

JUMPTV

JUMPTV INC.

Q2 2008

FORM 51-102F1

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2008 AND 2007

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 July 31, 2008, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three and six months ended June 30, 2008 and 2007, 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), Annual Financial Statements and MD&A for 2007 which can be found on www.sedar.com. All dollar amounts are in U.S. dollars unless stated otherwise.

Our MD&A is intended to enable readers to gain an understanding of JumpTV's current results and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current period to those of the three and six month periods one year ago. 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 specific risks include that the Company's share price may restrict its ability to enter into transactions on terms satisfactory to it, or at all, risks that the Company may be affected by unanticipated termination costs related to legacy channel agreements and risks related to the Company's merger with NeuLion. 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 the Company's 2007 annual MD&A.

Recent Developments

On June 25, 2008, the Company announced that it signed a Definitive Agreement to merge with NeuLion, Inc., an end-to-end IPTV service of live and on-demand sports, international and religious programming over the Internet and through set top boxes. Under the terms of the merger, JumpTV will issue 49,521,958 common shares, and 1,840,097 contingent shares, which represents the entire issued and outstanding shares of JumpTV, plus 5 million warrants exercisable for two years at US\$0.63, to the securityholders of NeuLion, in exchange for their NeuLion securities. The Company also intends to grant 2.7 million employee stock options upon closing, subject to securities law and exchange rules compliance, exercisable at the five-day weighted average closing price prior to closing, which is expected to be on October 1, 2008. As at June 30, 2008, the Company has incurred \$495,732 in costs directly relating to this merger.

Upon the closing of the merger with NeuLion, Inc., subject to regulatory and shareholder approval, AvantaLion LLC, an entity controlled by Mr. Wang, the spouse of the Founder and CEO of NeuLion, Inc., has irrevocably committed to subscribe for 10 million units from JumpTV's treasury at a price of \$1.00 per unit. Each unit (a "Unit") will consist of one (1) common share and one-half of one common share purchase warrant exercisable at \$1.25 and one-half of one common share purchase warrant exercisable at \$1.50. The warrants partially comprising the Units will be exercisable for a period of two years from the date of issuance. G. Scott Paterson has also committed to buy 1 million Units on the same terms. The aggregate gross proceeds from the sale of Units will be CDN\$11 million.

Upon closing of the merger, in accordance with CICA Handbook Section 1581, *Business Combinations*, the Company has determined that NeuLion Inc. is the acquirer for accounting purposes and accordingly will account for this merger as a reverse take over.

In order to reduce its expenses and in anticipation of the merger with NeuLion, Inc., the Company reduced its workforce by thirty employees during the quarter and accrued severance relating to these employees in the amount of approximately \$1 million. The severance was paid in July 2008. Included in this reduction, the Company announced Jordan Banks will cease acting as CEO effective June 27, 2008. The Company expects to continue to reduce their workforce by an additional thirty employees over the next few months. In addition, the Company has signed a sublease for their Toronto office, effective November 1, 2008 to further reduce its expenses.

On February 14, 2008, the Company announced, as part of its refined strategic focus, to explore the sale of its content delivery network, after receiving approval from the Company's Board of Directors. In accordance with CICA Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, the Company reclassified its content delivery network assets from property, plant and equipment to assets held for sale. These assets were intended to be sold within the next year and amortization was no longer being taken from February 14, 2008 to March 31, 2008. On June 9, 2008, the Company announced as part of its merger with NeuLion Inc. that it would retain these assets to leverage in the combined Company. In accordance with CICA Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, the Company reclassified these assets from assets held for sale to property, plant and equipment. The assets were recorded at their carrying amounts before they were classified as held for sale, adjusted for amortization expense that would have been recognized had it been continuously classified as held and used.

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 210 television channels partners from over 75 countries and approximately 200 sports content partners from over 30 countries and virtually every US state. The Company's international television content has an emphasis 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 175 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.

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 June 30, 2008, the Company had approximately 68,500 subscribers [June 2007 – 30,000 subscribers] for its content with an ARPU (average revenue per user per month) of approximately \$9 per month. Viewers of JumpTV in the United States may watch over 120 international television channels that are free to consumers through jumptv.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.

(ii) In the month of June 2008, JumpTV had over 7.1 million unique visitors, over 4.2 million stream views and over 197 million advertising impressions on its site, the college sports sites it hosts and its affiliate sites which syndicate its content. Advertisers may promote their products, services and brands on the entire JumpTV Network, or across either the JumpTV International or JumpTVSports networks, or they may 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.

JumpTV has over 170 full-time staff with principal offices in Toronto, Sanford (Florida) and London (UK).

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\$60.9 million, including direct transaction costs. Results of JumpTVSports have been included from the date of acquisition.

The Company has combined the XOS Network assets into a new division called JumpTVSports, which also includes the Company's wholly-owned Hispanic sports content portal www.SportsYa.com, CyclingTV and other sports properties including certain FIFA World Cup IP broadcast rights in Canada 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. JumpTVSports currently has more than 175 official and exclusive broadband relationships with U.S. colleges, universities, conferences and professional sports teams including programs within the Southeastern Conference ("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, JumpTVSports typically has long-term exclusive agreements with its content partners and shares revenue generated by subscribers and advertisers. As at June 30, 2008, JumpTVSports had approximately 31,000 subscribers paying approximately \$8 per month. JumpTVSports has historically generated 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 International, a division of JumpTV, is the world's leading subscription-based broadcaster of ethnic television over the Internet as measured by number of channels. JumpTV International 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 June 30, 2008, JumpTV International has entered into license agreements with television broadcasters (referred to as "channel partners") representing approximately 210 channels from over 75 countries which give JumpTV International 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 JumpTV International's revenue from subscriptions and advertising.

As at June 30, 2008, 210 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, JumpTV International 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 International 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, multi-channel packages ("bundled" monthly pricing typically ranging from \$9.95 to \$29.95). In addition, JumpTV International 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.

As at June 30, 2008 60 channels were available on a free-to-consumer basis. JumpTV International has also launched 5 channels on a free-to-consumer basis in Canada. JumpTV International 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 June 30, 2008, JumpTV International had approximately 27,500 subscribers (based on the number of unique credit cards numbers used to make purchases) who purchased approximately 32,000 channels and bundled subscriptions.

To complement its marketing and distribution efforts, JumpTV International 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 JumpTV International 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 International's content and services; and (ii) distribution efficiencies whereby in certain circumstances, JumpTV International can leverage these partners' existing delivery network infrastructure, reducing JumpTV International's content delivery costs.

JumpTV International believes the primary user candidates for JumpTV International's 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 JumpTV International's channel partner agreements, JumpTV International 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, JumpTV International'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 International's policy to be globally compliant on all of its intellectual property rights. As part of the channel partner agreements, JumpTV International'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 International as part of the channel partner agreement to enable JumpTV International to substitute compliant content in the place of content that is not Digital Rights Management (DRM) compliant. JumpTV International 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 London, England for a total of \$4.7 million, including direct transaction costs, which included approximately \$2.267 million in cash and approximately \$2.267 million in common stock. Results of CyclingTV have been included from the date of acquisition.

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, CyclingTV only offers clips because the Tour de France has yet to offer its races by way of broadband streaming.

As at June 30, 2008 CyclingTV had approximately 10,000 paying subscribers who pay, on average, an annual fee of approximately \$43.

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, that 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 believe that JumpTV's presentation 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 viewed for the period are equal to total stream viewed 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 viewed. 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.

Pages Viewed

The Company calculates pages viewed based on the total number of pages served. Average monthly pages viewed for the period are equal to total pages viewed 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

KPI	Q2 2008	Quarterly Growth %	Q1 2008	Quarterly Growth %	Q4 2007	Quarterly Growth %	Q3 2007	Quarterly Growth %	Q2 2007
Average monthly stream views (millions)	4.1	(8.9%)	4.5	9.8%	4.1	(10.9%)	4.6 *	80.8%	2.6
Average monthly minutes viewed (millions)	95.9	(7.9%)	104.1	3.3%	100.8	18.0%	85.4 *	35.7%	63.0
Average monthly unique visitors (millions)	7.2	(18.1%)	8.8	(12.0%)	10.0	47.1%	6.8 *	47.8%	4.6
Average monthly page views (millions)	62.6	(26.0%)	84.6	(10.0%)	94.0	42.4%	66.0 *	42.9%	46.2
Average monthly advertising impressions (millions)	178.3	(22.8%)	231.0	11.4%	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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the three and six months ended June 30, 2008 and 2007 and as at June 30, 2008 and December 31, 2007 has been derived from the Company's consolidated financial statements and accompanying notes posted on www.sedar.com. Readers should read the following information in conjunction with those statements and related notes.

	3 months ending,		6 months ending,	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
	\$	\$	\$	\$
<u>Consolidated Statement of Operations Data:</u>				
Revenue	3,601,950	1,175,924	7,208,509	2,179,070
Direct broadcast operating costs	(4,837,043)	(1,551,330)	(9,507,612)	(2,911,589)
Net loss for the period	(11,469,664)	(6,514,301)	(70,198,480)	(13,599,467)
Basic and diluted loss per share	(0.23)	(0.13)	(1.42)	(0.31)
	June 30, 2008	December 31, 2007		
	\$	\$		
<u>Consolidated Balance Sheet Data:</u>				
Cash and cash equivalents.....	29,800,084	51,202,984		
Accounts receivable	1,454,571	1,782,280		
Total assets	61,426,407	129,973,931		
Non-current liabilities	832,605	939,747		
Total liabilities	11,613,117	11,522,305		
Share capital	173,006,956	172,697,828		
Total shareholders' equity	49,813,290	118,451,626		

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, 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 thousand) 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.

The Company's revenues and expenses are seasonal, with the fourth quarter (ending December 31) being the highest. This is primarily reflective of the revenues and expenses generated and incurred from college sports in the United States. Therefore, one quarter's operating results are not necessarily indicative of the performance for the balance of the year.

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 beyond pre-determined 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 JumpTVSports' 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:

- *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
- *Professional fees* – represents legal and accounting costs;
- *Travel* – relates to travel expenses primarily for inter-office travel;
- *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.
- *Rent* – represents fees paid for leased offices;

Stock-based Compensation

The Company accounts for all stock options, retention warrants and warrants using a fair value-based method. The fair value of each stock option, retention warrant 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.

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. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the exercise price with ongoing measurement of the outstanding liability.

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.

Three Months Ended June 30, 2008 compared to three months ended June 30, 2007

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenue	\$ 3,601,950	\$ 1,175,924	\$ 2,426,026
Direct broadcast operating costs	<u>(4,837,043)</u>	<u>(1,551,330)</u>	<u>(3,285,713)</u>
	<u>(1,235,093)</u>	<u>(375,406)</u>	<u>(859,687)</u>
Other costs and expenses			
Selling, general and administrative	9,471,741	6,739,486	2,732,255
Stock-based compensation	747,283	793,737	(46,454)
Amortization of property, plant and equipment	197,610	136,707	60,903
Amortization of intangible assets	<u>34,691</u>	<u>9,908</u>	<u>24,783</u>
	<u>10,451,325</u>	<u>7,679,838</u>	<u>2,771,487</u>
Loss before the following	<u>(11,686,418)</u>	<u>(8,055,244)</u>	<u>(3,631,174)</u>
Loss on foreign exchange	(2,503)	(132,117)	129,614
Investment income, net	<u>222,457</u>	<u>1,682,560</u>	<u>(1,460,103)</u>
Loss before income taxes	(11,466,464)	(6,504,801)	(4,961,663)
Provision for income taxes	<u>3,200</u>	<u>9,500</u>	<u>(6,300)</u>
Net loss for the year	<u>\$ (11,469,664)</u>	<u>\$ (6,514,301)</u>	<u>\$ (4,955,363)</u>
Loss per share - basic and diluted	<u>\$ (0.23)</u>	<u>\$ (0.13)</u>	<u>\$ (0.10)</u>

Revenue

Revenue increased from \$1,175,924 for the three months ended June 30, 2007 to \$3,601,950 for the three months ended June 30, 2008. The increase was primarily due to the acquisitions of JumpTVSports and CyclingTV, which contributed to approximately \$2.1 million of revenue during the quarter, and the increase in subscribers and subscriptions. In addition, the Company earned approximately \$300,000 in pay-per view revenue relating to the South American World Cup Qualifying soccer games. For the three months ended June 30, 2008, advertising revenue was approximately \$206,000, as compared to approximately \$121,000 in the three months ended June 30, 2007. 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 \$1,551,330 for the three months ended June 30, 2007 to \$4,837,043 for the three months ended June 30, 2008. During the three months ended June 30, 2008, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTVSports and CyclingTV and an increase in the number of channels being streamed and an increase in the number of subscribers. For the three months ended June 30, 2007, the Company incurred approximately 19% of subscription revenue in channel licensing fees to its channel partners as compared to 40% for the three months ended June 30, 2008. Furthermore, the Company included amortization totaling \$1,077,429 during the three months ended June 30, 2008 [2007 - \$95,307] broken down as follows: \$256,500 [2007 - \$79,044] on its infrastructure equipment, \$12,802 on its website development, \$209,060 on its production software and \$599,067 [2007 - \$16,263] on its intangible assets.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$6,739,486 for the three months ended June 30, 2007 to \$9,471,741 for the three months ended June 30, 2008. The variance was due to the following:

- Wages and benefits increased from \$2,184,416 for the three months ended June 30, 2007 to \$5,111,627 for the three months ended June 30, 2008, as the number of employees increased due to the acquisitions of JumpTVSports and Cycling TV, and severance accrued during the quarter in the amount of approximately \$1 million.
- Subcontracting/consulting increased from \$663,062 for the three months ended June 30, 2007 to \$865,487 for the three months ended June 30, 2008. The increase in subcontractors was primarily due to the acquisitions of JumpTVSports and Cycling.
- Professional fees decreased from \$1,315,844 for the three months ended June 30, 2007 to \$405,422 for the three months ended June 30, 2008. The decrease in professional fees was primarily due to substantial legal and due diligence fees incurred in assessing potential acquisitions in the three months ended June 30, 2007.
- Travel increased from \$277,655 for the three months ended June 30, 2007 to \$412,001 for the three months ended June 30, 2008. The increase was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Marketing increased from \$498,744 for the three months ended June 30, 2007 to \$568,933 for the three months ended June 30, 2008. The increase was primarily due to marketing relating to the South American World Cup Qualifier games.
- Rent increased from \$208,949 for the three months ended June 30, 2007 to \$359,334 for the three months ended June 30, 2008. The increase in rent was primarily due to the acquisitions of JumpTVSports and Cycling TV.

Stock-based Compensation

Stock-based compensation expense decreased from \$793,737 for the three months ended June 30, 2007 to \$747,283 for the three months ended June 30, 2008. The decrease was primarily due to a reduction in the market price for the Company's shares and its impact on the Company's restricted share plan units and stock appreciation rights.

Loss on Foreign Exchange

For the three months ended June 30, 2007, JumpTV incurred a foreign exchange loss of \$132,117 as compared to a loss of \$2,503 for the three months ended June 30, 2008. 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

Investment income decreased from \$1,682,560 for the three months ended June 30, 2007 to \$222,457 for the three months ended June 30, 2008. The decrease was due to the decrease in cash and cash equivalents available for investment.

Amortization of Property, Plant and Equipment

Amortization increased from \$136,707 for the three months ended June 30, 2007 to \$197,610 for the three months ended June 30, 2008. The increase was primarily due to the equipment acquired in the acquisitions of JumpTV Sports and Cycling TV Limited. In addition, the Company reclassified assets previously recorded as assets held for sale to property, plant and equipment. The assets were recorded at their carrying amounts before they were classified as held for sale, adjusted for amortization expense of \$74,894 that would have been recognized had it been continuously classified as held and used.

Amortization of Intangible Assets

Amortization increased from \$9,908 for the three months ended June 30, 2007 to \$34,690 for the three months ended June 30, 2008. The increase was primarily due to domain names and trademarks acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Provision for Income Taxes

Income taxes decreased from \$9,500 for the three months ended June 30, 2007 to \$3,200 for the three months ended June 30, 2008 which related to U.S. tax obligations regarding the Company's U.S. operations.

Six Months Ended June 30, 2008 compared to six months ended June 30, 2007

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenue	\$ 7,208,509	\$ 2,179,070	\$ 5,029,439
Direct broadcast operating costs	(9,507,612)	(2,911,589)	(6,596,023)
	<u>(2,299,103)</u>	<u>(732,519)</u>	<u>(1,566,584)</u>
Other costs and expenses			
Selling, general and administrative	18,327,462	13,268,378	5,059,084
Stock-based compensation	1,540,219	1,949,839	(409,620)
Amortization of property, plant and equipment	420,776	215,883	204,893
Amortization of intangible assets	98,706	19,816	78,890
	<u>20,387,163</u>	<u>15,453,916</u>	<u>4,933,247</u>
Loss before the following	<u>(22,686,266)</u>	<u>(16,186,435)</u>	<u>(6,499,831)</u>
Impairment of goodwill	(47,882,317)	-	(47,882,317)
Impairment of long-lived assets	(173,786)	-	(173,786)
Loss on foreign exchange	(48,568)	(86,303)	37,735
Investment income, net	602,533	2,698,221	(2,095,688)
	<u>(70,188,404)</u>	<u>(13,574,517)</u>	<u>(56,613,887)</u>
Loss before income taxes	<u>(70,188,404)</u>	<u>(13,574,517)</u>	<u>(56,613,887)</u>
Provision for income taxes	10,076	24,950	(14,874)
	<u>(70,198,480)</u>	<u>(13,599,467)</u>	<u>(56,599,013)</u>
Net loss for the year	<u>\$ (70,198,480)</u>	<u>\$ (13,599,467)</u>	<u>\$ (56,599,013)</u>
Loss per share - basic and diluted	<u>\$ (1.42)</u>	<u>\$ (0.31)</u>	<u>\$ (1.12)</u>
Weighted average number of shares outstanding - basic and diluted	<u>49,287,228</u>	<u>44,326,196</u>	<u>4,961,032</u>

Revenue

Revenue increased from \$2,179,070 for the six months ended June 30, 2007 to \$7,208,509 for the six months ended June 30, 2008. The increase was primarily due to the acquisitions of JumpTVSports and CyclingTV, which contributed to approximately \$4.5 million of revenue during the quarter, and the increase in subscribers and subscriptions. In addition, the Company earned approximately \$300,000 in pay-per view revenue relating to the South American World Cup Qualifying soccer games. For the six months ended June 30, 2008, advertising revenue was approximately \$600,877 as compared to \$136,184 for the six months ended June 30, 2007. 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 \$2,911,589 for the six months ended June 30, 2007 to \$9,507,612 for the six months ended June 30, 2008. During the six months ended June 30, 2008, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTVSports and CyclingTV and an increase in the number of channels being streamed and an increase in the number of subscribers. For the six months ended June 30, 2007, the Company incurred approximately 20% of subscription revenue in channel licensing fees to its channel partners as compared to 38% for the six months ended June 30, 2008. Furthermore, the Company included amortization totaling \$2,064,379 during the six months ended June 30, 2008 [2007 - \$182,410] broken down as follows: \$372,466 [2007 - \$149,885] on its infrastructure equipment, \$29,937 on its website development, \$427,021 on its production software and \$1,234,955 [2007 - \$32,525] on its intangible assets.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$13,268,378 for the six months ended June 30, 2007 to \$18,327,462 for the six months ended June 30, 2008. The variance was due to the following:

- Wages and benefits increased from \$4,173,169 for the six months ended June 30, 2007 to \$9,653,239 for the six months ended June 30, 2008, as the number of employees increased due to the acquisitions of JumpTVSports and Cycling TV, and severance paid and accrued during the period in the amount of approximately \$1.57 million.
- Subcontracting/consulting increased from \$1,323,538 for the six months ended June 30, 2007 to \$1,917,120 for the six months ended June 30, 2008. The increase in subcontractors was primarily due to the acquisitions of JumpTVSports and Cycling.
- Professional fees decreased from \$1,729,650 for the six months ended June 30, 2007 to \$980,399 for the six months ended June 30, 2008. The decrease in professional fees was primarily due to substantial legal and due diligence fees incurred in assessing potential acquisitions in the six months ended June 30, 2007.
- Travel increased from \$668,776 for the six months ended June 30, 2007 to \$954,295 for the six months ended June 30, 2008. The increase was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Marketing decreased from \$1,414,780 for the six months ended June 30, 2007 to \$792,927 for the six months ended June 30, 2008. The decrease was primarily due to test marketing performed during the six months ended June 30, 2007.
- Rent increased from \$459,012 for the six months ended June 30, 2007 to \$635,864 for the six months ended June 30, 2008. The increase in rent was primarily due to the acquisitions of JumpTVSports and Cycling TV.

Stock-based Compensation

Stock-based compensation expense decreased from \$1,949,839 for the six months ended June 30, 2007 to \$1,540,219 for the six months ended June 30, 2008. The decrease was primarily due to a reduction in the market price for the Company's shares and its impact on the Company's restricted share plan units and stock appreciation rights.

Loss on Foreign Exchange

For the six months ended June 30, 2007, JumpTV incurred a foreign exchange loss of \$86,303 as compared to a loss of \$48,567 for the six months ended June 30, 2008. 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

Investment income decreased from \$2,698,221 for the six months ended June 30, 2007 to \$602,533 for the six months ended June 30, 2008. The decrease was due to the decrease in cash and cash equivalents Available for investment.

Impairment of Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit (which is the Company as a whole) to the underlying carrying value of the Company's net assets, including goodwill. If the carrying value of the Company exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the Company's goodwill with its carrying amount to measure the amount of impairment loss, if any.

Goodwill is not amortized but is subject to an annual impairment test at the Company level (operating segment or one level below an operating segment) and between annual tests if changes in circumstances indicate a potential impairment. The Company's impairment test was based on its single operating segment and reporting unit structure.

As at March 31, 2008, the Company's market capitalization decreased below the carrying value of the Company. Management considered this to be an indicator of impairment, accordingly, as at March 31, 2008, performed a step one of goodwill impairment test and determined that the Company failed. As a result of performing step two of the impairment analysis, Management determined that the fair value of the Company, including unidentifiable assets, did not support the carrying amount of goodwill, accordingly the Company recorded a non-cash goodwill impairment charge of \$47,882,317 during the three months ended March 31, 2008 which is included in the six months ended June 30, 2008. There were no such comparable amounts for the prior period.

Impairment of Long-Lived Assets

CICA Handbook Section 3063, *Impairment of Long-Lived Assets*, requires that a long-lived asset be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized as the difference between fair value and carrying amount when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Company has determined that the carrying value of intangible assets relating to HV Media, Limited exceed their fair value. Accordingly the Company recorded an impairment of \$173,786 during the three months ended March 31, 2008 which is included in the six months ended June 30, 2008. No other impairment related to the remaining intangibles was evidenced.

Amortization of Property, Plant and Equipment

Amortization increased from \$215,883 for the six months ended June 30, 2007 to \$420,776 for the six months ended June 30, 2008. 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 \$19,816 for the six months ended June 30, 2007 to \$98,706 for the six months ended June 30, 2008. The increase was primarily due to domain names and trademarks acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Provision for Income Taxes

Income taxes decreased from \$24,950 for the six months ended June 30, 2007 to \$10,076 for the six months ended June 30, 2008 which related to U.S. tax obligations regarding the Company's U.S. operations.

Financial Instruments and Risk Management

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, interest receivable, other receivables, accounts payable, other accrued liabilities, amounts due to related parties, notes payable and obligations under capital lease.

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

The fair value of assets and liabilities were as follows:

	June 30, 2008 \$	December 31, 2007 \$
<hr/>		
Financial Assets		
Held-for-Trading		
Cash and cash equivalents	29,800,084	51,202,984
Available-for-Sale		
Short-term investments	127,001	130,640
Loans and Receivables		
Accounts receivable	1,454,571	1,782,280
Interest receivable	66,190	726,995
Other receivables	132,829	79,385
Financial Liabilities		
Other Financial Liabilities		
Accounts payable	1,780,624	3,296,858
Other accrued liabilities	6,486,346	5,247,328
Due to related party	17,490	37,229
Note payable	45,467	45,467
Obligations under capital lease	134,441	200,764

All fair values denoted above approximate their carrying values due to their short term nature and/or variable interest rates.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the United States Dollar. The majority of the Company's revenues are transacted in U.S. Dollars, whereas the majority of expenses are transacted in U.S. or Canadian Dollars. The Company does not use derivative instruments to hedge against foreign exchange risk.

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.

Credit Risk

The Company sells its services to a variety of customers under various payment terms and therefore is exposed to credit risks. The Company has adopted policies and procedures designed to limit these risks. The maximum exposure to credit risk at the reporting date is the carrying value of receivables. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable.

The Company believes that the concentration of credit risk is limited due to the Company's primary source of revenues to date being subscription revenues, for which monies are received in advance principally through credit cards.

There is no significant credit risk related to the Company's cash and cash equivalents and short-term investments. Credit risk is managed through conducting financial and other assessments of these investments on an ongoing basis.

The following table sets out details of the age of accounts receivable that are outstanding and related allowance for doubtful accounts:

	June 30, 2008
	\$
Current	781,990
31-60 days	89,249
61-90 days	357,068
Over 90 days	623,123
<u>Less: Allowance for doubtful accounts</u>	<u>(396,859)</u>
Total accounts receivable, net	1,454,571

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of operations and comprehensive loss. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations and comprehensive loss.

Liquidity and Capital Resources

JumpTV's business is still in the early stages with only a few years of operating history. As at June 30, 2008, the Company had cash and cash equivalent balances of \$29.8 million. From JumpTV's inception, it has incurred net losses and has an accumulated deficit of \$132.1 million; management expects these losses to continue in the short term. JumpTV will require expenditures of significant funds for marketing, building its subscriber management systems, programming and website development, maintaining adequate video streaming and database software, pursuing and maintaining channel distribution agreements with its channel partners, fees relating to acquiring and maintaining Internet broadcasting rights to its content and the construction and maintenance of the JumpTV Delivery Infrastructure and office facilities. While the Company has signed a Definitive Agreement to merge with NeuLion, Inc. ("NeuLion") and a Subscription Agreement that would generate \$11 million detailed below, the agreement is still subject to shareholder approval. In addition, in the event that the merger with NeuLion should not proceed, the Company may be required to make further cost reductions in order to reduce its cash expenditures. There is no guarantee that JumpTV will ultimately be able to generate sufficient revenue, reduce its costs in the anticipated time frame, to become profitable and have sustainable cash flows or to complete the proposed merger.

Summary Balance Sheet Data:

	June 30, 2008	December 31, 2007
	\$	\$
Current Assets		
Cash and cash equivalents	29,800,084	51,202,984
Short-term investments	127,001	130,640
Accounts receivable, net	1,454,571	1,782,280
Interest receivable	66,190	726,995
Sales tax receivable	840,680	659,000
Other receivables	132,829	79,385
Prepaid expenses and deposits	<u>1,298,810</u>	<u>1,044,921</u>
Total current assets	<u>33,720,165</u>	<u>55,626,205</u>
Current Liabilities		
Accounts payable	1,780,624	3,296,858
Other accrued liabilities	6,486,346	5,247,328
Due to related party	17,490	37,229
Current portion of notes payable	13,586	13,586
Obligations under capital lease	108,635	120,465
Accrued stock appreciation rights payable	41,325	-
Deferred revenue	2,210,756	1,752,042
Income taxes payable	<u>121,750</u>	<u>115,050</u>
Total current liabilities	<u>10,780,512</u>	<u>10,552,558</u>
Working capital ratio	<u>3.13</u>	<u>5.27</u>

Contractual Obligations and other commitments

The following table summarizes the Company's contractual commitments as at June 30, 2008, and the effect those commitments are expected to have on liquidity and cash flow in future periods:

Contractual Commitments	Payments Due by Period				
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	Total
Operating leases	\$ 1,780,925	\$ 4,104,496	\$ 1,800,447	\$ 3,700,899	\$11,386,767
Marketing and license fees	1,258,707	4,506,081	743,239	-	6,508,027
Rent recovery under sublease	-	(1,576,347)	(1,644,884)	\$ (3,700,899)	(6,922,130)
Total	<u>\$ 3,039,632</u>	<u>\$ 7,034,230</u>	<u>\$ 898,802</u>	<u>\$ -</u>	<u>\$10,972,664</u>

The Company has signed a sublease for their Toronto office, effective November 1, 2008, which will create a recovery of \$6,922,130 of payments of operating leases.

Comparative Summarized Cash Flows

<u>Selected Consolidated Cash Flow Data</u>	Three months ended,		Six months ended,	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
Cash flows used in operating activities	\$ (9,299,329)	\$ (6,833,116)	\$ (20,135,680)	\$ (11,500,430)
Cash flows (used in) provided by investing activities	\$ (669,641)	\$ (518,000)	\$ (1,284,469)	\$ 25,250,224
Cash flows provided by financing activities	\$ -	\$ 58,461	\$ 17,249	\$ 91,952,246

Operating Activities

Cash used in operating activities for the six months ended June 30, 2008 was \$20,135,680. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$70,198,480;
- non-cash items adjusted to net loss in the amount of \$52,368,057 which primarily relates to impairment of goodwill, impairment of long-lived assets, stock-based compensation and amortization.

Investing Activities

Cash used in investing activities for the six months ended June 30, 2008 was \$1,284,469. The primary use of these funds was for capital expenditures.

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

Property, plant and equipment

	June 30, 2008	December 31, 2007
Computer equipment	\$ 2,933,715	\$ 2,196,670
Infrastructure equipment	2,299,093	1,906,798
Computer software	2,708,761	2,651,640
Furniture and fixtures	572,555	507,406
Leasehold improvements	1,044,613	1,040,039
Website development	161,060	161,059
	<u>\$ 9,719,797</u>	<u>\$ 8,463,612</u>

Certain assets totaling \$1,880,429 relating to the Company's content delivery network that were classified as property, plant and equipment as at December 31, 2007, were reclassified as assets held for sale on February 14, 2008 as the criteria for this classification were met.

On June 9, 2008, the Company announced as part of its merger with NeuLion Inc. that they would retain these assets to leverage in the combined Company. In accordance with CICA Handbook Section 3475, Disposal of Long-Lived Assets and Discontinued Operations, the Company reclassified these assets from assets held for sale to property, plant and equipment. The assets were recorded at their carrying amounts before they were classified as held for sale, adjusted for amortization expense that would have been recognized had it been continuously classified as held and used.

Financing Activities

Cash provided by financing activities was \$17,249 for the six months ended June 30, 2008. This reflects proceeds received from the exercise of stock options.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of June 30, 2008.

Related Party Transactions

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

Patstar Inc.

On occasion, Patstar Inc. [“Patstar”], 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 June 30, 2008, the Company had balances due to Patstar of \$17,490 [December 31, 2007 – \$37,229] related to these reimbursements. In June 2008, the Company's Board of Directors approved a retroactive reduction in rent payable by Patstar in the amount of \$16,164 due to a clerical error. In addition, rent paid by Patstar of \$10,637 and \$21,228 is included as a reduction in the Company's selling, general and administrative expenses for the three and six months ended June 30, 2008 [three and six months ended June 30, 2007 rent paid to Patstar – \$9,638 and \$15,804]. All reimbursements and rent expense are recorded at fair value.

Outstanding Share Data

The Company has total common shares outstanding as at July 31, 2008 of 51,171,143. In addition, the Company has 12,690,980 outstanding options, warrants, retention warrants and stock appreciation rights which are each exchangeable for one common share upon exercise.