$
Authorized		
Unlimited common shares, voting, no par value, discretionary non-cumulative dividend ²		
Unlimited Class A common shares, voting, no par value, discretionary non-cumulative dividend ²		
Unlimited Class B common shares, non-voting, no par value, discretionary non-cumulative dividends to a maximum annual amount equal to 8% of stated Class B capital ³		
One Class C common share, non-voting, no par value, non-transferable and non-assignable, right to appoint one director to the board ¹		
Unlimited Class 1 Preference Shares, non-voting, no par value, discretionary partly cumulative or non-cumulative dividends		
Unlimited Class 2 Preference Shares, non-voting, no par value, discretionary partly cumulative or non-cumulative dividends		
Issued and outstanding		
Common shares		
December 31, 2006: Issued and outstanding: 34,821,121 [December 31, 2005: nil]	75,227,648	—
Class A common shares		
December 31, 2006: Issued and outstanding: nil [December 31, 2005: 16,245,556]	—	9,744,083
Class C common share		
December 31, 2006: Issued and outstanding: nil [December 31, 2005: 1]	—	1
	<u>75,227,648</u>	<u>9,744,084</u>

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

On September 2, 2005, the Company's Board of Directors authorized a 10-for-1 stock split of the Class A common shares. The stock split was effective on September 2, 2005 and the historical information disclosed within these consolidated financial statements and related notes has been adjusted retroactively to account for the stock split.

[1] On May 26, 2006, the Company filed Articles of Amendment to cancel its Class C common share.

[2] On July 7, 2006, the Company issued a Certificate of Arrangement giving effect to a plan of arrangement, pursuant to which [i] the authorized capital of JumpTV was increased by creating an unlimited number of common shares, [ii] each Class A share was exchanged for one common share, and [iii] the Class A shares of JumpTV were cancelled.

[3] On July 20, 2006, the Company issued a Certificate of Amendment cancelling JumpTV's existing class of Class B shares.

During the year ended December 31, 2006, the Company completed the following issuances of its Class A and common shares, excluding issuances relating to stock options, warrants and restricted share plan units [note 14]:

Date	#	\$
February 8, 2006	566,000	1,415,000
February 9, 2006	600,000	1,500,000
February 17, 2006	513,000	1,282,500
February 28, 2006	1,054,000	2,617,811
March 14, 2006	13,734	34,335
March 31, 2006	287,250	1,149,000
July 10, 2006	32,800	180,400
August 10, 2006	12,000,000	48,528,346
August 30, 2006	1,273,500	5,707,632
	16,340,284	62,415,024

On August 10, 2006, in connection with the initial public offering ["IPO"] of the Company, the Company issued 13,273,500 common shares for net proceeds of \$55,630,291 including the underwriters' over-allotment option.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

14. Stock Option and Stock-Based Compensation Plans

[i] Stock option plans

2000 stock option plan [the "Old Plan"]

Effective July 2000, the Company sponsored a Directors, Officers, Employees and Consultants Stock Option Plan [the "Old Plan"], the purpose of which was to encourage directors, officers, employees and consultants to provide ongoing management or consulting services essential to the success of JumpTV.

The Old Plan allows for the Chief Executive Officer to determine the employees eligible for a grant of options and the number of shares, exercise price, vesting period and effective dates of the options. The options granted, since inception of the Old Plan, expire between five years and 10 years after the date on which the option is granted. The vesting periods of the options range from immediate to 10 years as determined by the Company's Chief Executive Officer. There was no limit of stock options that can be issued under the Old Plan.

A summary of stock option activity under the Old Plan is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2005	2,073,106	0.36
Exercised	(1,772,420)	0.34
Cancelled	(300,686)	0.43
Outstanding, December 31, 2006	—	—

No additional stock options can be issued under this Old Plan.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

2005 stock option plan [the "New Plan"]

On September 2, 2005, a new stock option plan [the "New Plan"] was created that applies to all future grants of options to directors, officers, employees and consultants of the Company or any entity controlled by the Company. The exercise price for any option granted under the New Plan will be determined by the 5-day average closing price of the Company's common shares prior to the date of grant but cannot be less than such a price. Prior to the Company completing its initial public offering, the exercise price of any stock options granted under the New Plan was determined by the Company's Board of Directors. Options are exercisable during a period established at the time of their grant provided that such period will expire no later than five years after the date of grant, subject to early termination of the option in the event the holder of the option dies or ceases to be a director, officer or employee of the Company or ceases to provide ongoing management or consulting services to the Company or entity controlled by the Company. The maximum number of common shares issuable upon exercise of options granted pursuant to the New Plan is equal to the greater of [i] 4,000,000 common shares; and [ii] 12.5% of the number of issued and outstanding common shares.

A summary of stock option activity under the New Plan is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2005	1,724,651	1.80
Granted	2,670,963	3.95
Exercised	(39,275)	2.89
Cancelled	(244,280)	3.69
Outstanding, December 31, 2006	4,112,059	3.07

JumpTV Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

The following table summarizes stock option information of the New Plan as at December 31, 2006:

Exercise price \$	Number of stock options outstanding #	Weighted average remaining contractual life [years]	Number of stock options exercisable #
1.80	1,662,254	3.38	649,286
2.50	1,289,501	4.23	284,876
4.00	316,627	4.26	49,824
5.00	100,000	4.61	8,333
5.82	100,000	4.68	6,250
6.00	171,177	4.37	26,714
6.08	111,000	4.84	6,938
6.43	301,500	4.94	—
7.16	60,000	4.85	1,250
	4,112,059	3.99	1,033,471

For all periods presented, the Company has applied the fair value recognition provisions of Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock-Based Compensation and Other Stock-based Payments". In accordance with the provisions of Section 3870, amounts of \$1,231,434 and \$190,712 were recorded for total stock-based compensation expense related to stock options for the year ended December 31, 2006 and the nine months ended December 31, 2005, respectively. The weighted average exercise price of options exercisable as of December 31, 2006 was \$2.29.

The weighted average fair value of all stock options granted during the year was \$2.14 [December 31, 2005 - \$1.00] based on the following assumptions for each respective period:

	Year ended December 31, 2006	Nine months ended December 31, 2005
Weighted average		
Exercise price of stock options granted	\$3.95	\$1.80
Expected volatility	72%	72%
Risk-free interest rate	4.52%	4.13%
Expected lives [years]	4	4
Dividend yield	nil	nil

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

In addition, the following table provides additional information on the options that were granted during the year:

Exercise Price of the Option	Weighted average exercise price \$	Weighted average fair value \$
Exercise price = Grant date fair value	2.97	1.70
Exercise price < Grant date fair value	5.96	3.58
Exercise price > Grant date fair value	6.34	2.98

[ii] Restricted share plan

On September 2, 2005, the Board of Directors approved a restricted share plan ["Restricted Share Plan"] that applies to all future grants of restricted shares to employees and consultants of the Company. Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over a 48-month period. The maximum number of restricted shares issuable shall be no greater than the equivalent of 1,000,000 common shares.

A summary of restricted share activity under the Restricted Share Plan is as follows:

	#
Outstanding, December 31, 2005	840,000
Granted	150,000
Cancelled	(75,000)
Outstanding, December 31, 2006	915,000

[i] Restricted Share Plan units granted during the nine months ended December 31, 2005 commenced vesting on January 1, 2006.

During the year ended December 31, 2006, and the nine months ended December 31, 2005, the Company recognized stock-based compensation expense of \$1,631,382 and nil, respectively, related to its Restricted Share Plan. In addition, the Company issued restricted stock units with a fair value of \$26,622 which will be expensed in 2007. Prior to the IPO on August 10, 2006, stock-based compensation expense was based on the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, compensation expense was determined based on the Company's closing market price on the TSX as at December 29, 2006 was \$6.39 [Cdn\$7.45] per common share. During the year ended December 31, 2006, 323,586 Restricted Share Plan units were vested and issued for common shares of the Company.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

[iii] Warrants

The Company issued warrants that are convertible into common shares of the Company as follows:

On September 2, 2005, the Company granted 100,000 warrants to one of its directors related to consulting services provided. The warrants have an exercise price of \$1.80 and vest monthly over a 48-month period. The warrants expire on September 2, 2009. The weighted average fair value of the warrants was estimated to be \$1.02 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.85%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$101,600 is being expensed over the period of service which is estimated to be four years. For the year ended December 31, 2006 and the nine months ended December 31, 2005, the Company expensed \$25,400 and \$13,222, respectively, which are included within stock-based compensation expense on the consolidated statements of operations.

In connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants to purchase common shares of the Company. The warrants have an exercise price of \$1.80 and vested immediately upon grant. The warrants expire five years from the date of grant. The weighted average fair value of the warrants was estimated to be \$1.03 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.49%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$102,670 is capitalized and will be amortized to direct broadcast operating costs over the 35-month term of the related agreement. For the year ended December 31, 2006 and the nine months ended December 31, 2005, the Company expensed \$35,198 and \$5,867, respectively, which are included within direct broadcast operating costs on the consolidated statements of operations.

The Company is obligated to pay the channel partner an additional \$3.00 less the exercise price of \$1.80 [\$120,000 in total] upon the channel partner surrendering for any unexercised warrants as at September 30, 2008. As at December 31, 2005, the Company accrued for the \$120,000 within accrued license fees on the consolidated balance sheets and within direct broadcast operating costs on the consolidated statements of operations. During the year ended December 31, 2006, the Company reversed this accrual within direct broadcast operating costs upon the channel partner exercising all 100,000 warrants.

On June 5, 2006, the Company amended the terms of this channel partner agreement such that the Company was required to complete an IPO by August 15, 2006 as opposed to the original agreed upon date of June 30, 2006. In consideration of this amendment, the Company issued to the channel partner 7,500 warrants with an expiry of 5 years from the date of issuance at an exercise price of \$6.00 per warrant.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

On May 31, 2006, as part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants each at an exercise price of \$4.97 [Cdn\$5.50] per warrant *[note 3]*.

On August 10, 2006, the Company issued 663,674 warrants to its underwriters at an exercise price of \$5.00 [Cdn\$5.50] per warrant. Each warrant is exercisable into one common share of the Company and expires within two years. The fair value of these warrants in the amount of \$1,394,313 has been recorded in share capital as a share issue cost.

On November 30, 2006, in connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants to purchase common shares of the Company. The warrants have an exercise price of \$6.23 which were 6/48ths vested on November 30, 2006 and vest 1/48 per month subsequently. The warrants expire five years from the date of grant. The weighted average fair value of the warrants was estimated to be \$3.62 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.45%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$361,530 is being expensed to direct broadcast operating costs on the consolidated statements of operations over the 48-month term of the related agreement. For the year ended December 31, 2006 and the nine months ended December 31, 2005, the Company expensed \$52,722 and nil, respectively, which are included within direct broadcast operating costs on the consolidated statements of operations.

In addition, during 2006, the Company issued 230,000 warrants to members of the Advisory Board of the Company at exercise prices of \$4.00 to \$6.00 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. The total estimated value of these warrants of \$350,449 will be recorded to stock-based compensation expense over the 48-month vesting period of these warrants.

The total stock-based compensation expense related to warrants expensed during the year ended December 31, 2006 and the nine month period ended December 31, 2005 was \$146,776 and \$13,222, respectively.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

The fair value of warrants was determined using the Black-Scholes option pricing model.

The following table summarizes the warrant information as at December 31, 2006:

Exercise price \$	Number of warrants outstanding #	Weighted average remaining contractual life [years]	Number of warrants exercisable #
1.80	100,000	2.75	37,500
4.00	100,000	4.25	18,438
4.97	150,000	4.44	18,750
5.00	663,674	1.61	663,674
6.00	147,500	4.31	33,438
6.23	100,000	4.92	14,583
	1,261,174	2.82	786,383

The weighted fair value of the warrants granted during the year was \$2.08 [December 31, 2005 - \$1.02] based on the following assumptions for each respective period:

	Year ended December 31, 2006	Nine months ended December 31, 2005
Weighted average		
Exercise price of warrants granted	\$5.14	\$1.80
Expected volatility	72%	72%
Risk-free interest rate	4.80%	4.17%
Expected lives [years]	4	4
Dividend yield	nil	nil

[iv] Stock appreciation rights plan

On September 2, 2005, the Company established a stock appreciation rights plan ["SARS Plan"]. The maximum number of units that can be granted under the SARS Plan is equivalent to the greater of 1,500,000 or 5% of the aggregate number of issued and outstanding common shares. The exercise price shall be determined by the Board of Directors at the time of grant but in no event shall the exercise price be lower than the market price of the common shares at the time of the grant. Each unit granted under the SARS Plan has a maximum life of five years from the date of the grant. The SARS Plan provides the unitholder the right to settle the award as follows:

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

- [1] Receive cash compensation less the exercise price or to purchase or receive an equivalent number of common shares, less the exercise price;
- [2] In lieu of receiving a cash settlement, the unitholder can elect to receive a number of common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury; or
- [3] Elect to pay the Company the exercise price and receive common shares equal to the number of units granted under the SARS Plan from treasury.

The Board has discretionary authority to accept or reject a cash payment request in whole or in part.

During the year ended December 31, 2006, the Company granted 1,300,000 units under the SARS Plan at a weighted average exercise price of \$4.15.

Prior to the IPO on August 10, 2006, stock-based compensation expense was based on the change in the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, stock-based compensation expense was determined based on the Company's closing market price on the TSX which as at December 29, 2006 was \$6.39 [Cdn\$7.45] per common share. Accordingly, the Company recognized stock-based compensation expense of \$1,087,760 for the year ended December 31, 2006 related to outstanding units granted under the Company's SARS Plan. No stock-based compensation expense had been recognized in previous periods.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

In summary, as at December 31, 2006 and December 31, 2005, the number of common shares of the Company reserved for issuance is as follows:

	Exercise price \$	Expiry/ vesting	As at December 31, 2006 #	As at December 31, 2005 #
<u>Stock options</u>				
2000 stock option plan	0.06 - 0.09	October 2007 - December 2008	—	143,316
<i>[note 14[i]]</i>	0.16 - 0.24	February 2006	—	29,790
	0.25 - 0.36	August 2007	—	400,000
	0.37 - 0.50	April 2009 - September 2014	—	1,500,000
2005 stock option plan	1.80	June 2006 - November 2010	1,662,254	1,724,651
<i>[note 14[i]]</i>	2.50	March 2011	1,289,501	—
	4.00	April 2011	316,627	—
	5.00	August 2011	100,000	—
	5.82	September 2011	100,000	—
	6.00	April 2011 – June 2011	171,177	—
	6.08	November 2011	111,000	—
	6.43	December 2011	301,500	—
	7.16	November 2011	60,000	—
Restricted share units	—	July 2009 - March 2010	915,000	840,000
<i>[note 14[ii]]</i>				
Warrants <i>[note 14[iii]]</i>	1.80 - 6.23	September 2009 - November 2011	1,261,174	200,000
Stock appreciation rights				
<i>[note 14[iv]]</i>	4.00 - 6.00	April 2011	1,300,000	—
			7,588,233	4,837,757

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

15. Supplemental Cash Flow Information

During the year ended December 31, 2006 and the nine months ended December 31, 2005, there were no interest or taxes paid by the Company.

Excluded from the consolidated statements of cash flows are the following non-cash transactions:

For the year ended December 31, 2006:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$517,156.

For the nine months ended December 31, 2005:

- [i] issuance of 100,000 common share warrants with an estimated fair value of \$102,670 to a channel partner *[note 14[iii]]*.
- [ii] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options of \$67,799.
- [iii] issuance of 105,000 stock options to a director of the Company with an estimated fair value of \$80,346 related to the issuance of common shares *[note 14[i]]*.
- [iv] issuance of 3,000,000 common shares upon conversion of the special warrants for \$750,000 *[note 14[iii]]*.

JumpTV Inc.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

16. Income Taxes

Future income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's future tax assets and liabilities are as follows:

	2006 \$	2005 \$
Tax basis in excess of book value	3,507,144	39,077
Non-capital loss carryforwards	7,302,206	1,786,278
Total future tax assets	10,809,350	1,825,355
Valuation allowance for future tax assets	(10,809,350)	(1,825,355)
Net future tax asset	—	—

The reconciliation of income taxes at the statutory rates of 33% and 35%, respectively to the provision for income taxes is as follows:

	Year ended December 31, 2006 \$	Nine months ended December 31, 2005 \$
Income tax recovery at combined federal and provincial rate	(8,432,093)	(1,618,224)
Stock-based compensation	1,352,126	66,883
Non-deductible items	28,372	5,680
Amortization of intangible assets	14,590	—
Reserves	15,510	19,835
Foreign losses not benefited	804,324	—
Foreign tax rate differential	(123,906)	—
Revaluation of future tax assets [impact of rate adjustment]	109,505	(32,715)
Valuation allowance	6,276,872	1,575,341
	45,300	16,800

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

The Company has approximately Cdn\$22,128,000 in Canadian non-capital tax losses available to be applied against future years' income which expire as follows:

	Canadian \$
2008	230,000
2009	316,000
2010	198,000
2011	—
2012 to 2026	21,384,000
	<u>22,128,000</u>

Due to the losses incurred since inception and expected future operating results, in accordance with CICA Handbook Section 3465, "Income Taxes", a 100% valuation allowance has been recorded against the Company's future tax assets as it is more likely than not that the future tax asset resulting from the tax losses available for carryforward will not be realized through the reduction of future income tax payments.

17. Financial Instruments

The Company's financial instruments are comprised of cash and cash equivalents, other receivables, deposits, accounts payable and other accrued liabilities, a bank loan, amounts due to related parties, accrued license fees, accrued professional fees, accrued stock appreciation rights and deferred revenue.

Fair value of financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our financial instruments approximates their carrying value due to the short maturity term of these financial instruments.

Risks associated with financial instruments

[i] Currency risk

The Company's activities which result in exposure to fluctuations in foreign exchange rates consist of its customer billings being in U.S. dollars and the majority of expenses being paid in foreign currencies. The Company does not use derivative financial instruments to reduce its currency risk.

[ii] Supplier risk

For the year ended December 31, 2006, approximately 30% (nine months ended December 31, 2005 - 40%) of channel license fees were paid to two channel partners.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

(iii) Interest rate risk

The Company is exposed to interest rate risk on its invested cash and cash equivalents and its bank loan. The interest rates on these instruments are based on the bank's prime rate and therefore are subject to change with the market. The Company does not use derivative financial instruments to reduce its interest rate risk.

18. Segmented Information

The Company has one operating segment and one reportable segment, online broadcasting of international ethnic television channels over the Internet on a subscription basis. Substantially all of the operations of the Company are directly engaged in or support this operating segment.

The following table presents the Company's revenue by geographical region based on location of the Company's subscribers:

	Year ended December 31, 2006 %	Nine months ended December 31, 2005 %
United States	53	56
Europe	23	21
Canada	10	11
Rest of world	14	12
	100	100

The following table presents the geographical location of the Company's long-lived assets:

	December 31, 2006 %	December 31, 2005 %
United States	24	37
Europe	8	27
Canada	39	28
Trinidad and Tobago	25	—
Rest of world	4	8
	100	100

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]

December 31, 2006

19. Subsequent Events

[i] On January 5, 2007, the Company completed the acquisition of all of the outstanding shares of Sports International Group LLC, the owner of www.SportsYa.com. Pursuant to this acquisition, the Company issued a total of 521,345 common shares. These shares have been listed on the TSX and have been admitted for trading on AIM.

[ii] On February 23, 2007, the Company issued 13,043,479 common shares for total proceeds of approximately \$101,000,000 [approximately Cdn\$117,000,000]. The net proceeds of this issue are estimated to be approximately \$93,000,000 net of the estimated issue expenses and underwriters' fees.