

# **JUMPTV**

**JUMPTV INC.**

**FISCAL 2007**

**FORM 51-102F1**

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

**FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006**

## **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 26, 2008, should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2007 and 2006, 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 2007 which can be found on [www.sedar.com](http://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 comparable twelve 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 as at the date hereof.

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, except as required by law. 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.

## Recent Developments

Effective November 12, 2007, the Company appointed Mr. Jordan Banks as Chief Executive Officer of JumpTV, and Mr. G. Scott Paterson, Executive Chairman. Mr. Banks was already serving as a non-executive Board member of JumpTV and was most recently managing director of eBay Canada, the number one online shopping destination in Canada.

On February 14, 2008, Jordan Banks outlined an eight-point strategy that encompasses the new direction for JumpTV:

1. Become laser-focused on acquiring top-tier content to attract sports fans and Hispanic audiences;
2. Reduce costs related to acquiring and streaming all non-Latin American international content by creating partnerships with complementary media companies;
3. Explore the sale of the JumpTV content delivery network to maximize the value of the asset while minimizing the related ongoing operational cost to JumpTV;
4. Continue to build its advertising sales team;
5. Heighten focus on the JumpTV service layer to increase monetization of NCAA and international sports properties;
6. Increase engagement and interactivity for JumpTV users by immediately integrating a robust set of social media tools;
7. Consolidate offices and reconstitute a new executive team in Toronto to realize operational efficiencies and related savings from previous M&A activities; and
8. Continue to cull non-performing content.

On February 19, 2008, the Company announced key additions to the Company's executive team which include: Blair Baxter, Chief Financial Officer; Elmer Sotto, Vice President, Product and Business Operations; and Jay Howard, Vice President and General Counsel. JumpTV has appointed Nada Usina to President of JumpTV Inc. from President of the JumpTV Sports division.

## Summary Description of JumpTV

JumpTV is the one of the world's leading broadcasters of international television and sports content over the Internet.

JumpTV has agreements with approximately 300 television channels partners from over 75 countries and approximately 175 sports content partners from over 30 countries and virtually every US state. The Company's international television content has an emphasis, at present, on content from Latin American, the Arabic speaking world and South Asia. The Company's sports content has an emphasis on US college sports such football and basketball with over 130 university and college sites hosted by JumpTVSports.

Sporting content is JumpTV's primary driver of subscriptions and traffic. News content is also a major driver and music and entertainment are the other key drivers of interest in JumpTV content. With respect to sports, JumpTV is increasingly active in streaming content that is complementary to its international channel line-up including soccer events such as select FIFA qualifiers and tournaments, Euro2008 qualifiers and UEFA Cup matches.

JumpTV has three primary revenue sources; (i) subscriptions, (ii) advertising, and (iii) services to its content partners.

(i) Viewers of JumpTV may subscribe to premium services including monthly/multi-month or annual subscriptions to watch streamed live television channels and sporting events. As at December 31, 2007, the Company had approximately 85,000 subscribers for all of its content with an ARPU (average revenue per user per month) of approximately \$10 per month. Viewers of JumpTV in the United States may watch over 120 international television channels that are free to consumers through jumptv.com and other affiliate partner sites such as AOL.com and Terra.com. Viewers may additionally watch sporting content on a free basis, including replays of games, video on demand clips and highlights, statistics, interviews and other content including certain social networking functions, all of which generate traffic which the Company monetizes through advertising revenue. JumpTV launched its first free to consumer channels on June 1, 2007.

(ii) In the month of December 2007, JumpTV had over 8 million unique visitors, over 4.3 million stream views and over 117 million advertising impressions on its site, the college sports sites it hosts and its affiliate sites which syndicate its content. Advertisers can promote their products, services and brands on the entire JumpTV Network, or across either the JumpTV International or JumpTVSports networks, or choose to be more narrow in their targeting by advertising of a specific channel or partner site.

(iii) JumpTV's services to its content partners include software applications such as e-commerce/merchandise capabilities (for example sale of team jerseys), ticketing and site fee maintenance, as examples.

Over 90% of JumpTV's channel partner agreements provide for exclusive internet broadcasting rights across certain territories. A typical channel partner contract covers a three to four year initial term during which the content partner receives, on average, 20-30% of gross subscription revenue and 30% of gross advertising revenue.

JumpTV has developed an IP (Internet Protocol)-based global content delivery infrastructure to stream live, linear broadcast feeds to viewers around the world. The Company currently uses third party content delivery networks to stream most of its US originated live sporting events. In addition, the Company provides certain non-live, video on demand streaming through outsourced bandwidth providers. The JumpTV Delivery Infrastructure consists of a network of satellite downlink facilities, third party bandwidth providers and owned and outsourced rich media distribution servers across North America, Europe, the Middle East, Latin America, Asia and Africa.

On February 14, 2008, the Company announced as part of its refined strategic focus to explore the sale of the JumpTV content delivery network to maximize the value of their assets while minimizing the related ongoing operational cost to JumpTV.

JumpTV has approximately 240 full-time staff with principal offices in Toronto, Sanford (Florida) and London.

### **JumpTVSports**

On August 31, 2007, JumpTV acquired the Broadband Network (or "XOS Network") business unit of XOS Technologies Inc., based in Sanford, Florida, through an asset purchase agreement for US\$60.25 million and granted 1,570,000 in retention warrants and warrants to employees. The Company is currently integrating its operations related to content delivery/bandwidth, product development, advertising sales and general administration.

The Company has combined the XOS Network assets into a new division of the company called JumpTVSports, which also includes the Company's wholly-owned Hispanic sports content portal [www.SportsYa.com](http://www.SportsYa.com), CyclingTV and other sports properties including certain FIFA World Cup IP broadcast rights in Canada, Euro 2008 qualifying matches, Israel Football League and other sporting properties.

JumpTVSports is one of the largest online global sports networks streaming thousands of NCAA games including football, men's and women's basketball, volleyball, baseball and track & field events. JumpTV Sports currently has more than 150 official and exclusive broadband relationships with U.S. colleges, universities, conferences and professional sports teams including programs within the SEC, Big 12 and Big 10 NCAA Division I conferences.

In addition to live and video-on-demand ("VOD") streaming of sporting events, JumpTVSports provides custom-brand site design and Web hosting for its partner teams and athletic departments through a technology platform that includes Internet publishing tools, e-commerce solutions, online ticketing, mobile distribution capabilities and social networking technologies. JumpTVSports' proprietary functionality includes its "One Fan Profile" which content partners use to analyze data regarding their fans.

Like JumpTV International, JumpTV Sports typically has long-term exclusive agreements with its content partners and shares revenue generated by subscribers and advertising. As at December 31, 2007 JumpTV Sports had approximately 45,000 subscribers paying approximately \$10 per month. JumpTVSports generates millions of unique visitors and advertising impressions monthly by virtue of users consuming the free content that is published on its partner sites including VOD game highlights and clips, statistics, and social networking functions.

### **JumpTV International**

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, 2007, the Company has entered into license agreements with television broadcasters (referred to as "channel partners") representing approximately 300 channels from over 75 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 at December 31 2007, 276 channels were available for subscription through the Company's website. Additional linear channels and VoD libraries are being commercially launched on the Company's website and on third-party websites on an ongoing basis. When launched on third-party websites, the Company uses a proprietary Applications Programming Interface (API) called the "Jumper" to control all commercial and technical aspects of the content delivery to the end viewer.

JumpTV makes its channel partners' live linear feeds and VOD available, generally on a monthly subscription basis, through single-channel offerings ("a la carte" monthly pricing typically ranging from \$5.95 to \$9.95) and, increasingly, multi-channel packages ("bundled" monthly pricing typically ranging from \$9.95 to \$29.95). In addition, JumpTV has introduced longer term (multiple months) subscriptions for its subscribers with a la carte prices typically ranging in price from \$19.95 to \$24.95 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.

On May 24, 2007 the Company launched 84 of its channels on a free-to-consumer basis in the United States with a view to generating revenue through advertising. As at December 31, 2007 the Company had 112 of its channels available on a free-to-consumer basis. JumpTV has also launched 5 channels on a free-to-consumer basis in Canada. JumpTV intends to increase the number of ethnic channels and VOD content it offers on a free-to-consumer basis in the United States as well as assess the merits of offering selected content on a free-to-consumer basis in Canada and the United Kingdom.

As at December 31, 2007, JumpTV had approximately 30,500 subscribers (based on the number of unique credit cards numbers used to make purchases) that have purchased approximately 35,000 channels and bundled subscriptions.

For the year ended December 31, 2007, JumpTV had subscribers in over 120 countries with approximately 62% of its subscribers residing in the United States, 18% in Western Europe and 7% in Canada. JumpTV focused its marketing efforts in 2007 principally in North America and Western Europe. The bulk of the Company's subscriber acquisition and traffic generation efforts to date have targeted Internet search engine marketing and optimization and the Company expects that focus to continue.

To complement its marketing and distribution efforts, JumpTV has developed and continues to execute on its strategy of partnering with leading Internet service providers, major Internet portals and IPTV-enabled hardware manufacturers. The benefit of these partnerships for the Company is twofold: (i) through their existing audience and recognized brands, these partners provide a mechanism through which large numbers of potential users are exposed to JumpTV's content and services; and (ii) distribution efficiencies whereby in certain circumstances, JumpTV can leverage these partners' existing delivery network infrastructure, reducing JumpTV's content delivery costs.

JumpTV believes the primary user candidates for JumpTV ethnic 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.

It is JumpTV's policy to be globally compliant on all of its intellectual property rights. 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 IP-based 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.

## **CyclingTV**

On July 31, 2007 JumpTV closed the acquisition of CyclingTV based in based in London, England for a total of \$4.5 million which includes approximately \$2.267 million in cash payable on closing and approximately \$2.267 million in common stock.

CyclingTV is the leading online video network offering dedicated cycling content to the global cycling audience. Users can view CyclingTV races for free at streaming speeds (bit rates) that offer a good quality viewing experience. To achieve a very high quality viewing experience, users become subscribers and can view the races at very high streaming speeds (bit rates). CyclingTV offers advertisers an affluent targeted audience and viewers from over 135 countries.

CyclingTV currently holds the internet broadcast rights to top-tier international cycling races including Vuelta a España (one of the three European "Grand Tour" races), Paris Roubaix, Tour de Suisse, Criterium Dauphine du Libere and the Amstel Gold Race. For the Tour de France, Cycling TV only offers clips because the Tour de France has yet to offer its races by way of broadband streaming.

As at December 31st, CyclingTV had approximately 9,500 paying subscribers who pay, on average, an annual fee of approximately £19.

## **Key Performance Indicators that Affect our Advertising Business**

In light of the Company's launching its advertising supported revenue model under which channels are made available free to viewers in the United States on a selective basis, the Company is in the process of adding certain key viewership metrics to its Key Performance Indicators ("KPI's"). Among other metrics that the company tracks and may report on from time to time there are three primary metrics that the Company believes are fundamental to helping assess its ad revenue potential; streams viewed, minutes viewed and unique visitors. These metrics correlate into advertising impressions that exist on JumpTV and/or its affiliated sites.

Viewership metrics noted below do not include viewing of JumpTV content on third party distributors such as AOL Video, Terra Networks and other distribution portals which the Company considers to be substantial.

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 "streams viewed", "minutes viewed", "unique visitors", "page views", "advertising impressions" and "sell-through-rate" 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 these advertising metrics and we believe that JumpTV's presentations of such indicators may not be calculated consistently with other companies in the same or similar business. These advertising metrics are measures of operational performance and not measures of financial performance under GAAP.

### **Streams Viewed**

The Company calculates streams viewed based on the number of streaming sessions lasting more than 30 seconds. Average monthly streams views for the period are equal to total stream views for the period divided by the number of months in the period.

### **Minutes Viewed**

The Company calculates minutes viewed based on the total number of minutes watched for all stream views. Average monthly minutes viewed for the period are equal to total minutes viewed for the period divided by the number of months in the period.

### **Unique Visitors**

The Company calculates unique visitors based on the total number of unique individuals visiting the Company's primary sites. Average monthly unique visitors for the period are equal to total unique visitors for the period divided by the number of months in the period.

### **Page views**

The Company calculates page views based on the total number of pages served. Average monthly page views for the period are equal to total page views for the period divided by the number of months in the period.

### **Advertising Impressions**

The Company calculates advertising impressions based on the number of times an advertisement is viewed by a user. If a webpage has more than one advertisement, multiple impressions will be counted when that page loads. Average monthly advertising impressions for the period are equal to total advertising impressions for the period divided by the number of months in the period.

**KEY PERFORMANCE INDICATORS THAT AFFECT JUMPTV'S ADVERTISING BUSINESS**

<b>KPI</b>	<b>Q4 2007</b>	<b>Quarterly Growth %</b>	<b>Q3 2007</b>	<b>Quarterly Growth %</b>	<b>Q2 2007</b>
<b>Average monthly stream views (millions)</b>	4.1	(10.9%)	4.6 *	80.8%	2.6
<b>Average monthly minutes viewed (millions)</b>	100.8	18.0%	85.4 *	35.7%	63.0
<b>Average monthly unique visitors (millions)</b>	10.0	47.1%	6.8 *	47.8%	4.6
<b>Average monthly page views (millions)</b>	94.0	42.4%	66.0 *	42.9%	46.2
<b>Average monthly advertising impressions (millions)</b>	207.4	77.4%	116.9	426.6%	22.2

The Company acquired CyclingTV on July 31, 2007 and JumpTV Sports on August 31, 2007. The figures shown above have not been prepared on a proforma basis.

\* - figures do not include CyclingTV

## **Key Performance Indicators – Subscription-based model**

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 the Company's 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.

The Company does not expect to continue to report on these subscription-based KPI's in the future

### **ARPU (Average Revenue per User)**

JumpTV calculates 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.

### **Subscriber Acquisition Costs ("SAC")**

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.

**JUMPTV INTERNATIONAL (EXCLUDES JUMPTV SPORTS AND CYCLING TV LIMITED)**

**JUMPTV KEY PERFORMANCE INDICATORS (KPIs) - SUBSCRIPTION BASED MODEL**

<b>KPI</b>	<b>As at December 31, 2007</b>	<b>Quarterly Growth %</b>	<b>As at September 30, 2007</b>	<b>Quarterly Growth %</b>	<b>As at June 30, 2007</b>	<b>Quarterly Growth %</b>	<b>As at March 31, 2007</b>	<b>Quarterly Growth %</b>	<b>As at December 31, 2006</b>	<b>Quarterly Growth %</b>
<b>Total Subscribers</b>	30,584	(8.2%)	33,330	11.2%	29,968	(0.3)%	30,062	22.4%	24,554	11.5%
<b>Total Subscriptions</b>	35,168	(8.8%)	38,555	12.9%	34,148	(1.0)%	34,496	22.6%	28,138	17.8%
<b>Channels signed</b>	319	4.6%	305	0.1%	302	7.9%	280	10.2%	254	12.9%

<b>KPI</b>	<b>Q4 2007</b>	<b>Quarterly Change %</b>	<b>Q3 2007</b>	<b>Quarterly Change %</b>	<b>Q2 2007</b>	<b>Quarterly Change %</b>	<b>Q1 2007</b>	<b>Quarterly Change %</b>	<b>Q4 2006</b>	<b>Quarterly Change %</b>
<b>ARPU</b>	\$11.72	1.6%	\$11.54	1.1%	\$11.42	(0.9)%	\$11.52	4.4%	\$11.04	17.1%
<b>SAC</b>	\$17.94	23.8%	\$14.49	(57.0)%	\$33.69	(34.9)%	\$51.72	31.9%	\$39.21	79.9%
<b>Churn</b>	15.6%	18.2%	13.2%	(0.8)%	13.3%	6.4%	12.5%	(53.4)%	26.9%	18.0%

**These Key Performance Metrics are for JumpTV International only and do not include Metrics for JumpTV Sports and Cycling TV**

Subscriptions were 35,168 as at December 31, 2007, down 8.8% from 38,555 as at September 30, 2007 and subscribers were 30,584 as at December 31, 2007, down 8.2% from 33,330 as at September 30, 2007. The Company experienced a reduction in subscriptions and subscribers during the period due to the free-to-consumer launch of approximately 112 of its previously subscription-based channels in the United States.

Churn for the three months ended December 31, 2007 was 15.6%, up 18.2% from 13.2% for the three months ended September 30, 2007. The increase in churn quarter over quarter was due to the launch of free-to-consumer channels predictably leading to cancellations of paid subscriptions.

For the fourth quarter of 2007, JumpTV's Subscriber Acquisition Costs was \$17.94, an increase of 23.8% compared to US\$14.49 in the third quarter of 2007.

Average monthly revenue per user (ARPU) was \$11.72 in the quarter ending December 31, 2007, a 1.6% increase from US\$11.54 in the third quarter of 2007.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the years ended December 31, 2007 and 2006 and as at December 31, 2007 and 2006 has been derived from the Company's audited consolidated financial statements and accompanying notes posted on [www.sedar.com](http://www.sedar.com). Readers should read the following information in conjunction with those statements and related notes.

	3 months ending,							
	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06	Mar-06
	\$	\$	\$	\$	\$	\$	\$	\$
<b><u>Consolidated Statement of Operations Data:</u></b>								
Revenue .....	4,791,534	2,004,056	1,175,924	1,003,146	748,864	534,671	426,988	350,508
Direct broadcast operating costs .....	(4,635,826)	(2,874,920)	(1,551,330)	(1,360,259)	(1,132,535)	(706,102)	(480,681)	(250,330)
Net loss for the period .....	(10,504,582)	(6,466,061)	(6,514,301)	(7,085,166)	(8,676,543)	(6,494,411)	(6,449,005)	(3,977,137)
Basic and diluted loss per share .....	(0.21)	(0.13)	(0.13)	(0.18)	(0.25)	(0.23)	(0.31)	(0.21)

	9 months Years ending,		
	Dec-07	Dec-06	Dec-05
	\$	\$	\$
<b><u>Consolidated Statement of Operations Data:</u></b>			
Revenue .....	8,974,659	2,061,031	1,081,268
Direct broadcast operating costs .....	(10,422,335)	(2,569,648)	(1,518,978)
Net loss for the period .....	(30,570,111)	(25,597,096)	(4,631,070)
Basic and diluted loss per share .....	(0.66)	(0.99)	(0.35)
	<b>Dec-07</b>	<b>Dec-06</b>	<b>Dec-05</b>
	\$	\$	\$

	<b>Dec-07</b>	<b>Dec-06</b>	<b>Dec-05</b>
	\$	\$	\$
<b><u>Consolidated Balance Sheet Data:</u></b>			
Cash and cash equivalents.....	51,202,984	21,936,878	5,475,052
Short-term investments .....	130,640	28,115,378	-
Total assets .....	129,973,931	53,860,544	6,149,886
Non-current liabilities .....	711,620	18,502	120,000
Total liabilities .....	11,522,305	7,104,184	1,615,420
Share capital .....	172,697,828	75,227,648	9,744,084
Total shareholders' equity .....	118,451,626	46,756,360	4,534,466

Note: On February 23, 2007, in connection with a public offering of the Company, the Company issued 13,043,479 common shares for net proceeds of \$93,104,131. Accordingly, cash, total assets, share capital and total shareholders' equity have all increased significantly since December 31, 2006 to December 31, 2007.

## 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 for JumpTV International 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 typically ranging from \$5.95 to \$9.95) and, increasingly, multi-channel packages ("bundled" monthly pricing typically ranging from \$10.95 to \$24.95). In addition, JumpTV has introduced longer term (multiple months) subscriptions for its subscribers, where a la carte prices typically ranging in price from \$24.95 to \$34.95 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.

In addition to subscription revenue, JumpTV International earns advertising revenue generated from offering selected channels on a free-to-consumer basis in the United States.

The primary sources of revenue recognized to date for JumpTVSports comprises revenue earned from subscription fees, advertising, e-commerce and annual fees related to web-site hosting, ticketing, donor, and guest management platforms. Subscription revenues are generated by offering client sporting content in packages on a one-time, monthly, seasonal, or annual basis at prices ranging from \$4.95 to \$99.95. JumpTVSports' subscription services are priced in US dollars, generally paid in advance, using credit card payment methods. Subscription revenues as reported are not recognized when cash is received, but rather are deferred and recognized on a daily basis over the service period of the subscription package. Advertising revenue is generated by displaying advertising impressions on client web-sites and as pre-roll segments during content delivery. Advertising revenue is typically earned on a "CPM" (cost per mille) basis at varying rates dependent on the level of audience targeting expected to be achieved during the advertising campaign. Advertising revenue is accrued and recognized in the period in which actual advertising impressions are delivered. E-commerce revenue includes revenue earned through online merchandise sales, auctions, and event registration activities. JumpTVSports recognizes e-commerce revenue on a net basis in the period in which the sale occurs. Annual fee revenue is earned by hosting web-sites, ticketing, donor, and guest management sites. Annual fees are typically billed in advance and comprise a significant portion of JumpTVSports accounts receivables. Annual fees are deferred and recognized over the service period of the contract.

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 for both JumpTV International and JumpTVSports 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 120 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 of JumpTV International are channel licensing costs, which represent consideration paid to JumpTV International'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 20%-30% on average) of the gross subscription revenue received each month by JumpTV International for subscriptions to the applicable channels. A small number of channel partners, primarily those 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. On advertising revenue, the channel partners generally receive a specified percentage (generally 30%-35% on average) of the gross revenue generated by JumpTV International for advertisements in respect of the applicable channels.

Also included in direct broadcast operating costs of JumpTV Sports are client revenue sharing costs, which represent consideration paid to JumpTV Sports' clients for content delivery rights. Pursuant to JumpTV Sports' client agreements, clients receive revenue shares calculated as a specified percentage of the gross subscription revenues received. Revenue sharing rates vary from agreement to agreement, but generally range from 20% to 50% depending on the volume of subscription transactions that take place. Advertising revenue sharing costs are also calculated as a specified percentage of the gross advertising revenues billed to advertisers and are typically 20% of gross revenue. E-Commerce cost of goods sold are comprised of revenue shares that are due to clients on certain transactions.

Amortization of the Company's infrastructure equipment, contractual agreements and website development is also 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 of JumpTV International 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. Members of the Client Relations and Client Sales groups of JumpTV Sports have historically been granted payments based on securing new client contracts and securing new revenue streams on existing client contracts. JumpTV Sports sales agents and client relations agents earn these payments under fixed commission arrangements;
- *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* – represents legal and accounting costs;
- *Wages and benefits* – represents expenses for the Company's full-time and part-time employees;
- *Subcontracting* – represents 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* – represents expenses for both global and local marketing programs that focus on various target ethnic communities and sports properties. These initiatives include both on-line and off-line marketing expenditures. These expenditures also include search engine marketing and search engine optimization.

### *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, 2007 compared to year ended December 31, 2006**

	<u>2007</u>	<u>2006</u>	<u>Change</u>
<b>Revenue</b> .....	\$ 8,974,659	\$ 2,061,031	\$ 6,913,628
<b>Direct broadcast operating costs</b> .....	<u>(10,422,335)</u>	<u>(2,569,648)</u>	<u>(7,852,687)</u>
	<u>(1,447,676)</u>	<u>(508,617)</u>	<u>(939,059)</u>
<b>Other costs and expenses</b>			
Selling, general and administrative .....	28,205,105	21,690,938	6,514,167
Stock-based compensation .....	4,701,029	4,097,351	603,678
Interest .....	18,532	-	18,532
Amortization of property, plant and equipment .....	564,365	128,549	435,816
Amortization of intangible assets .....	91,790	22,401	69,389
	<u>33,580,821</u>	<u>25,939,239</u>	<u>7,641,582</u>
<b>Loss before the following</b> .....	<u>(35,028,497)</u>	<u>(26,447,856)</u>	<u>(8,580,641)</u>
Loss on foreign exchange .....	(57,346)	(186,990)	129,644
Investment income, net .....	4,568,982	1,083,050	3,485,932
	<u>(30,516,861)</u>	<u>(25,551,796)</u>	<u>(4,965,065)</u>
Provision for income taxes .....	53,250	45,300	7,950
	<u>(30,516,861)</u>	<u>(25,551,796)</u>	<u>(4,965,065)</u>
<b>Net loss for the year</b> .....	<u>\$ (30,570,111)</u>	<u>\$ (25,597,096)</u>	<u>\$ (4,973,015)</u>
<b>Loss per share - basic and diluted</b> .....	<u>\$ (0.66)</u>	<u>\$ (0.99)</u>	<u>\$ 0.33</u>
<b>Weighted average number of shares outstanding - basic and diluted</b> .....	<u>46,586,730</u>	<u>25,848,396</u>	<u>20,738,334</u>

*Revenue*

Revenue increased from \$2,061,031 for the year ended December 31, 2006 to \$8,974,659 for the year ended December 31, 2007. The increase was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited and the increase in subscribers and subscriptions. For the year ended December 31, 2007, advertising revenue was approximately \$878,341. 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 \$2,569,648 for the year ended December 31, 2006 to \$10,422,335 for the year ended December 31, 2007. During the year ended December 31, 2007, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTV Sports and Cycling TV Limited and 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 subscription revenue in channel licensing fees to its channel partners as compared to 30% for the year ended December 31, 2007. Furthermore, the Company included amortization in the amount of \$376,449 on its infrastructure equipment, \$26,236 on its website development, \$379,496 on its production software and \$861,970 on its intangible assets during the year ended December 31, 2007 as compared to \$127,634, nil, nil and \$35,959, respectively during the year ended December 31, 2006.

### *Selling, General and Administrative Costs*

Selling, general and administrative costs increased from \$21,690,938 for the year ended December 31, 2006 to \$28,205,105 for the year ended December 31, 2007. The variance was due to the following:

- Wages and benefits increased from \$5,088,025 for the year ended December 31, 2006 to \$10,899,233 for the year ended December 31, 2007, as the number of employees increased from 100 at December 31, 2006 to over 200 at December 31, 2007. The increase in employees was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited.
- Subcontracting/consulting decreased from \$4,225,642 for the year ended December 31, 2006 to \$2,905,290 for the year ended December 31, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$1,316,415 for the year ended December 31, 2006 to \$543,546 for the year ended December 31, 2007. Draws and Commissions were paid to individuals who management determined were primarily responsible for new channel partner agreements. The decrease was due to the Company shifting its focus from the signing of channel partner agreements to user experience and marketing efforts.
- Travel decreased from \$1,988,288 for the year ended December 31, 2006 to \$1,621,889 for the year ended December 31, 2007. The primary reason for the decrease is that during the year ended December 31, 2006 significant travel expenditures were incurred in connection with the signing of new channel partner agreements. During the second half of 2006 and 2007, the Company has shifted its focus from signing channel partner agreements to user experience and marketing efforts.
- Professional fees increased from \$1,585,112 for the year ended December 31, 2006 to \$2,762,695 for the year ended December 31, 2007. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity. In addition the Company incurred substantial legal and due diligence fees in assessing potential acquisitions.
- Rent increased from \$531,397 for the year ended December 31, 2006 to \$969,642 for the year ended December 31, 2007. The increase was due to the opening of offices in Toronto, Sanford and London.
- Marketing increased from \$1,668,626 for the year ended December 31, 2006 to \$2,089,670 for the year ended December 31, 2007. The increase was primarily due to marketing expenditures principally in respect of search engine marketing.

### *Stock-based Compensation*

Stock-based compensation expense increased from \$4,097,351 for the year ended December 31, 2006 to \$4,701,029 for the year ended December 31, 2007. The increase was primarily due to the granting and vesting of new options, warrants and retention warrants, as well as the modification to previously granted options and RSU's.

### *Loss on Foreign Exchange*

For the year ended December 31, 2007, JumpTV incurred a foreign exchange loss of \$57,346 as compared to a loss of \$186,990 for the year ended December 31, 2006. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, U.S. dollars.

### *Investment Income, net*

Investment income increased from \$1,083,050 for the year ended December 31, 2006 to \$4,568,982 for the year ended December 31, 2007. 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 public offerings in August 2006 and February 2007.

### *Interest*

Interest increased from nil for the year ended December 31, 2006 to \$18,532 for the year ended December 31, 2007. The increase was primarily due to notes payable and capital lease obligations assumed in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Amortization of Property, Plant and Equipment*

Amortization increased from \$128,549 for the year ended December 31, 2006 to \$564,365 for the year ended December 31, 2007. The increase was primarily due to the equipment acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Amortization of Intangible Assets*

Amortization increased from \$22,401 for the year ended December 31, 2006 to \$91,790 for the year ended December 31, 2007. The increase was primarily due to intangibles acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Provision for Income Taxes*

Income taxes increased from \$45,300 for the year ended December 31, 2006 to \$53,250 for the year ended December 31, 2007 which related 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, 2007. 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](http://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.

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Income Statement Data:</b>								
Revenue .....	4,791,534	2,004,056	1,175,924	1,003,146	748,864	534,671	426,988	350,508
Direct broadcast operating costs ....	(4,635,826)	(2,874,920)	(1,551,330)	(1,360,259)	(1,132,535)	(706,102)	(480,681)	(250,330)
Net loss for the period .....	(10,504,582)	(6,466,061)	(6,514,301)	(7,085,166)	(8,676,543)	(6,494,411)	(6,449,005)	(3,977,137)
Basic and diluted loss per share ....	(0.21)	(0.13)	(0.13)	(0.18)	(0.25)	(0.23)	(0.31)	(0.21)

**Three months ended December 31, 2007 compared to the Three months ended December 31, 2006**

*Revenue*

Revenue increased from \$748,864 for the three months ended December 31, 2006 to \$4,791,534 for the three months ended December 31, 2007. The increase was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited and the increase in subscribers and subscriptions. For the three months ended December 31, 2007, advertising revenue was approximately \$454,836. 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 \$1,132,535 for the three months ended December 31, 2006 to \$4,635,826 for the three months ended December 31, 2007. During the three months ended December 31, 2007, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTV Sports and Cycling TV Limited and 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 subscription revenue in channel licensing fees to its channel partners as compared to 33% for the three months ended December 31, 2007. Furthermore, the Company included amortization in the amount of \$119,302 on its infrastructure equipment, \$26,236 on its website development, \$239,056 on its production software and \$288,803 on its intangible assets during the three months ended December 31, 2007 as compared to \$34,896, nil, nil and \$35,959, respectively during the three months ended December 31, 2006.

### *Selling, General and Administrative Costs*

Selling, general and administrative costs increased from \$7,151,488 for the three months ended December 31, 2006 to \$8,965,283 for the three months ended December 31, 2007. The variance was due to the following:

- Wages and benefits increased from \$1,837,652 for the three months ended December 31, 2006 to \$4,141,866 for the three months ended December 31, 2007, as the number of employees increased from 100 at December 31, 2006 to over 200 at December 31, 2007. The increase in employees was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited.
- Subcontracting/consulting decreased from \$957,335 for the three months ended December 31, 2006 to \$898,704 for the three months ended December 31, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$302,046 for the three months ended December 31, 2006 to \$8,460 for the three months ended December 31, 2007. Draws and Commissions were paid to individuals who management determined were primarily responsible for new channel partner agreements. The decrease was due to the Company shifting its focus from the signing of channel partner agreements to user experience and marketing efforts.
- Travel increased from \$526,803 for the three months ended December 31, 2006 to \$600,020 for the three months ended December 31, 2007.
- Professional fees increased from \$699,345 for the three months ended December 31, 2006 to \$698,245 for the three months ended December 31, 2007.
- Rent increased from \$185,183 for the three months ended December 31, 2006 to \$277,818 for the three months ended December 31, 2007. The increase was due to the opening of offices in Toronto, Sanford and London.
- Marketing decreased from \$892,125 for the three months ended December 31, 2006 to \$363,078 for the three months ended December 31, 2007. The increase was primarily due to marketing expenditures principally in respect of search engine marketing.

### *Stock-based Compensation*

Stock-based compensation expense increased from \$1,352,650 for the three months ended December 31, 2006 to \$2,065,076 for the three months ended December 31, 2007. The increase was primarily due to the granting and vesting of new options, warrants and retention warrants, as well as the modification to previously granted options and RSU's.

### *Loss on Foreign Exchange*

For the three months ended December 31, 2007, JumpTV incurred a foreign exchange loss of \$18,385 as compared to a loss of \$286,237 for the three months ended December 31, 2006. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, U.S. dollars.

### *Investment Income, net*

Investment income increased from \$575,378 for the three months ended December 31, 2006 to \$636,571 for the three months ended December 31, 2007. 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 public offerings in August 2006 and February 2007.

### *Interest*

Interest increased from nil for the three months ended December 31, 2006 to \$18,532 for the three months ended December 31, 2007. The increase was primarily due to notes payable and capital lease obligations assumed in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Amortization of Property, Plant and Equipment*

Amortization increased from \$46,473 for the three months ended December 31, 2006 to \$190,891 for the three months ended December 31, 2007. The increase was primarily due to the equipment acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Amortization of Intangible Assets*

Amortization decreased from \$22,401 for the three months ended December 31, 2006 to (\$4,230) for the three months ended December 31, 2007. The increase was primarily due to intangibles acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

### *Provision for Income Taxes*

Income taxes increased from \$9,000 for the three months ended December 31, 2006 to \$42,924 for the three months ended December 31, 2007 which related 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 future less substantial losses in the near future. 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 content distribution agreements with its content partners and acquiring and maintaining Internet broadcasting rights to its content. 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 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.

### *Goodwill Impairment Risk*

Under applicable accounting standards, the Company is required on an annual basis to perform a goodwill impairment assessment. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or intangible assets may not be recoverable include declines in share price and market capitalization, reduced future cash flow estimates, and slower growth rates in our industry. In such circumstances, the Company may be required to perform interim testing for impairment. Subsequent to year end, the Company's share has significantly decreased in value, accordingly, the Company may be required to perform additional impairment test throughout fiscal 2008 prior to performing its annual goodwill impairment assessment which may result in a significant impairment to the carrying value of goodwill in the amount of \$47,970,833.

### *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 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 content into JumpTV's product offering, changes in 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 content 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 sports, Latin American and ethnic content. JumpTV's success as a business depends on cooperation with its content partners, the programming content of its content partners, and the overall success of its content partners in providing marketable television programming. Because of JumpTV's dependency on its content partners, should a content 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 content partner to perform its obligations under its agreement could have detrimental financial consequences for JumpTV's business. The 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 these 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 content and it may lose the exclusivity of the content in which JumpTV does have exclusive Internet distribution rights.*

More than 90% of JumpTV's content partner agreements give JumpTV the exclusive Internet distribution rights to the related channels. Currently, less than 20% of JumpTV's subscriptions relate to these non-exclusive agreements. Also, less than 5% of these agreements included minimum guarantees. 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 content in respect of which JumpTV have 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 content 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 content or renewing such rights for existing content may be more costly than expected.*

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

In addition, many of the existing content 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 content partner agreements when they come up for renewal. Renegotiated license fees may be more expensive than anticipated. JumpTV may be unable to obtain its 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 content partner agreements.*

Many of the content partner agreements are with foreign entities and are governed by the laws of foreign jurisdictions. If a content partner breaches a content 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 content 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 content 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 content 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 content partners.*

JumpTV relies on its content partners to secure the primary rights to re-distribute programming and other content over the Internet. There is no assurance that the content 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 content partners. For example, content partners may not have sufficient rights in the underlying content to license distribution rights to their content to JumpTV, or a content 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 content 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 content 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 content 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 content 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 content partners' obligations under the content 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 content 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 content 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 content offerings may not attract or retain the number of subscribers that it anticipates and some content may offend or alienate subscribers that are outside of the target audience for that content. There can be no assurance that JumpTV's content offerings will be able to retain their respective audiences. If JumpTV loses the Internet broadcasting rights to one or more of its content, 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 Jordan Banks. JumpTV has not obtained key-man insurance for any member of senior management other than Mr. Paterson and Mr. Banks. 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 sports, Latin American and 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 sports, Latin American and ethnic content providers that are not under contract with JumpTV creating significant competition in both the sports, Latin American, and 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 content 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 content 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 content 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 content 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.

*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 content. 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 content partner relationships from outside of a content partner's jurisdiction; (ii) political and economic instability; (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 content. 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 content 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 content 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 content 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 content 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 content 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 judgments 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, retention warrants 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 when it is realized or realizable and earned. Revenues are earned through subscriptions, pay-per views, advertising, web hosting, site setup fees, ticketing and donor management services. The Company considers revenues realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or services have been provided to the customer, the sales price is fixed or determinable and the collectibility is reasonably assured. The company's different revenue streams are recognized as follows:

#### [a] Subscription Revenue

Subscription revenue is recognized on a straight-line basis over the subscription period which generally ranges from 30 days to one year. The Company defers the appropriate portion of cash received for which services have not been rendered. Revenue is presented net of refunds. Pay-per-view revenues are deferred and recognized in the period when the content is viewed.

#### [b] Advertising Revenue

Advertising revenue is generated by selling advertising impressions and sponsorship deals. Advertising impressions include banner and pre-roll advertisements which are delivered through the Company's website as well as through client or third-party sites delivering the Company's content. Advertising is sold through various means including: the Company, third-party advertising agents, content partners and distribution partners. CPM (cost per thousand) advertising revenue is generated by displaying an "impression" of an advertisement to a website user. The CPM advertising revenue is calculated by tracking "impression counts" via a third-party advertising serving software. The third party software will provide the total number of impressions during a time period to the Company. The

Company then applies the contracted impression rate to the number of impressions in order to calculate advertising revenue. Advertising revenue is recognized in the period in which the impressions are served.

[c] Annual Fees for Web Hosting

These fees are billed and deferred at the beginning of the service period and are amortized over the term of the arrangement.

[d] Ticketing, Donor and Guest Management Services

Ticketing and donor management services fees are based on a percentage of sales and typically have a minimum revenue guarantee to the Company along with a percentage of sales clause. As the contract year for the services progresses, the Company will monitor the actual sales of the client and will accrue revenue according to the percent of sales clause in the contracts. At the end of the contract year, the Company will issue an invoice to the client for the unbilled portion of the percent of sales clause.

[e] Merchandise and Auction Revenue

The Company offers services to clients that allow them to sell merchandise and conduct auctions from the websites. The Company receives a revenue share from all merchandise and auction sales. The Company records the revenue share as revenue in the period in which the sale or auction takes place.

[f] Text Messaging

The Company recognizes revenue from fees earned for the delivery of sports content such as scores, news and programming reminders through a text messaging service to cell phone users. This revenue is recorded when the text messages are billed by the cell phone providers to their users, net of provision for doubtful accounts.

#### Stock-based compensation and other stock-based payments

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognized over the vesting period [note 15]. The fair value of stock options, retention warrants and warrants granted to employees is measured at the date of the grant. The fair value of the warrants granted to non-employees is measured as the warrants vest. 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 based on the market value of the shares when the shares are issued, which generally coincides with the vesting period of these awards [note 14].

#### *Goodwill and Intangible 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, 2007 goodwill totaled \$47,970,833 and identifiable intangible assets totaled \$18,305,881. 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 these 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 its estimate of the useful life of certain equipment which could result in higher amortization expense in future periods or an impairment charge to write down the value of this equipment.

#### **Financial Instruments**

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, other receivables, deposits, accounts payable, other accrued liabilities, amounts due to related parties, accrued license fees, accrued professional fees, notes payable, obligations under capital lease, income taxes payable 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. Notes payable and obligations under capital leases are measured at their fair value as determined based on the present value of cash flows.

#### 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] Interest rate risk

The Company is exposed to interest rate risk on its invested cash and cash equivalents and its short-term investments. 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.

### **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, 2007, 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, 2007, 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.

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

- The Board of Directors of JumpTV did not meet the independence requirements of National Policy 58-201.

## Changes in internal controls over financial reporting

Due to the acquisitions of JumpTV Sports, Cycling TV and SportsYa during the year the Company expanded its internal controls over financial reporting to incorporate these new entities. Other than noted above, there were no changes in the Company's internal controls over financial reporting that occurred during fiscal 2007 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.

## Liquidity and Capital Resources

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 were approximately \$93,000,000, net of the estimated offering expenses and underwriters' fees. The Company has used approximately \$65,000,000 of these proceeds to fund the acquisitions of both JumpTVSports and Cycling TV Limited.

In the near future, JumpTV expects that it will continue to use its cash resources to fund working capital requirements. 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.

## Summary Balance Sheet Data:

	December 31,	
	2007	2006
	\$	\$
<b>Current Assets</b>		
Cash and cash equivalents .....	51,202,984	21,936,878
Short-term investments .....	130,640	28,115,378
Accounts receivable, net .....	1,782,280	-
Interest receivable .....	726,995	117,947
Taxes receivable .....	659,000	602,152
Other receivables .....	79,385	3,522
Prepaid expenses and deposits .....	1,044,921	1,178,119
<b>Total current assets</b>	<b>55,626,205</b>	<b>51,953,996</b>
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities .....	3,296,858	1,931,589
Other accrued liabilities .....	5,247,328	2,497,393
Bank loan .....	-	1,287,150
Due to related parties .....	37,229	14,676
Current portion of notes payable .....	13,586	-
Obligations under capital lease .....	120,465	-
Accrued stock appreciation rights .....	-	1,087,760
Deferred revenue .....	1,980,169	205,314
Income taxes payable .....	115,050	61,800
<b>Total current liabilities</b>	<b>10,810,685</b>	<b>7,085,682</b>
<b>Working capital ratio</b>	<b>5.15</b>	<b>7.33</b>

## Contractual Obligations and other commitments

The following table summarizes the Company's contractual commitments as at December 31, 2007, and the effect those commitments are expected to have on liquidity and cash flow in future periods:

<b>Contractual Commitments</b>	<b>Payments Due by Period</b>				<b>Total</b>
	<b>Less than 1 Year</b>	<b>1-3 Years</b>	<b>3-5 Years</b>	<b>After 5 Years</b>	
Operating leases (1)	\$ 2,402,311	\$ 2,570,400	\$ 1,596,444	\$ -	\$ 6,569,155
Marketing and license fees (2)	5,844,223	2,459,075	367,543	-	8,670,841
<b>Total</b>	<b>\$ 8,246,534</b>	<b>\$ 5,029,475</b>	<b>\$ 1,963,987</b>	<b>\$ -</b>	<b>\$15,239,996</b>

- (1) The Company has entered into operating lease agreements for premises as well as certain hardware and infrastructure equipment. See Note 13 in the consolidated financial statements for additional details.
- (2) The Company has entered into agreements with content partners and a co-marketing partner with marketing fee and content license fee commitments.

## Comparative Summarized Cash Flows

<b>Selected Consolidated Cash Flow Data</b>	<b>Year ended, December 31, 2007</b>	<b>Year ended, December 31, 2006</b>
Cash flows used in operating activities	\$ (21,803,972)	\$ (19,749,893)
Cash flows used in investing activities	\$ (39,288,974)	\$ (29,706,587)
Cash flows provided by financing activities	\$ 90,720,904	\$ 65,989,867

## Operating Activities

Cash used in operating activities for the year ended December 31, 2007 was \$21,803,972. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$30,570,111 for the year then ended;
- non-cash items adjusted to net loss in the amount of \$8,115,867 which primarily relates to stock-based compensation and amortization; and

## Investing Activities

Cash used in investing activities for the year ended December 31, 2007 was \$39,288,974. 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 acquisitions of SportsYA, Cycling TV and JumpTV Sports. The Company recorded goodwill and amortizable intangible assets in the amount of \$47,970,833 and \$18,305,881, respectively as a result of these 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**

	<b>December 31, 2007</b>	<b>December 31, 2006</b>
Computer equipment .....	\$ 2,196,670	\$ 507,217
Infrastructure equipment .....	1,906,798	773,198
Computer software .....	2,651,640	169,614
Furniture and fixtures .....	507,406	124,683
Leasehold improvements .....	1,040,039	58,386
Website development .....	161,059	-
	<u>\$ 8,463,612</u>	<u>\$ 1,633,098</u>

*Financing Activities*

Cash provided by financing activities was \$90,702,904 for the year ended December 31, 2007. This primarily reflects net proceeds raised from the public offering in February 2007 in the amount of \$93,104,131.

In the near future, JumpTV expects that it will continue to use its cash resources to fund working capital requirements. 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, 2007.

**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:

*Patstar Inc.*

On occasion, Patstar Inc., a company controlled by the Company's Executive Chairman, receives reimbursement of expenditures incurred on behalf of the Company. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. At December 31, 2007, the Company had balances due to Patstar Inc. of \$37,229 [December 31, 2006 – \$14,676] related to these reimbursements. In addition, rent expense paid by Patstar Inc. of \$36,472 is included in selling, general and administrative expenses for the year ended December 31, 2007 [2006 – \$47,818]. All reimbursements and rent expense are recorded at the exchange amount.

*Advances*

During 2006, the Company advanced funds to an officer who is no longer with the Company. During 2007, these advances were being paid down on a monthly basis. During the year, the outstanding amount owing of \$78,266 was settled, with a corresponding charge to selling, general and administrative expenses within the consolidated statement of operations. The balance of the advance at December 31, 2006 was \$15,743 which is included in prepaid expenses and deposits.

**Outstanding Share Data**

The Company has total common shares outstanding as at March 26, 2008 of 51,133,451. In addition, the Company has 8,489,449 outstanding options, warrants and retention warrants which are each exchangeable for one common share upon exercise.