

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

JumpTV Inc.
June 30, 2006

JumpTV Inc.**CONSOLIDATED BALANCE SHEETS**

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

	As at June 30, 2006 \$	As at December 31, 2005 \$
<i>[unaudited]</i>		
ASSETS		
Current		
Cash and cash equivalents <i>[note 5]</i>	5,110,401	5,475,052
Other receivables	289,454	78,309
Prepaid expenses and deposits	482,643	14,812
Total current assets	5,882,498	5,568,173
Equipment, net <i>[note 6]</i>	934,327	379,694
Intangible assets <i>[notes 2 and 3]</i>	464,528	—
Other assets	116,328	105,216
Deferred direct broadcast operating costs, net <i>[note 10[iii]]</i>	79,203	96,803
Deferred share issue costs <i>[note 14[iii]]</i>	3,449,672	—
	10,926,556	6,149,886
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and other accrued liabilities	3,251,350	1,008,845
Due to related parties <i>[note 7]</i>	28,425	138,323
Current portion of accrued license fees	41,797	79,592
Accrued professional fees	3,308,714	195,592
Deferred revenue	80,853	56,268
Income taxes payable	41,800	16,800
Total current liabilities	6,752,939	1,495,420
Accrued license fees <i>[note 10[iii]]</i>	120,000	120,000
Total liabilities	6,872,939	1,615,420
Shareholders' equity		
Share capital <i>[note 9]</i>	19,346,813	9,744,084
Contributed surplus <i>[note 10]</i>	952,472	609,908
Accumulated other comprehensive loss	(40,355)	(40,355)
Accumulated deficit	(16,205,313)	(5,779,171)
Total shareholders' equity	4,053,617	4,534,466
	10,926,556	6,149,886

Commitments and contingencies [notes 8, and 14]

See accompanying notes

On behalf of the Board:

“G. Scott Paterson”

“Curt Marvis”

Director

Director

JumpTV Inc.**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
Revenue, net	426,988	356,786	777,496	632,773
Direct broadcast operating costs <i>[notes 6, 7[ii] and 10[iii]]</i>	(480,681)	(1,064,074)	(731,011)	(1,175,879)
	(53,693)	(707,288)	46,485	(543,106)
Other costs and expenses				
Selling, general and administrative <i>[note 7]</i>	5,864,555	224,049	9,220,197	356,735
Stock-based compensation <i>[note 10]</i>	561,199	45,758	1,327,380	110,303
Amortization	25,918	5,375	47,851	9,309
	6,451,672	275,182	10,595,428	476,347
	(6,505,365)	(982,470)	(10,548,943)	(1,019,453)
Loss on foreign exchange	16,625	734	8,301	10,601
Interest income	(84,985)	(404)	(156,102)	(900)
Loss before income taxes	(6,437,005)	(982,800)	(10,401,142)	(1,029,154)
Provision for income taxes	12,000	5,600	25,000	5,600
Net loss for the period	(6,449,005)	(988,400)	(10,426,142)	(1,034,754)
Loss per weighted average number of shares outstanding - basic and diluted	(0.31)	(0.10)	(0.52)	(0.11)
Weighted average number of shares outstanding - basic and diluted	21,054,579	9,937,909	19,871,859	9,064,798

See accompanying notes

JumpTV Inc.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	Share capital				Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total shareholders' equity
	Class A common shares		Class C common shares					
	#	\$	#	\$				
Balance, December 31, 2005	16,245,556	9,744,083	1	1	609,908	(40,355)	(5,779,171)	4,534,466
Net loss for the period	—	—	—	—	—	—	(10,426,142)	(10,426,142)
Exercise of stock options <i>[note 10[i]]</i>	1,772,420	918,284	—	—	(318,238)	—	—	600,046
Net proceeds from issuance of common shares through private placements <i>[note 9]</i>	3,033,984	7,998,646	—	—	—	—	—	7,998,646
Redemption of Class C common share <i>[note 9]</i>	—	—	(1)	(1)	—	—	—	(1)
Issuance of restricted share units	171,427	685,800	—	—	(685,800)	—	—	—
Stock-based compensation <i>[note 10]</i>								
Restricted share units	—	—	—	—	768,284	—	—	768,284
Stock options	—	—	—	—	524,234	—	—	524,234
Warrants	—	—	—	—	34,862	—	—	34,862
Warrants issued on HVMedia asset purchase <i>[notes 3 and 10[iii]]</i>	—	—	—	—	19,222	—	—	19,222
Balance, June 30, 2006 <i>[unaudited]</i>	21,223,387	19,346,813	—	—	952,472	(40,355)	(16,205,313)	4,053,617

See accompanying notes

JumpTV Inc.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(6,449,005)	(988,400)	(10,426,142)	(1,034,754)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Amortization	58,213	5,375	98,745	9,309
Stock-based compensation <i>[note 10[i]]</i>	561,199	45,758	1,327,380	110,303
Amortization of deferred direct broadcast operating costs <i>[note 10[iii]]</i>	8,800	—	17,599	—
	(5,820,793)	(937,267)	(8,982,418)	(915,142)
Changes in operating assets and liabilities				
Other receivables	(196,721)	(15,267)	(211,145)	(21,000)
Prepaid expenses, deposits and other assets	(325,844)	(25,991)	(478,943)	(25,988)
Accounts payable and other accrued liabilities	1,697,951	39,891	2,208,303	149,684
Due to related parties	(102,535)	26,213	(109,898)	(14,258)
Accrued license fees	(3,513)	(1,526)	(37,795)	36,612
Accrued professional fees	(68,264)	—	(65,675)	—
Deferred revenue	13,889	(14,604)	24,585	18,731
Income taxes payable	12,000	5,600	25,000	5,600
Cash used in operating activities	(4,793,830)	(922,951)	(7,627,986)	(765,761)

JumpTV Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS [cont'd]

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
INVESTING ACTIVITIES				
Redemption of short-term investment	—	36,728	—	36,728
Purchase of equipment	(445,306)	(16,878)	(703,721)	(50,229)
Purchase of intangible assets [note 3]	(360,760)	—	(360,760)	—
Cash provided by (used in) investing activities	(806,066)	19,850	(1,064,481)	(13,501)
FINANCING ACTIVITIES				
Proceeds from share issuances, net [note 9]	—	959,000	7,998,646	959,000
Deferred share issue costs	(270,875)	—	(270,875)	—
Redemption of Class C common share	—	—	(1)	—
Proceeds from exercise of stock options	12,500	—	600,046	—
Proceeds from issuance of convertible promissory note	—	—	—	20,000
Proceeds from issuance of special warrants [note 10[iii]]	—	—	—	750,000
Other	(5,317)	—	—	—
Cash provided (used in) by financing activities	(263,692)	959,000	8,327,816	1,729,000
Net increase (decrease) in cash and cash equivalents during the period	(5,863,588)	55,899	(364,651)	949,738
Cash and cash equivalents, beginning of period	10,973,989	1,130,270	5,475,052	1,130,270
Cash and cash equivalents, end of period	5,110,401	1,186,169	5,110,401	1,186,169

See accompanying notes

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

1. Nature of Operations

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

Prior to August 10, 2006, JumpTV was a Canadian controlled private corporation with offices in Toronto, Canada and New York, United States.

JumpTV's business is in the early stages with only a few years of operating history. From JumpTV's inception, it has incurred net losses and JumpTV expects such losses to increase. JumpTV will require expenditures of significant funds for marketing, building its subscriber management systems, programming and website development, maintaining adequate video streaming and database software, pursuing and maintaining channel distribution agreements with its channel partners, 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. There is no guarantee that JumpTV will ultimately be able to generate sufficient revenue to become profitable and have sustainable cash flows. Subsequent to the June 30, 2006, on August 10, 2006, the Company, upon closing of its' initial public offering, issued 12,000,000 common shares and raised estimated net proceeds of \$49,075,957 [Cdn\$55,500,000] [see note 14 [iii]]

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

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

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

2. Principles of Consolidation and Basis of Presentation

The interim consolidated financial statements include the accounts of JumpTV, JumpTV Ltd., a wholly-owned subsidiary in the United Kingdom, HVMedia, Limited ["HVMedia"] and Jump TV Colombia Ltda. ["JumpTV Colombia"], a variable interest entity where JumpTV has been determined to be the primary beneficiary, collectively the "Company". All significant inter-company transactions and balances have been eliminated on consolidation.

The notes presented in these interim consolidated financial statements include only significant events and transactions occurring since the Company's last fiscal year and are not fully inclusive of all matters normally disclosed in the Company's audited consolidated financial statements. As a result, these interim financial statements should be read in conjunction with the Company's consolidated financial statements for the nine-months ending December 31, 2005.

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent consolidated financial statements for the nine-months ending December 31, 2005 other than the following:

Intangible Assets

Intangible assets represent television and radio channels, subscriber lists, rights to Internet domain names, proprietary computer programs and employment contracts. These assets were acquired in connection with the Company's purchase of assets from HVMedia. The allocation of the purchase price to various intangible assets acquired and the related amortization period has yet to be determined.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

3. Business Acquisition

On June 11, 2006, the Company entered into an agreement to purchase the assets of HVMedia for total cash consideration (excluding transaction costs of \$89,528) of \$375,000, of which \$25,000 is to be held in escrow to offset any liabilities JumpTV may experience over the next 3 years arising from the acquisition of the assets of HVMedia. If there are no such liabilities, these funds will be automatically released to HVMedia as the remaining purchase price of those assets. In addition, the Company incurred transactions costs relating to legal fees and the issuance of warrants [see below] amounting to \$89,528. The assets purchased primarily represent existing agreements with television and radio channels, subscriber lists, right to Internet domain names, proprietary computer programs, and employment contracts for certain employees of HVMedia.

As part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants each, which are exercisable to acquire Class A common shares at a purchase price per share equal to \$4.90 [Cdn\$5.50]. The fair value of these warrants is being expensed as compensation expense over the vesting period. In addition, the Company issued 10,000 warrants to acquire Class A common shares at \$6.00 per share to a third party as a finder's fee in connection with the asset purchase. The fair value of these warrants has been capitalized as part of the cost of acquisition.

The acquisition has been accounted for using the purchase method, with the results of HVMedia included in the Company's results of operations from the date of acquisition. The purchase price allocation of the tangible and intangible assets has yet to be determined, and as such the total cost has been capitalized as "Intangible assets" on the balance sheet. To date no amortization has been recorded.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

4. Loss per share

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding for the period. Diluted loss per share is computed by dividing net loss by the weighted average number of common shares outstanding [if dilutive] related to stock options, restricted share units and warrants for each period. The dilutive effect of stock options, restricted share units and warrants is determined using the treasury stock method.

For the six months ended June 30, 2006 and 2005 and for the three-month periods ended June 30, 2006 and 2005, the Company had stock options, restricted share units, warrants and convertible debt which, due to the losses incurred, were considered anti-dilutive equity instruments. Accordingly, the effect of these instruments has not been reflected in computing diluted loss per share for the six months ended June 30, 2006 and 2005 and the three-month periods ended June 30, 2006 and 2005.

Excluded from the weighted average number of shares are the following securities:

	Three months ended June 30,		Six months ended June 30,	
	2006 #	2005 #	2006 #	2005 #
Stock options	1,456,125	2,147,743	1,456,125	2,147,743
Restricted share units	—	—	—	—
Warrants	110,000	—	110,000	—

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	June 30, 2006 \$	December 31, 2005 \$
Cash	727,169	1,528,070
Unrestricted funds held in trust [i]	151,538	2,982,485
Money market funds [ii]	4,231,694	964,497
	<u>5,110,401</u>	<u>5,475,052</u>

[i] These funds held in trust relate to monies held to fund incorporation costs for a subsidiary of the Company. There are no restrictions related to monies held in trust.

[ii] Money market funds consist of a U.S. dollar account which earns interest at approximately 4%.

6. Equipment

The details of equipment and the related accumulated amortization are set forth below for the indicated periods:

	June 30, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	371,041	107,746	263,295
Infrastructure equipment	625,954	62,706	563,248
Computer software	112,963	23,935	89,028
Furniture and fixtures	25,174	11,696	13,478
Leasehold improvements	5,367	89	5,278
	<u>1,140,499</u>	<u>206,172</u>	<u>934,327</u>

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

	December 31, 2005		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	225,459	80,216	145,243
Infrastructure equipment	220,433	12,226	208,207
Computer software	23,099	7,361	15,738
Furniture and fixtures	18,130	7,624	10,506
	487,121	107,427	379,694

Amortization expense related to the Company's infrastructure equipment for the six months ended June 30, 2006 and 2005 of \$50,894 and nil [three months ended June 30, 2006 and 2005 - \$32,296 and nil] is included within direct broadcast operating costs.

7. Due to Related Parties

[i] Patstar Inc.

On occasion, a company controlled by the Company's current Chief Executive Officer and Chairman of JumpTV, Patstar Inc., receives reimbursement of expenditures incurred on behalf of JumpTV or by employees of JumpTV. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. The balance outstanding as at June 30, 2006 and December 31, 2005 of \$28,425 and \$138,323, respectively, relates to these reimbursements. In addition, for the six-month periods ended June 30, 2006 and 2005 included in the Company's selling, general and administrative expenses is rent expense of \$47,818 and \$4,081, respectively, that was paid to Patstar Inc. for the use of office space. All reimbursements and rent expense are recorded at the exchange amount.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

[ii] Other related party transactions

On May 20, 2005, the Company entered into a consulting agreement for ongoing business and operations related to online television broadcasting with the former Chief Executive Officer of the Company for a term of four years ending May 20, 2009 at a cost of \$150,000 per year with an annual bonus payable in cash and/or options at the sole discretion of the Company. On January 24, 2006, this consulting agreement was terminated and the Company paid a termination payment of \$162,000 which is included in selling, general and administrative expenses for the six-month period ended June 30, 2006.

During the six-month period ended June 30, 2006 the Company expensed \$75,000 related to this consulting agreement which is included within selling, general and administrative expenses on the consolidated statements of operations.

As at December 31, 2005, a contract with one of the Company's bandwidth and Internet hosting service providers was held with a company controlled by the president of the Company. All amounts paid to this bandwidth and Internet hosting service provider were paid directly by the Company to the service provider and such amounts are included in direct broadcast operating costs. During the six-month period ended June 30, 2006, this contract was transferred from the company controlled by the president of the Company to JumpTV.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended
June 30, 2006 and 2005 is unaudited]

8. Commitments and Contingencies

Commitments

The Company has lease commitments for its premises in New York, United States, Mississauga, Canada and Bogota, Colombia for leasing of premises for certain infrastructure equipment. Future minimum annual payments per fiscal year [exclusive of taxes, insurance and maintenance costs] under the leases are as follows:

	\$
2006	670,470
2007	338,846
2008	67,669
2009	2,727
2010	2,727
Thereafter	1,363
	<hr/> 1,083,802 <hr/>

Contingencies

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

See also note 14[i].

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

9. Share Capital

Share capital consists of the following:

	June 30, 2006 \$	December 31, 2005 \$
Authorized		
Unlimited Class A common shares, voting, no par value, discretionary non-cumulative dividend ²		
Unlimited Class B common shares, non-voting, no par value, discretionary non-cumulative dividends to a maximum annual amount equal to 8% of stated Class B capital ³		
One Class C common share, non-voting, no par value, non-transferable and non-assignable, right to appoint one director to the board ¹		
Unlimited Class 1 Preference Shares		
Unlimited Class 2 Preference Shares		
Issued and outstanding		
Class A common shares		
June 30, 2006: Issued and outstanding: 21,223,387 (December 31, 2005: 16,245,556)	19,346,813	9,744,083
Class C common share		
June 30, 2006: Issued and outstanding: nil (December 31, 2005: 1)	—	1
	19,346,813	9,744,084

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

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

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

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

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

During the six months ended June 30, 2006 the Company completed the following issuances of its Class A common shares:

Date	#	\$
February 8, 2006	566,000	1,415,000
February 9, 2006	600,000	1,500,000
February 17, 2006	513,000	1,282,500
February 28, 2006	1,054,000	2,617,811
March 14, 2006	13,734	34,335
March 31, 2006	287,250	1,149,000
	3,033,984	7,998,646

10. Stock Options and Stock-Based Compensation

[i] Stock option plans

2000 stock option plan [the "Old Plan"]

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

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

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

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

	#	Weighted average exercise price \$
Outstanding, December 31, 2005	2,073,106	0.36
Exercised	(1,772,420)	0.34
Forfeited	(300,686)	0.43
Outstanding, June 30, 2006	—	—

2005 stock option plan [the "New Plan"]

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

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

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

	#	Weighted average exercise price \$
Outstanding, December 31, 2005	1,724,651	1.80
Granted	1,998,463	3.21
Outstanding, June 30, 2006	3,723,114	2.56

The following table summarizes stock option information of the New Plan as at June 30, 2006:

Exercise price \$	Number of stock options outstanding #	Weighted average remaining contractual life [years]	Number of stock options exercisable #
1.80	1,724,651	3.90	472,072
2.50	1,353,513	4.74	133,084
4.00	416,700	4.82	19,060
6.00	228,250	4.02	5,234

For all periods presented, the Company has applied the fair value recognition provisions of CICA Handbook Section 3870, "Stock Based Compensation and Other Stock-based Payments". In accordance with the provisions of Section 3870, \$524,234 and \$110,303 were recorded for total stock-based compensation expense for the six-month period ended June 30, 2006 and 2005, respectively [three months ended June 30, 2006 and 2005 - \$285,235 and \$45,758].

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

The following assumptions were used to determine the fair value of the options issued for each respective period:

	June 30, 2006	December 31, 2005
Weighted average		
Exercise price of stock options granted	\$2.56	\$1.80
Expected volatility	72%	72%
Risk-free interest rates	4.52%	4.13%
Expected lives [years]	4	4
Estimated fair value	\$1.36	\$1.00

For each of the above periods, the weighted average expected dividend yield was nil.

[ii] Restricted share plan

On September 2, 2005, the Board of Directors approved a new restricted share plan ["Restricted Share Plan"] that applies to all future grants of restricted shares to employees and consultants of the Company. Restricted shares vest on a monthly basis over a 48-month period. The maximum number of restricted shares issuable shall be no greater than the equivalent of 1,000,000 Class A common shares. At the option of the Company, awards granted under the Restricted Share Plan may be settled in either Class A common shares of the Company or a cash amount equal to the market value of the Company's Class A common shares on the date of vesting and it is the Company's intention to settle awards granted under the Restricted Share Plan through the issuance of Class A common shares.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2006 and for the three months and six months ended June 30, 2006 and 2005 is unaudited]

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

	#
Outstanding, December 31, 2005 ¹	840,000
Granted	150,000
Outstanding, June 30, 2006	990,000

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

During the six-month period ended June 30, 2006 and 2005, the Company recognized compensation expense of \$768,284 and nil, respectively, [three months ended June 30, 2006 and 2005 - \$247,452 and nil] related to its Restricted Share Plan based on the change in the fair value in the Company's Class A common shares as indicated through Class A common share issuances during the three-month period. The compensation expense was determined based on the Company's most recent private placement during the six-month period ended June 30, 2006 of \$4.00 per Class A common share.

[iii] Warrants

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

On September 2, 2005, the Company granted 100,000 warrants to one of its directors related to consulting services provided. The warrants have an exercise price of \$1.80 and vest monthly over a 48-month period. The warrants expire on September 2, 2009. The weighted average fair value of the warrants was estimated to be \$1.02 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.85%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$101,600 is being expensed over the period of service which is estimated to be four years. For the six months ended June 30, 2006 and 2005, the Company expensed \$12,700 and nil, respectively, [three months ended June 30, 2006 and 2005 - \$6,350 and nil], which are included within stock-based compensation on the consolidated statements of operations.

In connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants to purchase Class A common shares of the Company. The warrants have an exercise price of \$1.80 and vested immediately upon grant. The warrants expire five years from the date of grant. The weighted average fair value of the warrants was estimated to be \$1.03 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.49%; volatility of 72%; expected

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life of four years; and dividend yield of 0.0%. The total estimated fair value of \$102,670 is capitalized and will be amortized to direct broadcast operating costs over the 35-month term of the related agreement. For the six months ended June 30, 2006, the Company expensed \$17,600 and nil, respectively [three months ended June 30, 2006 and 2005 - \$8,800 and nil] which are included within direct broadcast operating costs on the consolidated statements of operations.

The Company is obligated to pay the channel partner an additional \$3.00 less the exercise price of \$1.80 [\$120,000 in total] upon the channel partner surrendering for any unexercised warrants as at September 30, 2008. As at June 30, 2006, the Company has accrued for the \$120,000 within accrued license fees.

On June 5, 2006, the Company amended the terms of the agreement such that the Company is now required to complete an initial public offering by August 15, 2006 as opposed to the original agreed upon date of June 30, 2006.

In consideration of this amendment, the Company issued to the channel partner 7,500 warrants with an expiry of 5 years from the date of issuance at an exercise price of \$6.00 per warrant.

On March 27, 2006, the Company issued 120,000 warrants to the Advisory Board of the Company at an average exercise price of \$5.00 per warrant. Each warrant is exercisable into one Class A common share of the Company, vests over 4 years and expires after 5 years.

On May 31, 2006, as part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants each with an estimated fair value of , which are exercisable to acquire Class A common shares at a purchase price per share equal to the \$4.90 [Cdn\$5.50] [note 3].

On May 31, 2006, the Company issued 30,000 warrants to the Advisory Board of the Company at an average exercise price of \$5.25 per warrant. Each warrant is exercisable into one Class A common share of the Company, vests over 4 years and expires after 5 years.

On April 26, 2006, the Company issued 40,000 warrants to the Advisory Board of the Company at an average exercise price of \$5.25 per warrant. Each warrant is exercisable into one Class A common share of the Company, vests over 4 years and expires after 5 years.

On June 7, 2006, the Company issued 40,000 warrants to the Advisory Board of the Company at an average exercise price of \$5.25 per warrant. Each warrant is exercisable into one Class A common share of the Company, vests over 4 years and expires after 5 years.

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The total compensation expense related to warrants expensed during the three and six months periods ended June 30, 2006 was \$28,512 and \$34,862 respectively.

The following table summarizes the warrant information at June 30, 2006:

Exercise price \$	Number of warrants outstanding #	Weighted average remaining contractual life [years]	Number of warrants exercisable #
1.80	200,000	3.86	125,000
4.00	100,000	4.75	4,479
4.90	150,000	4.95	—
6.00	147,500	4.82	5,417

[iv] Stock appreciation rights plan

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

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

During the six months ended June 30, 2006, the Company granted 1,300,000 units under the SARS Plan at a weighted average exercise price of \$4.15.

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The Company determined that as at June 30, 2006, the fair value of the Company's Class A common shares was approximately \$4.00 based on an arm's length financing transaction. Accordingly, the Company did not recognize any compensation expense related to outstanding units granted under the Company's SARS Plan.

In summary, as at June 30, 2006, the number of Class A common shares of the Company reserved for issuance is as follows:

	Exercise price \$	Expiry/ vesting	June 30, 2006 #	December 31, 2005 #
Stock options				
2000 stock option plan [1] [note 10[i]]	0.06 - 0.09	October 2007 - December 2008	—	143,316
	0.16 - 0.24	February 2006	—	29,790
	0.25 - 0.36	August 2007	—	400,000
	0.37 - 0.50	April 2009 - September 2014	—	1,500,000
2005 stock option plan [note 10[i]]	1.80	June 2006 - November 2010	1,724,651	1,724,651
	2.50	March 2011	1,353,513	—
	4.00	April 2011	416,700	—
	6.00	April 2011 - June 2011	228,250	—
Restricted share units [note 10[ii]]	—	July 2009 - March 2010	990,000	840,000
Warrants [note 10[iii]]	1.80 - 6.00	September 2009 - June 2011	597,500	230,000
Stock appreciation rights [note 10[iv]]	4.00 - 6.00	March 2011 - May 2011	1,300,000	—
			6,610,614	4,867,757

[1] Subsequent to December 31, 2005, on January 24, 2006, the former Chief Executive Officer of the Company resigned from the Board of Directors, sold all his common shares, had his Class C common share redeemed, and sold 1,560,000 options which were all of his options after giving effect to an acceleration of vesting and a forfeiture of 300,000 options.

11. Supplemental Cash Flow Information

During the six months ended June 30, 2006 and 2005, there were no interest or taxes paid by the Company.

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

For the six-month period ended June 30, 2006:

[i] deferred share issue costs of \$ 3,077,797 included within accrued professional fees.

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[ii] reclassification of amounts previously expensed in regards to the exercise of stock options of \$318,238.

For the six-month period ended June 30, 2005:

[i] issuance of 3,000,000 Class A common shares upon conversion of the special warrants for \$750,000.

[ii] issuance of 350,000 Class A common shares to directors of the Company in trust for employees and consultants for services valued at \$87,500.

12. Financial Instruments

Fair value

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 estimated fair value of cash and cash equivalents, other receivables, accounts payable and other accrued liabilities, due to related parties, accrued license fees, accrued professional fees and deferred revenue approximates their carrying value due to the short term to maturity of these financial instruments.

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 Canadian dollars. The Company does not use derivative financial instruments to reduce its currency risk.

Supplier risk

For the six-month period ended June 30, 2006 and 2005 approximately 35% and 48%, respectively, [three months ended June 30, 2006 and 2005 - 36% and 56%] of channel license fees were paid to two channel partners.

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13. Segmented Information

The Company has one reportable segment, online television broadcasting. Substantially all of the operations of the Company are directly engaged in or support this operating segment.

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

	June 30, 2006 %	December 31, 2005 %
United States	24	37
Europe	10	27
Canada	30	28
Caribbean	33	—
Other	3	8
	100	100

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

	Three months ended June 30,		Six months ended June 30,	
	2006 %	2005 %	2006 %	2005 %
United States	54	55	55	56
Europe	24	22	24	22
Canada	9	10	10	10
Other	13	13	11	12
	100	100	100	100

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14. Subsequent Events

- [i] The Company entered into a demand operating facility with a Canadian chartered bank on March 29, 2006, as amended on June 14, 2006, June 19, 2006, July 4, 2006 and July 13, 2006 providing for two credit facilities, one in the amount of Cdn \$125,000 and \$125,000 to collateralize the Company's obligations under certain credit cards of the Company and the other in the amount of \$300,000 to collateralize the Company's obligations under an agreement entered into with an equipment financing company as described below ["the Equipment Agreement"]. The Equipment Agreement, dated July 27, 2006, provides for an uncommitted lease arrangement allowing the Company to purchase up to \$650,000 worth of equipment which the Company will be obligated to repay by way of monthly payments. As of July 31, 2006, the Company has drawn upon Cdn \$255,743 under this facility through equipment purchases and is obligated to make monthly payments of Cdn \$10,217 in respect of such amount beginning in August 2006.
- [ii] On July 10, 2006, the Company issued 32,800 Class A common shares of the Company to Telelatino Networks Inc. ["TLN"] at a price of \$5.50 per share for total proceeds of \$180,400. The issuance was in accordance to an agreement signed on June 23, 2006 whereby the Company purchased the right to participate in TLN marketing and media events for \$355,840 [Cdn\$400,000], of which \$204,608 [Cdn\$230,000] was paid upon closing of the agreement. The balance of \$151,232 [Cdn\$170,000] will be paid in 12 equal monthly installments commencing August 1, 2006. These monthly payments are subject to acceleration should the Company increase its participation in TLN's marketing and media events.
- [iii] Under the terms of the underwriting agreement dated August 1, 2006, the Company agreed to issue 12,000,000 common shares for a total amount of \$58,360,598 [Cdn\$66,000,000]. Upon closing, the net proceeds of this issue are estimated at \$49,075,957 [Cdn\$55,500,000], net of the estimated issue expenses and underwriters' fees in the aggregate amounting to approximately \$9,284,641 [Cdn\$10,500,000], of which \$3,449,672 was incurred at June 30, 2006 and recorded as deferred share issue costs.

In connection with the terms of this underwriting agreement, the Company has agreed to grant compensation options to the underwriters entitling the underwriters to acquire from the Company at the offering price a number of common shares equal to an aggregate of 5% of the number of common shares sold by the Company under this offering for a period of 24 months following the completion of this offering.

In addition, the Company has granted the underwriters an option, exercisable for a period of 30 days from the closing of this offering to purchase up to a total of 1,800,000 additional common shares, being 15% of the number of common shares being sold by the Company under this offering.