

JUMPTV

JUMPTV INC.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2006 AND THE NINE MONTHS ENDED DECEMBER 31,
2005**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management's Discussion & Analysis ("MD&A") of JumpTV Inc's (the "Company" or "JumpTV") financial condition and results of operations, prepared as of March 22, 2007, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31, 2006 and the nine months ended December 31, 2005, which have been prepared in accordance with Canadian generally accepted accounting principles. For additional information and details, readers are referred to the Company's Annual Information Form (AIF) for 2006 which can be found on www.sedar.com. All dollar amounts are in U.S. dollars unless stated otherwise.

Our MD&A is intended to enable readers to gain an understanding of JumpTV's current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current year to those of the preceding nine month period. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document, as well as in the AIF, and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Cautions regarding forward looking statements

This MD&A contains certain forward-looking statements, which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," or "potential" or the negative or other variations of these words, or similar words or phrases, have been used to identify these forward-looking statements. These statements reflect Management's current beliefs and are based on information currently available to Management.

Forward-looking statements involve significant risk, uncertainties and assumptions. Many factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, international risk and currency exchange rates and technology changes. More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Risk Assessment" section of this MD&A.

Summary Description of the Business

JumpTV operates at the intersection of two growth sectors of the media industry: (1) IPTV (Internet Protocol Television), and (2) ethnic media services.

JumpTV is the world's leading subscription-based broadcaster of ethnic television over the Internet as measured by number of channels. JumpTV considers ethnic television to be television that is directed at a specific diaspora community as determined by a shared nationality, language or culture, generally excluding communities for which English is the primary language.

As at December 31, 2006, the Company has entered into license agreements with television broadcasters (referred to as "channel partners") representing more than 254 channels from over 70 countries which give JumpTV rights, generally on an exclusive world-wide basis, to broadcast each channel partner's live linear television feed over the Internet in return for a share of the Company's revenue from subscriptions to, and advertising by JumpTV on, its related channels. As of December 31, 2006, 202 channels were available for subscription through the Company's website. Additional channels are being commercially launched on the Company's website on an ongoing basis. JumpTV's objective is to significantly grow the number of channels offered by the Company in 2007.

JumpTV makes its channel partners' live linear feeds available, generally on a monthly subscription basis, through single-channel offerings ("a la carte" monthly pricing ranging from \$5.95 to \$9.95) and, increasingly, multi-channel packages ("bundled" monthly pricing ranging from \$10.95 to \$38.00). In addition, JumpTV is in the process of introducing longer term (multiple months) subscriptions for its subscribers, where a la carte prices are expected to range in price from \$24.94 to \$64.95 for three-month subscriptions. The Company's subscriptions and products are priced in US dollars, generally on a monthly basis in advance, principally using credit cards. In the future, the Company plans to offer its subscribers the ability to pay in multiple currencies.

As of December 31, 2006, JumpTV had approximately 24,500 subscribers (based on the number of credit cards used to make purchases) that have purchased approximately 28,000 channels and bundled subscriptions.

For the year ending December 31, 2006, JumpTV had subscribers in over 90 countries with approximately 53% of its subscribers residing in the United States, 23% of its subscribers residing in Western Europe and 10% residing in Canada. JumpTV plans to increase its marketing efforts in 2007, which will be focused principally on North America and Western Europe. The bulk of the Company's subscriber acquisition efforts to date have targeted Internet search engine marketing and optimization and the Company expects that focus to continue.

JumpTV believes the primary subscriber candidates for JumpTV channel offerings are ethnic expatriates and immigrants seeking to stay in touch with content from their countries of origin, including sports, news and general entertainment programming. Ethnic television channels available on cable and satellite platforms outside the home countries of such channels have proven to command premium pricing given the relative inaccessibility of such content through other distribution platforms.

Under the Company's channel partner agreements, JumpTV has licensed the rights to stream, predominantly on an exclusive world-wide basis and generally for a four-year term, the channel partners' live linear television feeds using Internet protocol ("IP"). Generally, the Company's channel partner agreements provide for the repurposing (i.e. using or converting the live streams or other content into other formats) and offering of the channel partners' content for viewing on a video on demand, personal video recording and pay per view basis at variable pricing.

To complement its marketing and distribution efforts, JumpTV has developed and continues to execute on its strategy of partnering with leading Internet service providers and major Internet portals as well as mobile telephony providers and niche re-distributors such as real estate owners, hotels, and airlines to name a few. The benefit of these partnerships for the Company is twofold: (i) through their entrenched and far reaching brands, they provide a wide marketing breadth through which large numbers of potential customers are exposed to JumpTV's products and services; and (ii) distribution efficiencies whereby the partner can deliver JumpTV's content to partner's existing user base using their existing delivery networks and infrastructure and thus eliminating the need for JumpTV to incur said delivery costs.

It is JumpTV's policy to be globally intellectual property rights compliant. As part of the channel partner agreements, the Company's channel partners are contractually required to advise the Company when content for which they do not hold the international distribution rights is scheduled to be aired and delivered to JumpTV as part of the channel partner agreement to enable JumpTV to substitute compliant content in the place of content that is not Digital Rights Management ("DRM") compliant. JumpTV relies significantly on its channel partners to ensure that the content broadcast by the Company does not infringe on the intellectual property rights of others.

To complement the Company's core product offering, JumpTV is pursuing a content acquisition strategy, which, if successful, will permit JumpTV to offer its subscribers radio streams, as well as sports, music, movies, animation and other television programming relevant to their particular language, country and culture acquired directly from the producers of this programming.

In addition to its subscription strategy, in 2007 the Company may test an advertising supported model on a selective regional basis. JumpTV believes that it is well positioned to capitalize on this advertising opportunity given the ability to identify, through Internet Protocol, detailed individual viewership patterns, demographic profiles and geographic locations. JumpTV will continue to assess the merits of an advertising supported revenue model under which channels would be made available free to viewers on a selective regional basis.

JumpTV has developed an IP-based delivery infrastructure to stream the live linear feeds of the Company's channel partners to subscribers around the world (the "JumpTV Delivery Infrastructure"). The JumpTV Delivery Infrastructure combines both proprietary and third party elements that we believe are optimal for the broadcasting of IP-based television signals to a global audience. The JumpTV Delivery Infrastructure consists of a network of primarily outsourced satellite downlink facilities, third party broadband providers and owned and outsourced distribution servers across North America, Europe, the Middle East, Latin America, Asia and Africa. The Company anticipates continuing to invest significantly in the Company's delivery infrastructure as the Company continues to grow.

To complement its core business and related organic growth, the Company intends to expand its business model through a global acquisition strategy. As such, JumpTV intends to continue its strategy of acquiring businesses that are complementary to the Company's current operations and its strategic direction. There can be no guarantees however, that the Company will be successful in acquiring any such businesses or that any such acquisitions will add value to the Company and its shareholders over time. See "Risk Assessment".

JumpTV has offices located in Toronto, Dubai, London, New York, and Bogota and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo.

Key Performance Indicators

In addition to the results reported in accordance with Canadian generally accepted accounting principles ("GAAP"), the Company uses various key performance measures, which are not recognized under Canadian GAAP, as supplemental indicators of the Company's operating performance and financial position. These operational measures are provided to enhance the reader's understanding of the Company's operational performance.

In addition, such terms as "ARPU", "SAC", "churn", "subscribers" and "subscriptions" are not defined by GAAP, and our use of such terms or measurement of such items may vary from that of other companies. The following discussion explains the Company's use of these measures of performance.

JumpTV is not aware of any uniform standards for calculating ARPU, Churn or Subscriber Acquisition Costs and we believe that JumpTV's presentations of such indicators may not be calculated consistently with other companies in the same or similar business. ARPU, Churn and Subscriber Acquisition Costs are measures of operational performance and not measures of financial performance under GAAP.

ARPU (Average Revenue per User)

We calculate average revenue per subscriber, or "ARPU", by dividing total subscriber-related revenues for a period by JumpTV's average subscribers for that period. Average JumpTV subscribers for a period are calculated by adding the average JumpTV subscribers for each month and dividing by the number of months in the period. Average JumpTV subscribers for each month are calculated by adding the beginning and ending JumpTV subscribers for the month and dividing by two.

Churn

JumpTV calculates percentage monthly subscriber turnover, or "Churn", by dividing the number of JumpTV subscribers who cancel service during each month by total JumpTV subscribers as of the beginning of each month. We calculate churn over a given period by adding the monthly churn for the period and dividing by the number of months in that period.

SAC (Subscriber Acquisition Costs)

JumpTV calculates Subscriber Acquisition Costs, or "SAC", by dividing total subscriber acquisition costs incurred by JumpTV for a period by the number of gross new subscribers that JumpTV acquired during that period.

KEY PERFORMANCE INDICATORS (KPIs)

KPI	As at December 31, 2006	Quarterly Growth %	As at September 30, 2006	Quarterly Growth %	As at June 30, 2006	Quarterly Growth %	As at March 31, 2006	Quarterly Growth %	As at December 31, 2005
Total Subscribers	24,554	11.5%	22,019	34.9%	16,319	26.1%	12,943	11.9%	11,572
Total Subscriptions	28,138	17.8%	23,885	31.8%	18,119	30.8%	13,850	12.1%	12,361
Channels signed to date	254	12.9%	225	10.3%	204	47.8%	138	35.3%	102

KPI	Q4	Quarterly Change %	Q3	Quarterly Change %	Q2	Quarterly Change %	Q1
ARPU	\$11.04	17.1%	\$9.43	(8.5%)	\$10.31 ⁽¹⁾	4.6%	\$9.86 ⁽¹⁾
SAC	\$39.21	79.9%	\$21.80	(27.3%)	\$30.00	108.6%	\$14.38
Churn	26.9%	18.0%	22.8%	44.5%	15.8%	(1.2)%	16.0%

⁽¹⁾ The Company reported an ARPU of \$9.68 and \$9.91 for the three months ended March 31, 2006 and June 30, 2006, respectively, in our respective quarterly filings by dividing total subscriber-related revenues for the period by the average subscribers for that period. Average subscribers for the period were calculated by adding the total subscribers at the end of each month and by dividing by the number of months in the period. We have adjusted this figure to \$9.86 and \$10.31, respectively, to be consistent with the revised definition of average subscribers. This definition states that ARPU is calculated by dividing total subscriber-related revenues for a period by JumpTV's average subscribers for that period. Average JumpTV subscribers for a period are calculated by adding the average JumpTV subscribers for each month and dividing by the number of months in the period. Average JumpTV subscribers for each month are calculated by adding the beginning and ending JumpTV subscribers for the month and dividing by two.

KPI	Year ended December 31, 2006	Nine months ended December 31, 2005
ARPU	\$ 10.23	\$ 10.84 ⁽¹⁾
SAC	\$ 28.67	\$ 8.25
Churn	20.4%	18.0%

- (1) The Company reported an ARPU of \$10.87 for the nine months ended December 31, 2005 in the Company's prospectus dated August 1, 2006 by dividing total subscriber-related revenues for the period by the average subscribers for that period. Average subscribers for the period were calculated by adding the total subscribers at the end of each month and by dividing by the number of months in the period. We have adjusted this figure to \$10.84 to be consistent with the revised definition of average subscribers. This definition states that ARPU is calculated by dividing total subscriber-related revenues for a period by JumpTV's average subscribers for that period. Average JumpTV subscribers for a period is calculated by adding the average JumpTV subscribers for each month and dividing by the number of months in the period. Average JumpTV subscribers for each month are calculated by adding the beginning and ending JumpTV subscribers for the month and dividing by two.

The Company has experienced a significant increase in subscribers and subscriptions from 11,572 as of December 31, 2005 to 24,554 as of December 31, 2006. This subscriber and subscription growth arose from increased marketing and improvements in user experience through the launch of our new website and platform, Jump 3.0. During the year ended December 31, 2006, JumpTV's ARPU decreased to approximately \$10.23 from approximately \$10.84 for the nine months ended December 31, 2005, which the Company attributes to various marketing promotions which offered subscriptions at discounted prices.

Subscriber Acquisition Costs increased in the year ended December 31, 2006 to approximately \$28.67 from \$8.25 for the nine months ended December 31, 2005 as the Company increased its marketing expenditures principally in respect of search engine marketing and search engine optimization. The Company expects that search engine marketing and optimization will continue to be the focus of its marketing efforts in the immediate future.

Churn for the year ended December 31, 2006 increased to approximately 20.4% from approximately 18.0% for the nine months ended December 31, 2005. The Company attributes the increase in its churn rate to its marketing promotion that offered seven-day subscriptions to a single channel for an initial price of \$0.99 that resulted in the following behaviour or pattern: (a) most individuals who signed up for this promotion subscribing to take advantage of the initial promotion price and then cancelling their subscription once the initial promotion price expired, and (b) some individuals who signed up for this promotion rotating in and out of the promotion in order to maintain constant valid account status.

Churn was also affected by subscribers upgrading from individual channels to channel packages during the period. JumpTV has accelerated the introduction in recent months of multi-channel packages and many subscribers have cancelled their single channel subscription in favour of the multi-channel offering resulting in a churn of that subscriber. In future periods, the Company expects to account for these upgrades such that churn will be more accurately reflected.

In 2007, the Company will likely introduce additional Key Performance Indicators to track advertising-supported elements of its business.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the year ended December 31, 2006, the nine months ended December 31, 2005 and the year ended March 31, 2005 and as of December 31, 2006, December 31, 2005 and March 31, 2005 has been derived from the Company's audited consolidated financial statements and accompanying notes posted on www.sedar.com. Readers should read the following information in conjunction with those statements and related notes.

	Year ended, December 31, 2006	Nine months ended, December 31, 2005	Year ended, March 31, 2005
	\$	\$	\$
<u>Income Statement Data:</u>			
Revenue, net	2,061,031	1,081,268	745,405
Direct broadcast operating costs	(2,569,648)	(1,518,978)	(230,717)
Net loss for the period	(25,597,096)	(4,631,070)	(163,731)
Basic and diluted loss per share	(0.99)	(0.35)	(0.02)
	December 31, 2006	December 31, 2005	March 31, 2005
	\$	\$	\$
<u>Balance Sheet Data:</u>			
Cash and cash equivalents	21,936,878	5,475,052	1,130,270
Short-term investments	28,115,378	-	74,462
Total assets	53,860,544	6,149,886	1,295,285
Non-current liabilities	18,502	120,000	-
Total liabilities	7,104,184	1,615,420	406,336
Share capital	75,227,648	9,744,084	1,036,648
Total shareholders' equity	46,756,360	4,534,466	888,949

- (1) In November 2005, the Board of Directors approved a change to JumpTV's fiscal year end from March 31 to December 31, effective 2005. As a result of the change, JumpTV is reporting a nine month transition period ended December 31, 2005. Accordingly, the results for the nine months ended December 31, 2005 are not comparable with the results for the years ended March 31, 2005 and December 31, 2006.
- (2) 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. Accordingly, cash and cash equivalents, short-term investments, share capital and total shareholders' equity have all increased significantly between December 31, 2005 and December 31, 2006.

Key Financial Measures

JumpTV measures the success of its strategies using a number of key financial measures which are outlined below, including a discussion as to their relevance, definitions, calculation methods and underlying assumptions.

Revenue

The primary source of revenue recognized to date comprises revenue earned from subscription fees. JumpTV makes its channel partners' live linear feeds available, generally on a monthly subscription basis through single-channel offerings ("a la carte" monthly pricing from \$5.95 to \$9.95), and through multi-channel packages ("bundled" monthly pricing ranging typically from \$10.95 to \$38.00). In addition, JumpTV is in the process of introducing longer term (multiple months) subscriptions for its subscribers, where a la carte prices are expected to range in price from \$19.95 to \$24.95 and bundled packages are expected to range from \$24.95 to \$64.95 for three-month subscriptions. The Company's subscriptions and products are priced in U.S. dollars, generally paid on a monthly basis in advance, principally using credit cards. In the future, the Company plans to offer its subscribers the ability to pay in multiple currencies. As payments are received in advance, a portion of monthly subscription revenue for which the services have not been completed is deferred until the following month.

Revenue is recorded net of refunds. Revenue is considered earned as the period of service related to the customer billing or payment received in advance elapses.

Direct Broadcast Operating Costs

Direct broadcast operating costs include costs incurred to suppliers who provide bandwidth, co-location and hosting, as part of the Company's network delivery infrastructure, for streaming live linear television feeds to JumpTV subscribers in over 90 countries. Bandwidth costs vary from period to period, as they are based primarily on usage which is a non-controllable and variable factor. The Company purchases bandwidth in fixed amounts and must pay for capacity utilization over set minimums. Also included in these costs are co-location charges which relate to infrastructure costs that are used in both signal acquisition and distribution.

Also included in direct broadcast operating costs are channel licensing costs, which represent consideration paid to JumpTV's channel partners for Internet broadcast rights. Pursuant to the Company's channel partner agreements, the channel partners generally receive license fees calculated as a specified percentage (approximately 23% on average) of the gross subscription revenue received each month by JumpTV for subscriptions to the applicable channels. A small number of channel partners, primarily with agreements signed before May 2005, generally receive license fees calculated as a specified dollar amount for each subscriber in respect of the applicable channels. When the Company generates advertising revenue in future periods, then channel partners will be entitled to receive a specified percentage (generally 30%-35% on average) of the gross revenue generated by JumpTV for advertisements in respect of the applicable channels.

Amortization of the Company's infrastructure equipment and contractual agreements is included within direct broadcast operating costs.

Selling, General and Administrative Costs

Selling, general and administrative costs include:

- *Draws & Commissions (formerly referred to as "Success Fees")* – members of the Channel and Subscriber Acquisition Group have historically been granted payments based on business development activities. These payments - sometimes referred to internally as "draws", "bonuses", "success fees" or "commissions" (collectively referred to herein as "Draws & Commissions") have in the past been primarily related to individual and team efforts to secure channel partner agreements and content distribution agreements. A small number of sales agents have fixed commission arrangements, but the vast majority of Draws & Commissions are determined at the discretion of Management;

- *Travel* – relates to travel expenses primarily for members of the Channel and Subscriber Acquisition Group who travel throughout the world to source and develop new channel partner and content distribution relationships, and inter-office travel;
- *Rent* – represents fees paid for leased offices;
- *Professional fees* – comprise legal and accounting costs;
- *Wages and benefits* – the Company currently employs both full-time and part-time employees;
- *Subcontracting* – for various services provided by consultants, and independent contractors throughout the world. Included in this figure are payments made to certain consulting/subcontracting entities related to members of management who are not compensated as employees; and
- *Marketing* – the Company incurs expenses for both global and local marketing programs that focus on various target ethnic communities. These initiatives include both on-line and offline marketing expenditures. These expenditures also include search engine marketing and search engine optimization.

JumpTV expects that selling, general and administrative costs will increase in the future as JumpTV incurs additional costs related to the growth of its business and costs associated with operating as a public company, including the costs of public reporting and supporting increased compliance requirements.

Stock-based Compensation

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. 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 Company's Board of Directors 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 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.

Year ended December 31, 2006 compared to the Nine months ended December 31, 2005

	2006	2005	Change
Revenue	\$ 2,061,031	\$ 1,081,268	\$ 979,763
Direct broadcast operating costs	<u>(2,569,648)</u>	<u>(1,518,978)</u>	<u>(1,050,670)</u>
	(508,617)	(437,710)	(70,907)
Other costs and expenses			
Selling, general and administrative	21,690,938	3,990,732	17,700,206
Stock-based compensation	4,097,351	203,934	3,893,417
Amortization of property, plant and equipment	128,549	27,939	100,610
Amortization of intangible assets	<u>22,401</u>	<u>-</u>	<u>22,401</u>
	25,939,239	4,222,605	21,716,634
Loss before the following	<u>(26,447,856)</u>	<u>(4,660,315)</u>	<u>(21,787,541)</u>
Loss (gain) on foreign exchange	186,990	(4,391)	191,381
Interest income	<u>(1,083,050)</u>	<u>(41,654)</u>	<u>(1,041,396)</u>
Loss before income taxes	(25,551,796)	(4,614,270)	(20,937,526)
Provision for income taxes	<u>45,300</u>	<u>16,800</u>	<u>28,500</u>
Net loss for the period	<u>\$ (25,597,096)</u>	<u>\$ (4,631,070)</u>	<u>\$ (20,966,026)</u>
Loss per share - basic and diluted	<u>\$ (0.99)</u>	<u>\$ (0.35)</u>	<u>\$ (0.64)</u>
Weighted average number of shares outstanding - basic and diluted	<u>25,848,396</u>	<u>13,162,916</u>	<u>12,685,480</u>

Revenue

Revenue increased from \$1,081,268 for the nine months ended December 31, 2005 to \$2,061,031 for the year ended December 31, 2006. The increase was due primarily to the increase in subscribers and the number of subscribers purchasing multi-channel packages. Refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs increased from \$1,518,978 for the nine months ended December 31, 2005 to \$2,569,648 for the year ended December 31, 2006. During the year ended December 31, 2006, there was an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the year ended December 31, 2006 the Company incurred approximately 22% of revenue in channel licensing fees to its channel partners, which is consistent with 22% for the nine months ended December 31, 2005. Furthermore, the Company included amortization in the amount of \$127,634 on its infrastructure equipment and \$35,959 on its intangible assets during the year ended December 31, 2006 as compared to \$12,226 and nil, respectively during the nine months ended December 31, 2005.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$3,990,732 for the nine months ended December 31, 2005 to \$21,690,938 for the year ended December 31, 2006. The increase was due to the following:

- Wages and benefits increased from \$289,777 for the nine months ended December 31, 2005 to \$5,088,025 for the year ended December 31, 2006, as the number of employees being paid increased from 23 at December 31, 2005 to over 100 at December 31, 2006.
- Subcontracting/consulting increased from \$825,548 for the nine months ended December 31, 2005 to \$4,225,642 for the year ended December 31, 2006. The increase was due to the increase in expenditures to third parties for technology development.
- Draws & Commissions increased from \$1,242,909 for the nine months ended December 31, 2005 to \$1,316,415 for the year ended December 31, 2006. Draws and commissions were paid to individuals who Management determined were primarily responsible for new channel partner agreements.
- Travel increased from \$503,277 for the nine months ended December 31, 2005 to \$1,988,288 for the year ended December 31, 2006. The primary reason for the substantial increase was travel expenses incurred in connection with the signing of new channel partner agreements throughout the world and to a lesser extent travel between offices.
- Professional fees increased from \$300,390 for the nine months ended December 31, 2005 to \$1,585,112 for the year ended December 31, 2006. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity.
- Rent increased from \$96,847 for the nine months ended December 31, 2005 to \$531,397 for the year ended December 31, 2006. The increase was due to the opening of offices in Mississauga, Dubai, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo. The office located in Mississauga was a temporary office that was closed subsequent to December 31, 2006.
- Marketing expenditures increased from \$146,054 for the nine months ended December 31, 2005 to \$1,668,626 for the year ended December 31, 2006. The increase was primarily due to marketing expenditures principally in respect of search engine marketing and search engine optimization efforts.

Loss (Gain) on Foreign Exchange

For the year ended December 31, 2006, JumpTV incurred a foreign exchange loss of \$186,990 as compared to a gain of \$4,391 for the nine months ended December 31, 2005. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, US dollars.

Stock-based Compensation

Stock-based compensation expense increased from \$203,934 for the nine months ended December 31, 2005 to \$4,097,351 for the year ended December 31, 2006. The increase was primarily due to compensation costs recognized on restricted share plan units in the amount of \$1,631,382 and stock appreciation rights of \$1,087,761 for which no expense was recorded in the nine months ended December 31, 2005. In addition, compensation costs related to stock options increased by \$1,040,722 for the year ended December 31, 2006 as compared to the nine-months ended December 31, 2005.

Interest Income

Interest income increased from \$41,654 for the nine months ended December 31, 2005 to \$1,083,050 for the year ended December 31, 2006. The substantial increase was due to an increase in funds in the Company's interest-bearing cash accounts as a result of the Company's IPO in August 2006.

Amortization of property, plant and equipment

Amortization increased from \$27,939 for the nine months ended December 31, 2005 to \$128,549 for the year ended December 31, 2006. The increase was primarily due to the purchase of office related computer equipment during the year.

Amortization of intangible assets

Amortization increased from nil for the nine months ended December 31, 2005 to \$22,401 for the year ended December 31, 2006. The increase was due to amortization recorded on intangible assets acquired as part of the HVMedia acquisition.

Provision for Income Taxes

The increase in income taxes from \$16,800 for the nine months ended December 31, 2005 to \$45,300 for the year ended December 31, 2006 relates to U.S. tax obligations regarding the Company's U.S. operations.

SELECTED CONSOLIDATED UNAUDITED QUARTERLY FINANCIAL INFORMATION AND REVIEW OF FOURTH – QUARTER PERFORMANCE

The following tables set out selected consolidated unaudited financial information for each of the last eight quarters with the last one being the most recent quarter ended December 31, 2006. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements as filed on www.sedar.com, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. The operating results for any quarter should not be relied upon as any indication of any future period.

	2006				2005			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Income Statement Data:								
Revenue	748,864	534,671	426,988	350,508	387,093	337,389	356,786	275,987
Direct broadcast operating costs	(1,132,535)	(706,102)	(480,681)	(250,330)	(357,147)	(97,757)	(1,064,074)	(111,805)
Net loss for the period	(8,676,543)	(6,494,411)	(6,449,005)	(3,977,137)	(2,556,145)	(1,086,525)	(988,400)	(46,354)
Basic and diluted loss per share	(0.25)	(0.23)	(0.31)	(0.21)	(0.16)	(0.08)	(0.10)	(0.01)

Three months ended December 31, 2006 compared to the Three months ended December 31, 2005

Revenue

Revenue increased from \$387,093 for the three months ended December 31, 2005 to \$748,864 for the three months ended December 31, 2006. The increase was due primarily to the increase in subscribers and the number of subscribers purchasing multi-channel packages. Refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs increased from \$357,147 for the nine months ended December 31, 2005 to \$1,132,535 for the three months ended December 31, 2006. During the three months ended December 31, 2006, there was an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the three months ended December 31, 2006 the Company incurred approximately 24% of revenue in channel licensing fees to its channel partners, as compared to approximately 22% for the three months ended December 31, 2005. Furthermore, the Company included amortization in the amount of \$34,896 on its infrastructure equipment and \$35,959 on its intangible assets during the three months ended December 31, 2006 as compared to \$12,226 and nil, respectively during the three months ended December 31, 2005.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$2,508,341 for the three months ended December 31, 2005 to \$7,151,488 for the three months ended December 31, 2006. The increase was due to the following:

- Wages and benefits increased from \$230,888 for the three months ended December 31, 2005 to \$1,837,652 for the three months ended December 31, 2006, as the number of employees being paid increased from 23 at December 31, 2005 to over 100 at December 31, 2006.
- Subcontracting/consulting increased from \$466,987 for the three months ended December 31, 2005 to \$957,335 for the three months ended December 31, 2006. The increase was due to the increase in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$720,016 for the three months ended December 31, 2005 to \$302,046 for the three months ended December 31, 2006. Draws and commissions were paid to individuals who Management determined were primarily responsible for new channel partner agreements.
- Travel increased from \$318,240 for the three months ended December 31, 2005 to \$526,803 for the three months ended December 31, 2006. The primary reason for the substantial increase was travel expenses incurred in connection with the signing of new channel partner agreements throughout the world and to a lesser extent travel between offices.
- Professional fees increased from \$235,476 for the three months ended December 31, 2005 to \$699,345 for the three months ended December 31, 2006. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity.
- Rent increased from \$44,814 for the three months ended December 31, 2005 to \$185,183 for the three months ended December 31, 2006. The increase was due to the opening of offices in Mississauga, Dubai, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paulo. The office located in Mississauga was a temporary office that was closed subsequent to December 31, 2006.
- Marketing expenditures increased from \$111,651 for the three months ended December 31, 2005 to \$892,125 for the three months ended December 31, 2006. The increase was primarily due to marketing marketing expenditures principally in respect of search engine marketing and search engine optimization efforts.

Loss on Foreign Exchange

For the three months ended December 31, 2006, JumpTV incurred a foreign exchange loss of \$286,237 as compared to a loss of \$8,666 for the three months ended December 31, 2005. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, US dollars.

Stock-based Compensation

Stock-based compensation expense increased from \$83,646 for the three months ended December 31, 2005 to \$1,352,650 for the three months ended December 31, 2006. The increase was primarily due to compensation costs recognized on restricted share plan units in the amount of \$416,447 and stock appreciation rights of \$463,902 for which no expense was recorded in the three months ended December 31, 2005.

Interest Income

Interest income increased from \$36,391 for the three months ended December 31, 2005 to \$575,378 for the three months ended December 31, 2006. The substantial increase was due to an increase in funds in the Company's interest-bearing cash accounts as a result of the Company's IPO in August 2006.

Amortization of property, plant and equipment

Amortization increased from \$16,229 for the three months ended December 31, 2005 to \$46,473 for the three months ended December 31, 2006. The increase was primarily due to the purchase of office related computer equipment during the year.

Amortization of intangible assets

Amortization increased from nil for the three months ended December 31, 2005 to \$22,401 for the three months ended December 31, 2006. The increase was due to amortization recorded on intangible assets acquired as part of the HVMedia acquisition.

Provision for Income Taxes

The increase in income taxes from \$5,600 for the three months ended December 31, 2005 to \$9,000 for the three months ended December 31, 2006 relates to U.S. tax obligations regarding the Company's U.S. operations.

RISK ASSESSMENT

The following are specific and general risks that could affect the Company and that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently believe to be material, could impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects and financial condition.

Risk Factors Related to JumpTV's Business

JumpTV has a short operating history, which makes it difficult to evaluate JumpTV's prospects.

JumpTV's business has a short operating history. From JumpTV's inception, it has incurred substantial net losses and JumpTV expects such losses to increase. JumpTV will require expenditures of significant funds for marketing, building its subscriber management systems, programming and website development, maintaining adequate video streaming and database software, pursuing and maintaining channel distribution agreements with its channel partners, acquiring and maintaining Internet broadcasting rights to its content and the construction and maintenance of the JumpTV Delivery Infrastructure and office facilities. If JumpTV is ultimately unable to generate sufficient revenue to become profitable and have sustainable positive cash flows, prospective purchasers could lose their investment.

Demand for JumpTV's service may be insufficient for it to achieve and sustain profitability.

JumpTV offers an emerging service and it cannot estimate with any certainty the potential subscriber demand for its service or its ability to satisfy that demand. Among other things, subscriber acceptance of JumpTV's ethnic television programming will depend upon:

- whether JumpTV acquires, broadcasts and markets high quality programming consistent with subscribers' tastes;
- the willingness of subscribers to pay subscription fees to obtain JumpTV's service;
- the cost and availability of technology, such as computer hardware and high-speed Internet connections, that are sufficient to utilize JumpTV's service;
- the acceptance of JumpTV's subscriber management systems; and
- the marketing and pricing strategies that JumpTV employs relative to those of its competitors.

Potential subscribers for JumpTV's service will have diverse preferences that may not be sufficiently addressed by JumpTV's programming content. If demand for JumpTV's service does not develop as expected, then it may not be able to generate enough revenue to generate positive cash flow or achieve and sustain profitability. JumpTV's results of operations will depend largely upon its ability to increase its subscriber base while maintaining its preferred pricing structure, managing costs and controlling subscriber Churn rates. JumpTV cannot guarantee that it will be effective in addressing these matters.

Markets

The Company operates in competitive and evolving markets locally, nationally and globally. These markets are subject to rapid technological change and changes in customer preferences and demand. There can be no assurance that the Company will be able to obtain market acceptance or compete for market share.

Acquisition Strategy

The Company believes the acquisition of other businesses may enhance its strategy of expanding its product offerings and customer base. The successful implementation of such acquisition strategy depends on the Company's ability to identify suitable acquisition candidates, acquire such companies on acceptable terms, integrate the acquired company's operations and technology successfully with its own and maintain the goodwill of the acquired business. The Company is unable to predict whether or when it will be able to identify any suitable additional acquisition candidates, or the likelihood that any potential acquisition will be completed. In addition, while Management believes it has the experience and know-how to integrate acquisitions, such efforts entail significant risks including, but not limited to:

- a diversion of Management's attention from other business concerns;
- failure to effectively assimilate the acquired technology or assets into the Company's business;
- the potential loss of key employees or customers from either the Company's current business or the business of the acquired company; and
- the assumption of significant and/or unknown liabilities of the acquired company.

There can be no assurance that the Company will be able to successfully identify, consummate or integrate any potential acquisitions into its operations. In addition, future acquisitions may result in potentially dilutive issuances of equity securities, or may result in the incurrence of debt or the amortization of expenses related to intangible assets, all of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Possible delays and increased development costs could harm JumpTV's business.

Many of the problems, delays and expenses encountered by an enterprise in its early stage may be beyond JumpTV's control. Such problems may include, but are not limited to, problems related to technical development of the JumpTV Delivery Infrastructure, testing, regulatory policy and regulatory compliance, the competitive and regulatory environment in which JumpTV operates, marketing problems, customer acceptance and costs and expenses that may exceed current estimates.

Delays in the timely design, construction, deployment and commercial operation of JumpTV's business, and consequently the achievement of positive cash flow, could result from a variety of causes, including many causes that are beyond JumpTV's control. Such delays include, but are not limited to, delays in the integration of new channels into JumpTV's product offering, changes in the technical specifications of the JumpTV Delivery Infrastructure made to correct or enhance its features, performance or marketability or in response to regulatory developments or otherwise, delays encountered in the construction, integration or testing of the JumpTV Delivery Infrastructure and other systems, unsuccessful commercial launches of new programming content, delays in JumpTV's ability to obtain financing, insufficient or ineffective service provider marketing efforts and slower-than-anticipated consumer acceptance of Internet based television. Substantial delays in any of these matters could delay or prevent JumpTV's achievement of profitable operations.

JumpTV relies on its channel partners for the provision of its broadcasting content.

JumpTV's success as a business depends significantly on its relationships with its channel partners. JumpTV enters into channel partner agreements to acquire the Internet broadcasting rights to ethnic programming content. JumpTV's success as a business depends on cooperation with its channel partners, the programming content of its channel partners, and the overall success of its channel partners in providing marketable television programming. Because of JumpTV's dependency on its channel partners, should a channel partner's business suffer as a result of increased competition, increased costs of programming, technological problems, regulatory changes, adverse effects of litigation or other factors, JumpTV's business may suffer as well. Furthermore, a failure by a channel partner to perform its obligations under its channel partner agreement could have detrimental financial consequences for JumpTV's business. The channel partner agreements are for various terms and are generally terminable upon short notice after the expiration of the initial terms. If JumpTV is unable to renew or extend channel partner agreements at the conclusion of their respective terms, JumpTV may not be able to obtain substitute programming or substitute programming may not be comparable in quality or cost to its existing programming and JumpTV's business, financial condition and results of operations could be materially adversely affected. In addition, programming costs may continue to increase and JumpTV may be unable to pass programming costs on to its customers which could have a material adverse effect on its financial condition, profitability and cash flows.

JumpTV does not have exclusive Internet distribution rights to all of its channels and it may lose the exclusivity of the channels in which JumpTV does have exclusive Internet distribution rights.

10 of JumpTV's channel partner agreements do not give JumpTV the exclusive Internet distribution rights to the related channels. Currently, over 16% of JumpTV's subscriptions relate to these non-exclusive channels. If these channels are offered elsewhere on the Internet on more attractive terms, JumpTV could lose these subscribers, which would have an adverse effect on its results of operations. In addition, for many of the channels in respect of which JumpTV has the exclusive Internet distribution rights, the maintenance of the exclusive license is dependent upon JumpTV paying royalties equal to specified subscriber counts or attaining specified subscriber counts in respect of the applicable channel. There is no guarantee that JumpTV will meet the applicable subscriber or royalty levels in respect of the applicable channel partner agreements. The loss of any of JumpTV's exclusive licenses could have material adverse effect on JumpTV's business, financial condition and results of operations.

The costs of obtaining Internet distribution rights for new channels or renewing such rights for existing channels may be more costly than expected.

JumpTV must negotiate with potential channel partners to acquire the Internet broadcasting rights for ethnic television programming. In addition, JumpTV will need to renew its agreements with existing channel partners. JumpTV anticipates that, as the Internet television broadcasting market grows, license fees relating to Internet broadcasting rights for television programming (including ethnic television programming), or for the rights to substitute advertising into the live video streamers of the channels, will increase. License fees payable under the channel partner agreements may be significantly more costly to renew than anticipated.

In addition, many of the existing channel partner agreements have renewal mechanisms that are tied to JumpTV's ability to generate specified revenue share amounts or specified subscriber numbers in respect of particular channels. If JumpTV is unable to meet these targets, then JumpTV may have to renegotiate the channel partner agreements when they come up for renewal. Renegotiated license fees may be more expensive than anticipated. JumpTV may be unable to obtain ethnic television programming consistently at a reasonable cost or that is appealing to its customers, which may adversely affect JumpTV's marketing efforts, reputation, brand and revenue.

There is uncertainty relating to the ability of JumpTV to enforce its rights under the channel partner agreements.

Many of the channel partner agreements are with foreign entities and are governed by the laws of foreign jurisdictions. If a channel partner breaches a channel partner agreement, then JumpTV will incur the additional costs of determining its rights and obligations under the agreement under applicable foreign laws and enforcing the agreement in a foreign jurisdiction. Many of the jurisdictions to which channel partner agreements are subject do not have sophisticated and/or impartial legal systems and JumpTV may face practical difficulties in enforcing any of its rights in such jurisdictions. JumpTV may not be able to enforce such rights or may determine that it would be too costly to enforce such rights. In addition, many of the channel partner agreements contain arbitration provisions that govern disputes under the agreements and there is uncertainty with respect to the enforceability of such arbitration provisions under the laws of related foreign jurisdictions. If a dispute were to arise under a channel partner agreement and the related arbitration provision was not effective, then JumpTV would be exposed to the additional costs of settling the dispute through traditional legal avenues rather than through an arbitration process.

JumpTV's business may be impaired by third party intellectual property rights in the programming content of its channel partners.

JumpTV relies on its channel partners to secure the primary rights to re-distribute programming and other content over the Internet. There is no assurance that the channel partners have successfully licensed all relevant programming components that are necessary for Internet re-distribution. Other parties may claim certain intellectual property rights in the content that JumpTV licenses from its channel partners. For example, channel partners may not have sufficient rights in the underlying content to license distribution rights to their channels to JumpTV, or a channel partner may not identify programming that JumpTV is not permitted to distribute in time for JumpTV to stop distribution of the offending programming. In addition, as the Internet video broadcasting market grows, advertisers may begin to attempt to enforce intellectual property rights in advertisements included in JumpTV's channel partners' programming, and JumpTV may inadvertently infringe the intellectual property rights of such advertisers by distributing such advertisements over the Internet or by inserting its own advertising in replacement of such advertisements.

In the event that the channel partners are in breach of the distribution rights related to specific programming and other content, JumpTV may be required to cease distributing or marketing the relevant content to prevent any infringement of related rights, and may be subject to claims of damages for infringement of such rights. JumpTV may also be required to claim against the channel partners if the distribution rights related to specific programming is breached and there is no assurance that JumpTV would be successful in any such claim.

JumpTV may be subject to other third party intellectual property rights claims.

Companies in the Internet, technology and media industries often own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As JumpTV faces increasing competition, the possibility of intellectual property rights claims against it grows. JumpTV's technologies may not be able to withstand third party claims or rights against their use. Intellectual property claims, whether having merit or otherwise, could be time consuming and expensive to litigate or settle and could divert management resources and attention. In addition, many of its agreements with network service providers require JumpTV to indemnify them for third party intellectual property infringement claims, which could increase JumpTV's costs as a result of defending such claims and may require that JumpTV pays the network service providers' damages if there were an adverse ruling in any such claims.

If litigation is successfully brought by a third party against JumpTV in respect of intellectual property, JumpTV may be required to cease distributing or marketing certain products or services, obtain licenses from the holders of the intellectual property at material cost, redesign affected products in such a way as to avoid infringing intellectual property rights or seek alternative licenses from other third parties which may offer inferior programming, any or all of which could materially adversely affect JumpTV's business, financial condition and results of operations. If those intellectual property rights are held by a competitor, JumpTV may be unable to obtain the intellectual property at any price, which could also adversely affect JumpTV's competitive position. An adverse determination could also prevent JumpTV from offering its services and could require that JumpTV procure substitute products or services. Any of these results could harm JumpTV's business, financial condition and results of operations.

JumpTV relies on its channel partners to ensure intellectual property rights compliance globally.

JumpTV is exposed to liability risk in respect of the content that it rebroadcasts over the Internet, relating to both infringement of third party rights to the content, and infringement of the laws of various jurisdictions governing the type and/or nature of the content. JumpTV relies in large part on the channel partners' obligations under the channel partner agreements to advise JumpTV of its content so that JumpTV may take appropriate action if such content is not intellectual property rights compliant or is otherwise obscene, defamatory or indecent. There is a risk that the channel partners will not advise JumpTV in time, or at all, in respect of such content, and expose JumpTV to liability for its rebroadcast over the Internet.

JumpTV's business depends upon its ability to acquire and maintain programming that is attractive to current and future subscribers, the loss of which could reduce the demand for JumpTV's service to subscribers and advertisers and could adversely affect JumpTV's business.

Television content distribution is an inherently risky business because the revenues derived from the distribution of programming depend primarily upon its acceptance by the public, which is difficult to predict. The commercial success of television programming also depends upon the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions and other tangible and intangible factors, all of which are difficult to predict.

JumpTV's objective is to acquire and maintain programming that sustains loyal audiences in or across various demographic groups. The attractiveness of JumpTV's channel offerings and their ability to retain and grow their respective audiences will be an important factor in JumpTV's ability to sell subscriptions and, in the future, advertising. JumpTV's channel offerings may not attract or retain the number of subscribers that it anticipates and some channel content may offend or alienate subscribers that are outside of the target audience for that content. There can be no assurance that JumpTV's channel offerings will be able to retain their respective audiences. If JumpTV loses the Internet broadcasting rights to one or more of its channels, and fails to attract comparable programming with similar audience loyalty, the attractiveness of JumpTV's service could decline and JumpTV's business could be adversely affected.

Failure of JumpTV's Delivery Infrastructure to perform consistently or failure by JumpTV to replace its existing Internet broadcasting technology on a timely basis could adversely affect its business.

JumpTV's success as a business depends, in part, on its ability to provide consistently high quality video streams to subscribers via the JumpTV Delivery Infrastructure and Internet broadcasting and video streaming technology. There is no guarantee that the JumpTV Delivery Infrastructure and/or JumpTV's Internet broadcasting and video streaming technology will not experience problems or other performance issues. If the JumpTV Delivery Infrastructure or Internet broadcasting and video streaming technology fails or suffers performance problems, then it would likely affect the quality and interrupt the continuation of JumpTV's service and significantly harm JumpTV's business.

JumpTV's Delivery Infrastructure could suffer failures or damage due to events that are beyond JumpTV's control, which could adversely affect JumpTV's brand and operating results.

JumpTV's Delivery Infrastructure is susceptible to natural or man-made disasters such as earthquakes, floods, fires, power loss and sabotage, as well as interruptions from technology malfunctions, computer viruses and hacker attacks. Other potential service interruptions may result from unanticipated demands on network infrastructure, increased traffic or problems in customer service. JumpTV's ability to control technical and customer service issues is further limited by its dependence on its channel partners for technical integration of the JumpTV Delivery Infrastructure. JumpTV may not carry sufficient business interruption insurance to compensate for losses that could occur as a result of an interruption in JumpTV's services. Significant disruptions in the JumpTV Delivery Infrastructure could harm JumpTV's goodwill and the JumpTV brand and ultimately could significantly and negatively impact the amount of revenue it may earn from its service.

The successful operation of JumpTV's business depends upon the supply of critical elements from third parties and any interruption in that supply could cause service interruptions or reduce the quality of product offerings.

JumpTV depends upon third parties for several critical elements of its technology and infrastructure, including its principal Internet connections and network access, and for the provision of programming in connection with its service. Many of these tasks will be dependent on the efforts and performance of third parties that are outside of JumpTV's control, including the channel partners and other third party content delivery providers. Any disruption in the Internet or network access provided by third party providers, or any failure of third party providers to handle current or higher volumes of use or perform in a satisfactory manner, could significantly harm JumpTV's business, operating results and financial condition. Financial difficulties experienced by third party providers could have negative consequences to the business of JumpTV.

Dependence on Key Personnel and Relationships

JumpTV is dependent on key members of its senior management, including G. Scott Paterson and Kaleil Isaza Tuzman. JumpTV has not obtained key-man insurance for any member of senior management other than Mr. Paterson. In addition, innovation is important to JumpTV's success and JumpTV depends on the continued efforts of its executive officers and key employees, who have specialized technical knowledge regarding the JumpTV Delivery Infrastructure and information technology systems and significant business knowledge regarding the Internet video broadcasting industry and subscription services. JumpTV expects that it will need to hire additional personnel in designated growth areas. The market for the services of qualified personnel is competitive and JumpTV may not be able to attract and retain key employees. If JumpTV loses the services of one or more of its key senior officers or employees, or fails to attract qualified replacement personnel, then JumpTV's business and future prospects could be materially adversely affected.

JumpTV may have difficulty scaling and adapting its existing systems architecture to accommodate increased traffic, technology advances or customer requirements.

In the future, JumpTV may be required to make changes to its systems architecture or move to a completely new architecture. If it is required to switch architectures, JumpTV may incur substantial costs and experience delays or interruptions in its service. These delays or interruptions in its service may cause users and customers to become dissatisfied with its service and move to competing providers of IPTV services. To the extent that demand for JumpTV's broadcast services content and other media offerings increases, it will need to expand its infrastructure, including the capacity of its hardware servers and the sophistication of its software. This expansion is likely to be expensive and complex, and require additional technical expertise. An unanticipated loss of traffic, increased costs, inefficiencies or failures to adapt to new technologies or user requirements and the associated adjustments to its systems architecture could harm JumpTV's operating results and financial condition.

Increased Subscriber Acquisition Costs could adversely affect JumpTV's financial performance.

JumpTV anticipates spending substantial funds on advertising and other marketing to attract new subscribers and maintain JumpTV's subscriber base. JumpTV's ability to achieve break even cash flows depends on its ability to achieve and maintain lower Subscriber Acquisition Costs over time. JumpTV's Subscriber Acquisition Costs, both in the aggregate and on a per new subscriber basis, may materially increase in the future to the extent that JumpTV introduces new promotions, whether in response to competition or otherwise. Any material increase in subscriber acquisition or retention costs from current levels could have a material adverse effect on JumpTV's business, financial condition and results of operations.

Increased subscriber turnover could adversely affect JumpTV's financial performance.

Subscriber Churn has a significant financial impact on the results of JumpTV's operations. JumpTV cannot reliably predict the amount of Churn that it will experience over the long term. Subscriber Churn may be negatively impacted by a number of factors, including but not limited to, an increase in competition from other ethnic television providers, other Internet video providers, new technology entrants and programming theft. There can be no assurance that these and other factors will not contribute to relatively higher Churn than JumpTV has experienced historically. To the extent that JumpTV's Churn is greater than currently anticipated, it may be more costly for JumpTV to acquire a sufficient customer base to generate revenue that will enable it to become profitable and reach and sustain positive cash flow.

Competition from traditional and other emerging video entertainment providers could adversely affect JumpTV's revenue.

In seeking market acceptance, JumpTV will encounter competition for both subscribers and advertising revenue from many sources, including other Internet television broadcasters, direct broadcast satellite television services and digital and traditional cable systems that carry ethnic television programming. Traditional cable and satellite television already has a well established and dominant market presence for its services, and Internet portals, video file sharing service providers and other third party providers of video content over the Internet may distribute ethnic video content. Many of these competitors have substantially greater financial, marketing and other resources than JumpTV. In addition, potential customers of JumpTV may be slow to adopt, or may refuse to adopt, the Internet as the medium through which they receive television programming. As the Internet video broadcasting market grows (resulting from higher bandwidths, faster modems and wider programming selections), an increasing number of Internet based video program offerings may be available to current and potential customers of JumpTV. In addition, JumpTV's competitors, in both the traditional satellite and cable television broadcasting and IPTV markets, could exclusively contract with ethnic channel providers that are not under contract with JumpTV creating significant competition in both the ethnic broadcasting and IPTV markets. JumpTV's revenue could be materially adversely affected if it is unable to compete successfully with traditional and other emerging providers of video programming services.

JumpTV has to keep up with rapid technological change to remain competitive in its rapidly evolving industry.

JumpTV's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to improve the performance and reliability of its services. New technologies could enable competitive product offerings and adversely affect JumpTV, and JumpTV's failure to adapt to such changes could seriously harm its business.

JumpTV may not be successful in developing a version of its service that will gain widespread adoption by users of alternate devices to access the Internet.

In the coming years, the number of individuals who access the Internet through devices other than a personal computer, such as personal digital assistants, mobile telephones and television set-top devices, is expected to increase dramatically. JumpTV's services are designed for rich, graphical environments such as those available on personal and laptop computers. The lower resolution, functionality and memory associated with alternative devices may make the broadcast of content through such devices difficult, and JumpTV may be unsuccessful in its efforts to provide a compelling service for users of alternative devices. If JumpTV is unable to attract and retain a substantial number of alternative device users to its services, it will fail to capture a sufficient share of an increasingly important portion of the market for online media.

In addition, JumpTV intends to introduce new services and/or functionalities to increase its subscriber base and long-term profitability, such as targeted advertising insertion and personal video recording. These services are dependent on successful integration of new technologies into the JumpTV Delivery Infrastructure, negotiations with third party content and network system providers, subscriber acceptance and the maintenance of future technologies to support these services. If JumpTV is unsuccessful in implementing such services, or the economic attractiveness of these services is lower than anticipated, then JumpTV's business and operating results could be adversely affected.

JumpTV may need additional financing to fund its continued growth, which may not be available.

JumpTV's ability to increase revenue will depend in part on its ability to continue growing the business by maintaining and increasing the subscriber base, which may require significant additional capital that may not be available to JumpTV. JumpTV may need additional financing due to future developments, changes in its business plan or failure of the business plan to succeed, which could result from increased marketing, distribution or programming costs. JumpTV's actual funding requirements could vary materially from its current estimates. If additional financing is needed, JumpTV may not be able to raise sufficient funds on favourable terms or at all. If JumpTV issues shares in the future, such issuance will result in the then existing Shareholders sustaining dilution to their relative proportion of the equity in JumpTV. If JumpTV fails to obtain any necessary financing on a timely basis, then its ability to execute the current business plan may be limited, and its business could be adversely affected.

Weaker than expected market and advertiser acceptance of Internet video broadcasting could adversely affect JumpTV's future advertising revenue and results of operations.

JumpTV intends to derive a portion of its future revenue from advertising, and therefore market and advertiser acceptance of Internet broadcasting services will be important to the success of JumpTV's business. JumpTV's ability to generate advertising revenue will be directly affected by the number of subscribers to its service and the amount of time subscribers spend viewing JumpTV's various program offerings. JumpTV's ability to generate advertising revenue will also depend on several other factors, including the level and type of market penetration of JumpTV's service, broadening its relationships with advertisers to small and medium size businesses, its user base being attractive to advertisers, its ability to derive better demographic and other information from users, the acceptance of IPTV by advertisers as an advertising medium, its ability to transition and expand into other forms of advertising, competition for advertising funds from other media and changes in the advertising industry and economy generally. JumpTV will compete directly for audiences and advertising revenue with other Internet video broadcasters, direct broadcast satellite television providers and digital and traditional cable providers, some of which maintain longstanding relationships with advertisers and possess greater resources than JumpTV.

Advertising is a discretionary business expense for many business organizations and industries. Consequently, a potential slowdown in the economies or in a particular business sector that represents a significant share of JumpTV's advertising revenue, could adversely affect JumpTV's advertising revenue and results of operations. In addition, advertising on the Internet may fall out of favour with advertisers. JumpTV's expense levels are based in part on expectations of future revenue. JumpTV may be unable to adjust spending quickly enough to compensate for any unexpected revenue shortfall.

The sources of Internet advertising revenues are changing and as a result, JumpTV must adapt to the needs of a changing mix of advertisers to maximize advertising revenue.

The sources of Internet advertising revenues are shifting from Internet companies to companies in more traditional lines of business. These advertisers often have substantially different requirements and expectations than Internet companies with respect to advertising programs. In addition, companies in more traditional lines of business have only recently begun to increase their aggregate commitments to Internet advertising. JumpTV's advertising revenues and results of operations could be adversely affected if JumpTV is unsuccessful in adapting to the needs of the changing mix of advertisers on the Internet.

In addition, JumpTV's revenue model may become increasingly supported by advertising revenues in response to competition or in an attempt to maximize long-term revenues. There can be no assurances that JumpTV would be successful in sustaining an advertising based revenue model if it were to switch from its current subscription based revenue model.

Decreases or delays in advertising spending due to general economic downturns could harm JumpTV's ability to generate advertising revenue.

Expenditures by advertisers tend to be cyclical, reflecting overall economic conditions as well as budgeting and buying patterns. The overall market for advertising, including Internet advertising, has periodically been characterized by soft demand and the reduction of marketing and advertising budgets, or the delay in spending of budgeted resources. As a result, advertising spending may decrease. The decrease in or delay of advertising spending could reduce JumpTV's future revenue and negatively impact its business, financial condition and results of operations.

JumpTV may be unable to manage rapidly expanding operations.

JumpTV is continuing to grow and diversify its business both domestically and internationally. As a result, JumpTV will need to expand and adapt its operational infrastructure and increase the number of personnel in certain areas. If JumpTV is unable to manage its growth effectively, it could have a material adverse effect on JumpTV's business, financial condition and results of operations. To manage growth effectively, JumpTV must, among other things, continue to develop its internal and external sales forces, the JumpTV Delivery Infrastructure capability, its customer service operations and its information systems and maintain its relationships with channel partners. JumpTV will also need to continue to expand, train and manage its employee base, and JumpTV's management must assume even greater levels of responsibility. If JumpTV is unable to manage growth effectively, it may experience a decrease in subscriber growth and an increase in subscriber Churn, which could have a material adverse effect on JumpTV's financial condition, profitability and cash flows.

Acquisitions and strategic investments could adversely affect JumpTV's operations and result in unanticipated liabilities.

JumpTV may in the future acquire or make strategic investments in a number of companies, including through joint ventures. Such transactions may result in dilutive issuances of equity securities, use of cash resources, incurrence of debt and amortization of expenses related to intangible assets. JumpTV's acquisitions and strategic investments would be accompanied by a number of risks, including:

- the difficulty of assimilating operations and personnel of acquired companies into JumpTV's operations;
- the potential disruption of ongoing business and distraction of management;
- additional operating losses and expenses of the businesses acquired or in which JumpTV invests;
- the difficulty of integrating acquired technology and rights into JumpTV's services and unanticipated expenses related to such integration;
- the potential for patent and trademark infringement claims against the acquired company;
- the impairment of relationships with customers and partners of the companies JumpTV acquired or in JumpTV's customers and partners as a result of the integration of acquired operations;
- the impairment of relationships with employees of the acquired companies or JumpTV's employees as a result of integration of new management personnel;
- the difficulty of integrating the acquired company's accounting, management information, human resources and other administrative systems;
- in the case of foreign acquisitions, uncertainty regarding foreign laws and regulations and difficulty integrating operations and systems as a result of cultural, systems and operational differences; and
- the impact of known potential liabilities or unknown liabilities associated with the companies JumpTV acquires or in which it invests.

JumpTV's failure in addressing such risks in connection with future acquisitions and strategic investments could prevent JumpTV from realizing the anticipated benefits of such acquisitions or investments, causing it to incur unanticipated liabilities and harm JumpTV's business generally.

JumpTV's business depends on the continued growth and maintenance of the Internet infrastructure.

The success and the availability of Internet-based products and services depends in part upon the continued growth and maintenance of the Internet infrastructure itself, including its protocols, architecture, network backbone, data capacity and security. Spam, viruses, worms, spyware, denial of service attacks and other acts of malice may affect not only the Internet's speed, reliability and availability but also its continued desirability as a vehicle for commerce, information and user engagement. If the Internet proves unable to meet the new threats and increased demands placed upon it, JumpTV's business plans, user and advertiser relationships, site traffic and revenues could be adversely affected.

There is no assurance that the current costs of Internet connections and network access will not rise with increasing popularity of IPTV services which would adversely affect JumpTV's business.

JumpTV relies on Internet service providers for its principle connections and network access and to stream audio and video content to subscribers. As demand for IPTV services increases, there can be no assurance that Internet service providers will continue to price their network access services on reasonable terms. The delivery of streaming media requires delivery of large content files and providers of network access may change their business model and increase their prices significantly, which could slow the widespread acceptance of such services. In order for JumpTV's media content services to be successful, there must be a reasonable price model in place to allow for the continuous distribution of large streaming media files. JumpTV has limited or no control over the extent to which any of these circumstances may occur, and if network access prices rise significantly, then JumpTV's business and operating results would likely be adversely affected.

Internet transmissions may be subject to theft and malicious attacks, which could cause JumpTV to lose subscribers and revenue.

Like all Internet transmissions, JumpTV's broadcasts may be subject to interception and malicious attack. Pirates may be able to obtain or rebroadcast JumpTV's programs without paying fees to JumpTV. The JumpTV Delivery Infrastructure is exposed to spam, viruses, worms, spyware, denial of service or other attacks by hackers and other acts of malice. Theft of JumpTV's channels or attacks on JumpTV's Delivery Infrastructure would reduce future potential revenue and increase JumpTV's net Subscriber Acquisition Costs. In addition, theft of programming from JumpTV's competitors could increase JumpTV's own subscriber Churn rate.

Compromises of JumpTV's security technology could also adversely affect its ability to contract for licenses to distribute television programming over the Internet. JumpTV uses security measures intended to make theft of its channels more difficult. However, if JumpTV is required to upgrade or replace existing security technology, the cost of such security upgrades or replacements could have a material adverse effect on JumpTV's financial condition, profitability and cash flows. In addition, other illegal methods that compromise Internet transmissions may be developed in the future. If JumpTV cannot control compromises of its channels, then its revenue, net Subscriber Acquisition Costs, Churn and ability to contract for licenses to distribute television programming over the Internet could be materially adversely affected.

A bankruptcy of a third party with which JumpTV has a significant relationship could harm JumpTV's results of operations.

In the event that any of the third parties with whom JumpTV has significant relationships, including its channel partners and other suppliers, files a petition in or is assigned into bankruptcy or becomes insolvent, or makes any assignment for the benefit of creditors or makes any arrangements or otherwise becomes subject to any proceedings under applicable bankruptcy laws or insolvency laws with a trustee, or a receiver is appointed in respect of a substantial portion of its property, or such a third party liquidates or winds up its daily operations for any reason whatsoever, then JumpTV's business, financial position and results of operations may be materially and adversely affected.

Rapid technological and industry changes could make JumpTV's service obsolete.

The Internet video broadcasting industry and the Internet and the video entertainment industries in general are characterized by rapid technological change, frequent new product innovations, changes in customer requirements and expectations and evolving industry standards. There is no assurance that one or more of the technologies that will be utilized by JumpTV will not become obsolete or that JumpTV's services will be in demand at the time they are offered. If JumpTV or its suppliers are unable to keep pace with technological and industry changes, JumpTV's business may be unsuccessful. Products using new technologies used by JumpTV or its suppliers, or emerging industry standards, could make technologies used by JumpTV or its suppliers obsolete. In addition, JumpTV may face unforeseen problems in operating the JumpTV Delivery Infrastructure that could harm its business. JumpTV will depend on third parties to develop technologies used in key elements of Internet video broadcasting and more advanced technologies that JumpTV may wish to use may not be available to it on reasonable terms or in a timely manner. Further, JumpTV's competitors may have access to technologies not available to JumpTV, which may enable its competitors to offer entertainment products of greater interest to consumers or at more competitive costs.

JumpTV cannot assure investors that it will be able to enhance its current services or develop new services at competitive prices or in a timely manner.

JumpTV's future success depends upon its ability to enhance its current services and develop and introduce new services that offer enhanced performance and functionality at competitive prices. JumpTV's business may be adversely affected if new technologically advanced services that JumpTV does not offer achieve acceptance among customers. JumpTV's inability, for technological or other reasons, to enhance, develop and introduce services in a timely manner, or at all, in response to changing market conditions or customer requirements could have a material adverse effect on JumpTV's operating results.

Privacy concerns relating to elements of JumpTV's service could damage its reputation and deter current and potential users from using its products and services.

From time to time, concerns may be expressed about whether JumpTV's products and services compromise the privacy of users and others. Concerns about JumpTV's collection, use or sharing of personal information or other privacy related matters, even if unfounded, could damage JumpTV's reputation and result in a loss of user confidence and ultimately in a loss of users, partners or advertisers, which could adversely affect JumpTV's business and operating results.

Changes in regulations or user concerns regarding privacy and protection of user data could adversely affect JumpTV's business.

Domestic and international laws and regulations may govern the collection, use, sharing and security of data that JumpTV receives from its users and channel partners. In addition, JumpTV has its own privacy policies and practices concerning the collection, use and disclosure of user data. Any failure, or perceived failure, by JumpTV to comply with its privacy policies or with any data-related consent orders, or with domestic or international privacy-related laws and regulations could result in proceedings or actions against JumpTV by governmental entities or others, which could potentially have an adverse effect on JumpTV's business.

There are a large number of legislative proposals pending before domestic and foreign governments concerning privacy issues related to Internet-based business. It is not possible to predict whether or when such legislation may be adopted. Certain proposals, if adopted, could impose requirements that may result in a decrease in JumpTV's user registrations and revenues. In addition, there is uncertainty in the interpretation and application of user data protection laws. These laws may be interpreted and applied inconsistently from country to country and inconsistently with JumpTV's current data protection policies and practices. Complying with these varying international requirements could cause JumpTV to incur substantial costs or require it to change its business practices in a manner adverse to its business.

JumpTV may have exposure to greater than anticipated tax liabilities.

JumpTV is subject to income taxes and non-income taxes in a variety of jurisdictions and its tax structure is subject to review by both domestic and foreign taxation authorities. The determination of its world-wide provision for income taxes and other tax liabilities requires significant judgment and, in the ordinary course of its business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although JumpTV believes that its estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded on JumpTV's consolidated financial statements and may materially affect JumpTV's financial results in the period or periods for which such determination is made.

JumpTV relies on insurance to mitigate certain risks and to the extent the cost of insurance increases or JumpTV is unable or chooses not to maintain sufficient insurance, its operating results may be adversely affected.

JumpTV contracts for insurance to cover certain potential risks and liabilities. In the current environment, insurance companies are increasingly specific about what they will and will not insure. It is possible that JumpTV may not be able to get enough insurance to meet its needs, may have to pay very high prices for the coverage or may not be able to acquire any insurance for certain types of business risk. In addition, JumpTV has in the past and may in the future choose not to obtain insurance for certain risks facing its business. This could leave JumpTV exposed to potential claims. If JumpTV was found liable for a significant claim in the future, its operating results could be negatively impacted. Also, to the extent the cost of maintaining insurance increases, its operating results will be negatively affected.

JumpTV has operated during periods in which it was not covered by adequate insurance. JumpTV is therefore exposed to the risk of having to finance any potential claims against JumpTV relating to the periods in which it was not covered. In addition, several of JumpTV's operating agreements contain covenants that require JumpTV to maintain a specified type and/or amount of insurance. JumpTV is in technical breach of these agreements by not having carried insurance as required under these covenants during particular periods and there is a risk that such agreements are terminable as a result of JumpTV's breach of the material terms thereof.

JumpTV is subject to foreign business, political and economic disruption risks.

JumpTV contracts with various entities from around the world, including in respect of the acquisition of the Internet distribution rights to the channels. As a result, JumpTV is exposed to foreign business, political and economic risks, which could adversely affect JumpTV's financial position and results of operations, including: (i) difficulties in managing channel partner relationships from outside of a channel partner's jurisdiction; (ii) political and economic instability, including international tension in Iraq, Korea, Syria, and Sudan; (iii) less developed infrastructures in newly industrializing countries; (iv) susceptibility to interruption of channel feeds in foreign areas due to war, terrorist attacks, medical epidemics, changes in political regimes and general interest rate and currency instability; (v) exposure to possible litigation or claims in foreign jurisdictions; and (vi) competition from foreign-based IPTV providers and the existence of protectionist laws and business practices that favour such providers.

Liability risk relating to the nature and/or type of content that JumpTV rebroadcasts over the Internet.

JumpTV may be liable, or alleged to be liable to third parties, if the content that it rebroadcasts is found to be obscene, indecent or defamatory. Any alleged liability could harm JumpTV's business by damaging its reputation, requiring JumpTV to incur legal costs in defense, exposing JumpTV to awards of damages and costs and diverting management's attention which could have an adverse effect on JumpTV's business, results of operations and financial condition.

Risk Factors Related to Regulatory Matters

Operating in Foreign Jurisdictions

The Company's current and future development opportunities partly relate to geographical areas outside of Canada. There are a number of risks inherent in international business activities, including government policies concerning the import and export of goods and services, costs of localizing products and subcontractors in foreign countries, costs associated with the use of foreign agents, potentially adverse tax consequences, limits on repatriation of earnings, the burdens of complying with a wide variety of foreign laws, nationalization and possible social, labour, political and economic instability. There can be no assurance that such risks will not adversely affect the Company's business, financial condition and results of operations.

Furthermore, a portion of the Company's expenditures and revenues will be in currencies other than the Canadian dollar. The Company's foreign exchange exposure may change over time with changes in the geographic mix of its business activities. Foreign currencies may be unfavourably impacted by global developments, country-specific events and many other factors. As a result, the Company's future results may be adversely affected by significant foreign exchange fluctuations.

JumpTV is subject to government regulation of the Internet, the impact of which is difficult to predict.

There are currently few laws or regulations directly applicable to the Internet. The application of existing laws and regulations to JumpTV relating to issues such as user privacy, defamation, pricing, advertising, taxation, promotions, consumer protection, content regulation, quality of products and services, and intellectual property ownership and infringement can be unclear. In addition, JumpTV will also be subject to new laws and regulations directly applicable to its activities. Any existing or new legislation applicable to JumpTV could expose it to substantial liability, including significant expenses necessary to comply with such laws and regulations, and dampen the growth in use of the Internet.

Changes in applicable regulatory requirements could have significant adverse effects on JumpTV's business.

An important factor in achieving any sustained profitability for JumpTV will be its ability to maintain Internet broadcasting rights in respect of its channels. Television broadcasting rights are subject to significant regulatory oversight in many of the jurisdictions from which JumpTV's channels originate or into which JumpTV transmits its channels. There is a risk that Internet broadcasting rights to the channels, or the provision of Internet content generally, could become subject to these broadcasting regulations or to future government regulation in the jurisdictions from which the channels originate or in the jurisdictions into which JumpTV transmits its channels. Currently, JumpTV may fall within the statutory definition of a multichannel video program distributor ("MVPD"), making it subject to the provisions of the Communications Act of 1934 of the United States, as amended and Federal Communications Commission ("FCC") regulations applicable to MVPDs. However, the FCC has not ruled whether Internet distribution services are MVPDs, and as such, the Board of Directors do not consider that the statutory and regulatory requirements of MVPDs apply to the Company. If JumpTV were found to be an MVPD, JumpTV would be required to scramble any sexually explicit programming it distributed, close caption programs it offered subscribers and be subject to the FCC's equal employment opportunity rules but would not be subject to licensing, rate regulation or be required to secure approval before commencing service.

In addition, JumpTV itself could become subject to significant regulation by the Canadian Radio-television and Telecommunications Commission (the "CRTC") as a Canadian company providing video broadcasting services. Depending upon the circumstances, non-compliance with legislation or regulations promulgated by applicable regulatory authorities could result in a significant adverse effect on JumpTV's business, financial condition and results of operations, including the suspension or revocation of any licenses or registrations, the termination or loss of contracts or rights to distribute television programming over the Internet, a reduction in the amount of channels and other services available to the subscribers, or the imposition of contractual damages, civil fines or criminal penalties.

Governments and regulatory authorities in many jurisdictions regularly review their broadcasting rules and policies, including the application of those rules and policies to new and emerging media. Proposed amendments to the European Union's Television without Frontiers Directive, if adopted in their present form, could result in the provision of subscription television program services over the Internet in the United Kingdom and other European Union member countries becoming subject to regulation, including a licensing requirement. Whether JumpTV would be subject to such requirements, if adopted in their present form, is unclear. In Canada, the CRTC has recently announced a review of the future environment for the broadcasting system in Canada, including the effect of new media. While JumpTV is not aware of any proposed regulatory initiatives affecting IPTV in any of the jurisdictions in which its subscribers reside, there can be no assurance that television broadcasting regulations will not be amended in the future in a manner that requires JumpTV to be licensed in particular jurisdictions in order to continue broadcasting its channels to subscribers in those jurisdictions or which otherwise affects its operations in a materially adverse manner.

JumpTV may not be aware of certain foreign government regulations.

Because regulatory schemes vary by country, JumpTV may presently be subject to regulations in foreign countries of which it is not presently aware. If that were to be the case, then JumpTV could be subject to sanctions by a foreign government that could materially adversely affect its ability to broadcast content from channel partners in that country or to subscribers in that country. JumpTV cannot guarantee that any current regulatory approvals held by JumpTV are, or will remain, sufficient in the view of foreign regulatory authorities, or that necessary approvals, whether additional or otherwise, will be granted on a timely basis or at all, in all jurisdictions in which JumpTV has channel partners or subscribers, or that applicable restrictions in those jurisdictions will not be unduly burdensome. The failure to obtain the authorizations necessary to acquire or distribute television programming over the Internet internationally could have a material adverse effect on JumpTV's ability to generate revenue and on its overall competitive position.

JumpTV, its subscribers and channel partners and other parties with which JumpTV does business may be required to hold authorizations in the countries in which they provide or receive services, as the case may be. Because regulations in each country are different, JumpTV may not be aware if some of its subscribers or channel partners or companies with which JumpTV does business, do not hold the requisite licenses and approvals.

JumpTV may be subject to legal liability for online services.

The law relating to the liability of providers of online services for the activities of their users is currently unsettled both domestically and internationally. Potential claims could be brought against JumpTV for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that JumpTV provides, links to or that may be posted online. It is also possible that, if any information provided directly by JumpTV contains errors or is otherwise negligently provided to users, third parties could make claims against JumpTV. Investigating and defending any of these types of claims is expensive, even to the extent that the claims are without merit or do not ultimately result in liability.

Critical Accounting Estimates

JumpTV's discussion and analysis of its financial condition and results of operations is based upon the Company's consolidated financial statements, which have been prepared in accordance with Canadian GAAP.

The preparation of these consolidated financial statements requires the Company to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to 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. JumpTV bases its estimates on historical experience and on various other assumptions that JumpTV believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from these estimates under different assumptions or conditions.

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and judgements 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

The Company's significant accounting policies are included in Note 2 to the consolidated financial statements. Certain of these policies involve critical accounting estimates because they require the Company to make judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported if different assumptions were used. The following section discusses the critical accounting estimates and assumptions that the Company has made that are reflected in the amounts reported in the consolidated financial statements.

Revenue Recognition

The Company recognizes revenue from subscribers when the following conditions have been met:

- persuasive evidence of an arrangement exists;
- delivery has occurred;
- the price is fixed or determinable; and
- collectibility is reasonably assured.

Revenue is recorded net of refunds and volume discounts related to channel bundling. Revenue is considered earned as the period of service related to the customer billing or payment received in advance elapses. JumpTV defers the portion of subscription revenue for which the services have not been completely rendered until such time that the Company determines that the services have been rendered.

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. 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 of Directors 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 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.

Goodwill and Intangibles Assets

The purchase price of an acquired company is allocated between intangible assets and the net tangible assets of the acquired business with the residual of the purchase price recorded as goodwill. The determination of the value of the intangible assets acquired involves certain judgments and estimates. These judgments can include, but are not limited to, the cash flows that an asset is expected to generate in the future and the appropriate weighted average cost of capital.

As at December 31, 2006 goodwill totaled \$102,069 and the identifiable intangible assets totaled \$312,140. The Company assesses the impairment of goodwill and identifiable intangible assets annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortization Policies and Useful Lives

The Company amortizes the cost of property, plant and equipment and intangible assets over the estimated useful service lives of the items. The determinations of estimated useful lives of these long-lived assets involve considerable judgment. In determining these estimates, the Company takes into account industry trends and company specific factors including changing technologies and expectations for the in-service period of these assets. On an annual basis, the Company reassesses its existing estimates of useful lives to ensure they match the anticipated life of the technology from a revenue producing perspective. If technological change happens more quickly than anticipated, the Company might have to shorten the estimated life of certain equipment which could result in higher amortization expense in future periods or an impairment charge to write down the value of equipment.

Controls and Procedures

As required by Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings issued by the Canadian Securities Administrators, JumpTV's Chief Executive Officer and Chief Financial Officer have made certain certifications related to the information in JumpTV's annual filings (as defined by Multilateral Instrument 52-109) with the provincial securities regulators.

Evaluation of Disclosure Controls and Procedures

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for establishing and maintaining disclosure controls and procedures and have designed such disclosure controls and procedures (or caused such disclosure controls and procedures to be designed under their supervision) to provide reasonable assurance that material information with respect to JumpTV, including its consolidated subsidiaries, is made known to them and that they have evaluated the effectiveness of JumpTV's disclosure controls and procedures as of the end of the period covered by these annual filings. Disclosure controls and procedures ensure that information required to be disclosed by JumpTV in the reports that it files or submits to the provincial securities regulators is recorded, processed, summarized and reported, within the time periods required. JumpTV has adopted or formalized such controls and procedures as it believes are necessary and consistent with its business and internal management and supervisory practices.

The Company's Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Multilateral Instrument 52-109), have concluded that, as of December 31, 2006, the Company's disclosure controls and procedures are effective.

Management's annual report on internal control over financial reporting

As part of the Form 52-109 certification, the Chief Executive Officer and Chief Financial Officer must also certify that they are responsible for establishing and maintaining internal control over financial reporting and have designed such internal control over financial reporting (or caused such internal control over financial reporting to be designed under their supervision). The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions with respect to JumpTV's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with the authorizations of the Company's management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the Company's financial statements.

The Company's Chief Executive Officer and Chief Financial Officer have concluded that, as at December 31, 2006, the Company has designed such internal control over financial reporting (as defined in Multilateral Instrument 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. The Company is satisfied with the design effectiveness of its internal controls over financial reporting. During the fourth quarter of 2006, the Company's internal controls detected certain immaterial expense errors and the Company is, as a result, conducting further review of the errors and testing to determine if any improvements in internal controls are advisable.

Management identified the following deficiencies in our control environment based on the criteria established in the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework:

- The Audit Committee of the Board of Directors of JumpTV did not meet the independence requirements of National Instrument 52-110.
- The Board of Directors of JumpTV did not meet the independence requirements of National Policy 58-201.

Subsequent to December 31, 2006, but prior to the issuance of this MD&A, the Company reconstituted its Audit Committee to comply with the independence requirements of National Instrument 52-110.

Changes in internal controls over financial reporting

There were no changes in the Company's internal controls over financial reporting that occurred during fiscal 2006 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The design of any system of internal controls and procedures is based in part upon certain assumptions about the likelihood of certain events. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

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.

(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.

Liquidity and Capital Resources

Prior to August 10, 2006, JumpTV had funded its operations through previous private placements of equity securities. The funds generated from these private placements were primarily used for working capital purposes. On August 10, 2006, the Company completed an IPO of 13,273,500 common shares for net proceeds of \$55,630,291 including the exercise of the underwriters' over-allotment option.

The Company's final prospectus dated August 1, 2006 stated that the net expected proceeds of Cdn \$55 million were to be allocated to the following purposes:

- \$5.9 million (Cdn \$7 million) to fund the continued roll-out of the JumpTV Delivery Infrastructure;
- \$8.4 million (Cdn \$10 million) to fund further investment in product development and technology;
- \$16.8 million (Cdn \$20 million) to fund JumpTV's subscriber acquisition strategy; and
- the balance to fund general corporate expenditures.

As of December 31, 2006, the Company's spending from the IPO proceeds was as follows:

- \$2.0 million to fund the continued roll-out of the JumpTV Delivery Infrastructure;
- \$2.7 million to fund further investment in product development and technology;
- \$0.9 million to fund JumpTV's subscriber acquisition strategy; and
- \$6.0 million to fund general corporate expenditures

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 offering of securities are estimated to be approximately \$93,000,000, net of the estimated offering expenses and underwriters' fees.

The net proceeds from this offering will be used primarily to fund the continued roll-out of the JumpTV delivery infrastructure, to fund further investment in product development and technology, to fund JumpTV's subscriber acquisition strategy as well as to fund general corporate expenditures and working capital requirements of JumpTV's business including possible acquisitions. In keeping with its overall strategy, the Company is currently evaluating various potential acquisition opportunities. If agreement on one or more acquisition transactions is reached, all or a portion of the net proceeds of the offering may be re-allocated to effect such acquisitions.

Summary Balance Sheet Data:

	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
	\$	\$
Current Assets		
Cash and cash equivalents	21,936,878	5,475,052
Short-term investments	28,115,378	-
Other receivables	723,621	78,309
Prepaid expenses and deposits	<u>1,178,119</u>	<u>14,812</u>
Total current assets	<u><u>51,953,996</u></u>	<u><u>5,568,173</u></u>
Current Liabilities		
Accounts payable and accrued liabilities	3,950,284	1,008,845
Bank loan	1,287,150	-
Due to related parties	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	1,087,760	-
Deferred revenue	205,314	56,268
Income taxes payable	<u>61,800</u>	<u>16,800</u>
Total current liabilities	<u><u>7,085,682</u></u>	<u><u>1,495,420</u></u>
Working capital ratio	<u><u>7.33</u></u>	<u><u>3.72</u></u>

Contractual Obligations and other commitments

The following table summarizes the Company's contractual commitments as at December 31, 2006, and the effect those commitments are expected to have on liquidity and cash flow in future periods:

<u>Contractual Commitments</u>	<u>Payments Due by Period</u>				
	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>After 5 Years</u>	<u>Total</u>
Operating leases (1)	\$ 1,585,172	\$ 1,631,733	\$ 1,467,054	\$ 282,628	\$ 4,966,587
Marketing and license fees (2)	910,194	1,591,024	208,500	-	2,709,718
Total	<u><u>\$ 2,495,366</u></u>	<u><u>\$ 3,222,757</u></u>	<u><u>\$ 1,675,554</u></u>	<u><u>\$ 282,628</u></u>	<u><u>\$ 7,676,305</u></u>

- (1) The Company has entered into operating lease agreements for premises as well as certain hardware and infrastructure equipment. See Note 12 in the consolidated financial statements for additional details.
- (2) The Company has entered into agreements with channel partners and a co-marketing partner with marketing fee and content license fee commitments.

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.

The Company also has a \$1,287,150 (Cdn \$1,500,000) credit facility with a Canadian chartered bank which has been fully drawn upon as of December 31, 2006. Subsequent to December 31, 2006, this loan has been fully repaid.

Comparative Summarized Cash Flows

<u>Selected Consolidated Cash Flow Data</u>	Year ended, December 31, 2006	Nine months ended December 31, 2005
Cash flows used in operating activities	\$ (19,821,454)	\$ (3,355,676)
Cash flows used in investing activities	\$ (29,706,587)	\$ (269,525)
Cash flows provided by financing activities	\$ 65,989,867	\$ 7,969,683

Operating Activities

Cash used in operating activities for the year ended December 31, 2006 was \$19,821,454. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$25,597,096 for the year then ended;
- non-cash items adjusted to net loss in the amount of \$4,526,437, which primarily relates to stock-based compensation; and
- a positive net change in operating assets and liabilities of \$1,249,205.

Investing Activities

Cash used in investing activities for the year ended December 31, 2006 was \$29,706,587. The primary use of these funds was for the purchase of short-term investments and for capital expenditures primarily relating to equipment for JumpTV's delivery infrastructure. Also included in investing activities is the net cash consideration paid for the acquisition of HVMedia, Limited. The Company recorded goodwill and amortizable intangible assets in the amount of \$460,069 as a result of this acquisition. See Note 3 of the consolidated financial statements for additional details.

A summary of JumpTV's equipment, including delivery infrastructure equipment (at original cost) is as follows:

Property, plant and equipment

	December 31, 2006	December 31, 2005
Computer equipment	\$ 507,217	\$ 225,459
Infrastructure equipment	773,198	220,433
Computer software	169,614	23,099
Furniture and fixtures	124,683	18,130
Leasehold improvements	58,386	-
	<u>\$ 1,633,098</u>	<u>\$ 487,121</u>

Financing Activities

Cash provided by financing activities was \$65,989,867 for the year ended December 31, 2006. This primarily reflects net proceeds raised from the IPO in the amount of \$55,630,291 including the exercise of the underwriters' over-allotment option.

In the future, JumpTV expects that it will continue to use its cash resources to fund working capital for losses generated by its operations, as it continues to invest in its delivery infrastructure, product development and subscriber acquisition strategy. The Company believes existing cash, cash equivalents and short-term investments will be sufficient to satisfy normal working capital needs and capital expenditures for at least the next twelve months. However, the Company may sell additional equity securities to further enhance its liquidity position and the sale of additional equity securities could result in dilution to its shareholders.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of December 31, 2006.

Related Party Transactions

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 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. During the year ended December 31, 2006, this contract was transferred to JumpTV from a company controlled by the President of the Company.

Outstanding Share Data

The Company has total common shares outstanding as at March 22, 2007 of 48,465,185. In addition, the Company has 6,235,143 outstanding options, warrants and stock appreciation rights which are each exchangeable for one common share upon exercise.