

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

JumpTV Inc.
September 30, 2006

JumpTV Inc.**CONSOLIDATED INTERIM BALANCE SHEETS**

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

	As at September 30, 2006 \$	As at December 31, 2005 \$
<i>[unaudited]</i>		
ASSETS		
Current		
Cash and cash equivalents <i>[note 5]</i>	54,020,499	5,475,052
Other receivables	487,040	78,309
Prepaid expenses and deposits	683,864	14,812
Funds held in trust <i>[note 6]</i>	581,861	—
Total current assets	55,773,264	5,568,173
Equipment, net <i>[note 7]</i>	977,093	379,694
Intangible assets <i>[notes 2 and 3]</i>	464,195	—
Other assets	227,922	105,216
Deferred direct broadcast operating costs, net <i>[note 9 and 11[iii]]</i>	262,094	96,803
	57,704,568	6,149,886
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and other accrued liabilities	2,230,796	1,008,845
Due to related parties <i>[note 8]</i>	6,083	138,323
Current portion of accrued license fees	65,696	79,592
Accrued professional fees	557,834	195,592
Accrued stock appreciation rights <i>[note 11[iv]]</i>	623,859	—
Deferred revenue	103,106	56,268
Income taxes payable	52,800	16,800
Total current liabilities	3,640,174	1,495,420
Accrued license fees <i>[note 11[iii]]</i>	120,000	120,000
Total liabilities	3,760,174	1,615,420
Shareholders' equity		
Share capital <i>[note 10]</i>	73,556,678	9,744,084
Contributed surplus <i>[note 11]</i>	3,127,795	609,908
Accumulated other comprehensive loss	(40,355)	(40,355)
Accumulated deficit	(22,699,724)	(5,779,171)
Total shareholders' equity	53,944,394	4,534,466
	57,704,568	6,149,886

Commitments and contingencies *[note 9]**See accompanying notes*

On behalf of the Board:

"G. Scott Paterson"

Director

"Curt Marvis"

Director

JumpTV Inc.

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS

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

	Three months ended September 30		Nine months ended September 30	
	2006	2005	2006	2005
	\$	\$	\$	\$
Revenue, net	534,671	337,389	1,312,167	970,162
Direct broadcast operating costs <i>[notes 7, 8[ii] and 11[iii]]</i>	(706,102)	(97,757)	(1,437,113)	(1,273,636)
	(171,431)	239,632	(124,946)	(303,474)
Other costs and expenses				
Selling, general and administrative <i>[note 8]</i>	5,318,685	1,258,342	14,538,882	1,615,077
Stock-based compensation <i>[note 11]</i>	1,417,321	74,530	2,744,701	184,833
Amortization	34,225	6,335	82,076	15,644
	6,770,231	1,339,207	17,365,659	1,815,554
	(6,941,662)	(1,099,575)	(17,490,605)	(2,119,028)
Gain on foreign exchange	(107,548)	(13,791)	(99,247)	(3,190)
Interest income	(350,703)	(4,859)	(506,805)	(5,759)
Loss before income taxes	(6,483,411)	(1,080,925)	(16,884,553)	(2,110,079)
Provision for income taxes	11,000	5,600	36,000	11,200
Net loss for the period	(6,494,411)	(1,086,525)	(16,920,553)	(2,121,279)
Loss per weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	(0.23)	(0.08)	(0.74)	(0.20)
Weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	28,848,119	13,469,599	22,913,150	10,574,769

See accompanying notes

JumpTV Inc.

CONSOLIDATED INTERIM STATEMENT 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 \$
	Common shares		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	—	—	—	—	—	—	—	—	(16,920,553)	(16,920,553)
Exercise of stock options for Class A common shares <i>[note 11[i]]</i>	—	—	1,772,420	918,284	—	—	(330,690)	—	—	587,594
Net proceeds from issuance of Class A common shares through private placements <i>[note 10]</i>	—	—	3,066,784	8,179,046	—	—	—	—	—	8,179,046
Issuance of restricted share units <i>[note 11[ii]]</i>	—	—	171,427	685,800	—	—	(685,800)	—	—	—
Exchange of Class A common shares for common shares <i>[note 10]</i>	21,256,187	19,527,213	(21,256,187)	(19,527,213)	—	—	—	—	—	—
Net proceeds from issuance of common shares through initial public offering <i>[note 10]</i>	12,000,000	48,283,942	—	—	—	—	1,260,540	—	—	49,544,482
Net proceeds from issuance of common shares through underwriters' over-allotment option <i>[note 10]</i>	1,273,500	5,707,632	—	—	—	—	133,773	—	—	5,841,405
Exercise of stock options for common shares <i>[note 11[i]]</i>	12,606	37,891	—	—	—	—	—	—	—	37,891
Redemption of Class C common share <i>[note 10]</i>	—	—	—	—	(1)	(1)	—	—	—	(1)
Stock-based compensation <i>[note 11]</i>	—	—	—	—	—	—	1,214,935	—	—	1,214,935
Restricted share units	—	—	—	—	—	—	824,942	—	—	824,942
Stock options	—	—	—	—	—	—	80,965	—	—	80,965
Warrants	—	—	—	—	—	—	—	—	—	—
Warrants issued on HVMedia asset purchase <i>[notes 3 and 11[iii]]</i>	—	—	—	—	—	—	19,222	—	—	19,222
Balance, September 30, 2006 <i>[unaudited]</i>	34,542,293	73,556,678	—	—	—	—	3,127,795	(40,355)	(22,699,724)	53,944,394

See accompanying notes

JumpTV Inc.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

	Three months ended September 30		Nine months ended September 30	
	2006 \$	2005 \$	2006 \$	2005 \$
OPERATING ACTIVITIES				
Net loss for the period	(6,494,411)	(1,086,525)	(16,920,553)	(2,121,279)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Amortization	76,069	6,698	174,310	16,007
Stock-based compensation, excluding change in accrued stock appreciation rights as noted below <i>[note 11[i]]</i>	793,462	74,530	2,120,842	184,833
Amortization of deferred direct broadcast operating costs <i>[note 11[iii]]</i>	8,799	—	26,399	—
	(5,616,081)	(1,005,297)	(14,599,002)	(1,920,439)
Changes in operating assets and liabilities				
Other receivables	(197,586)	(41,530)	(408,731)	(62,530)
Prepaid expenses, deposits and other assets	(312,815)	2,295	(791,758)	(23,693)
Funds held in trust <i>[note 6]</i>	(581,861)	—	(581,861)	—
Deferred direct broadcast operating costs <i>[note 9]</i>	(191,690)	—	(191,690)	—
Accounts payable and other accrued liabilities	(1,020,553)	723,443	1,221,951	873,127
Due to related parties	(22,342)	(1,590)	(132,240)	(15,848)
Accrued license fees	23,899	63,680	(13,896)	100,292
Accrued stock appreciation rights	623,859	—	623,859	—
Accrued professional fees	(2,750,880)	—	362,242	—
Deferred revenue	22,253	(3,564)	46,838	15,167
Income taxes payable	11,000	5,600	36,000	11,200
Cash used in operating activities	(10,012,797)	(256,963)	(14,428,288)	(1,022,724)
INVESTING ACTIVITIES				
Redemption of short-term investment	—	—	—	36,728
Purchase of equipment	(118,835)	(53,600)	(771,709)	(103,829)
Purchase of HVMedia Limited assets, including transaction costs <i>[note 3]</i>	333	—	(444,973)	—
Cash used in investing activities	(118,502)	(53,600)	(1,216,682)	(67,101)
FINANCING ACTIVITIES				
Proceeds from share issuances, net <i>[note 10]</i>	55,566,287	3,864,036	63,564,934	4,823,036
Deferred share issue costs	3,449,672	—	—	—
Redemption of Class C common share <i>[note 10]</i>	—	—	(1)	—
Proceeds from exercise of stock options	25,438	—	625,484	—
Proceeds from issuance of convertible promissory note	—	—	—	20,000
Proceeds from issuance of special warrants <i>[note 11[iii]]</i>	—	—	—	750,000
Cash provided by financing activities	59,041,397	3,864,036	64,190,417	5,593,036
Net increase in cash and cash equivalents during the period	48,910,098	3,553,473	48,545,447	4,503,211
Cash and cash equivalents, beginning of period	5,110,401	1,186,169	5,475,052	236,431
Cash and cash equivalents, end of period	54,020,499	4,739,642	54,020,499	4,739,642

See accompanying notes

JumpTV Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2006

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.

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

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.

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.

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September 30, 2006

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 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 ended 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 ended 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 final allocation of the purchase price to various intangible assets acquired and the related amortization period will be determined during the fourth quarter of fiscal 2006.

JumpTV Inc.

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

[Information as at September 30, 2006 and for the three months and nine months ended
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September 30, 2006

3. Business Acquisition

On June 11, 2006, the Company entered into an agreement to purchase the assets of HVMedia, Limited ["HVMedia"] for total cash consideration of \$375,000, of which \$25,000 is to be held in escrow to offset any liabilities JumpTV may experience over the next three 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 transaction costs relating to legal fees and the issuance of warrants [see below] amounting to \$89,195. The assets purchased primarily represent 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 acquisition, two key employees of HVMedia received 75,000 warrants each, which are exercisable to acquire common shares of the Company at an exercise 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 of four years. In addition, the Company issued 10,000 warrants to acquire common shares at \$6.00 per share to a third party as a finder's fee in connection with the asset purchase. The fair value of these warrants has been capitalized as part of the 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 is preliminary, and as such the total cost has been initially capitalized as "Intangible assets" on the consolidated interim balance sheet. As of September 30, 2006, no amortization has been recorded pending finalization of the purchase price allocation by third party valuers.

JumpTV Inc.

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

[Information as at September 30, 2006 and for the three months and nine months ended
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September 30, 2006

4. Loss per share

Loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding for the period. Diluted loss per share is computed by dividing net loss by the weighted average number of 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 three and nine-month periods ended September 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 three and nine-month periods ended September 30, 2006 and 2005.

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

	Three months ended September 30		Nine months ended September 30	
	2006 #	2005 #	2006 #	2005 #
Stock options	2,019,380	2,147,743	2,109,380	2,147,743
Restricted share units	—	—	—	—
Warrants	164,164	—	164,164	—
Stock appreciation rights	380,887	—	380,887	—

JumpTV Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
STATEMENTS**

[Expressed in U.S. dollars, unless otherwise noted]
[Information as at September 30, 2006 and for the three months and nine months ended
September 30, 2006 and 2005 is unaudited]

September 30, 2006

5. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	September 30, 2006 \$	December 31, 2005 \$
Cash	31,878,297	1,528,070
Unrestricted funds held in trust [i]	151,538	2,982,485
Money market funds [ii]	21,990,664	964,497
	<u>54,020,499</u>	<u>5,475,052</u>

[i] At September 30, 2006, funds held in trust relate to monies held to fund costs for a subsidiary of the Company. There are no restrictions related to monies held in trust. At December 31, 2005, funds held in trust are related to net proceeds from private placements.

[ii] Money market funds consist of a U.S. and a Canadian dollar account which earn interest at approximately 4% to 5%.

6. Funds Held in Trust

These funds represent monies held by our underwriters "in trust" to cover expenses for services which have been incurred but have yet to be settled.

JumpTV Inc.

**NOTES TO INTERIM CONSOLIDATED FINANCIAL
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[Expressed in U.S. dollars, unless otherwise noted]
[Information as at September 30, 2006 and for the three months and nine months ended
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September 30, 2006

7. Equipment

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

	September 30, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	437,928	129,241	308,687
Infrastructure equipment	639,069	104,550	534,519
Computer software	149,167	35,594	113,573
Furniture and fixtures	27,804	12,508	15,296
Leasehold improvements	5,367	349	5,018
	<u>1,259,335</u>	<u>282,242</u>	<u>977,093</u>

	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
	<u>487,121</u>	<u>107,427</u>	<u>379,694</u>

Amortization expense related to the Company's infrastructure equipment for the nine months ended September 30, 2006 and 2005 of \$92,234 and \$363 [three months ended September 30, 2006 and 2005 - \$41,844 and \$363] is included within direct broadcast operating costs.

JumpTV Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2006

8. 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 September 30, 2006 and December 31, 2005 of \$6,083 and \$138,323, respectively, relates to these reimbursements. In addition, for the nine-month periods ended September 30, 2006 and 2005 included in the Company's selling, general and administrative expenses is rent expense of \$47,818 and \$28,937, respectively, that was paid to Patstar Inc. for the use of office space. All reimbursements and rent expense are recorded at the exchange amount.

[ii] Other related party transactions

On May 20, 2005, the Company entered into a consulting agreement for ongoing business and operations related to online television broadcasting with the former Chief Executive Officer of the Company for a term of four years ending May 20, 2009 at a cost of \$150,000 per year with an annual bonus payable in cash and/or options at the sole discretion of the Company. 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 nine-month period ended September 30, 2006.

During the nine-month period ended September 30, 2006 the Company expensed \$75,000 [three-month period ended September 30, 2006 – nil] 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 nine-month period ended September 30, 2006, this contract was transferred from the company controlled by the president of the Company to JumpTV.

JumpTV Inc.

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[Expressed in U.S. dollars, unless otherwise noted]
[Information as at September 30, 2006 and for the three months and nine months ended September 30, 2006 and 2005 is unaudited]

September 30, 2006

9. Commitments and Contingencies

Commitments

The Company has operating lease commitments for its premises in New York, United States, Mississauga, Canada, Bogota, Colombia, Dubai, United Arab Emirates, Kingston, Jamaica and Kampala, Uganda, for leasing of premises for certain infrastructure equipment. The Company also has marketing fee commitments to a channel partner and a co-marketing partner. Future minimum annual payments per fiscal year [exclusive of taxes, insurance and maintenance costs] under these commitments are as follows:

	Marketing fees \$	Operating leases \$
2006	170,304	285,045
2007	354,043	514,941
2008	260,000	77,113
2009	260,000	2,845
2010	—	2,845
	1,044,347	882,789

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 \$250,000 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 leasing facility allowing the Company to purchase up to \$650,000 worth of equipment which the Company will be obligated to repay by way of monthly payments. As at September 30, 2006 the Company has drawn upon \$226,141 [Cdn\$255,743] under this facility through equipment purchases and is obligated to make monthly payments of \$9,034 [Cdn\$10,217] in respect of such amount.

During the fiscal year 2006, the Company entered into a channel partner agreement, whereby the Company is obligated to issue 100,000 warrants for 100,000 common shares of the Company at an exercise price of \$6.00 per common share, subject to Board approval. As at September 30, 2006, the Board of Directors has yet to approve the issuance of these warrants. The Company has accrued \$191,690 relating to the total estimated fair value of these warrants with a corresponding entry to deferred direct broadcast operating costs.

JumpTV Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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.

10. Share Capital

Share capital consists of the following:

	September 30, 2006 \$	December 31, 2005 \$
Authorized		
Unlimited common shares, voting, no par value, discretionary non-cumulative dividend ²		
Unlimited Class A common shares, voting, no par value, discretionary non-cumulative dividend ²		
Unlimited Class B common shares, non-voting, no par value, discretionary non-cumulative dividends to a maximum annual amount equal to 8% of stated Class B capital ³		
One Class C common share, non-voting, no par value, non-transferable and non-assignable, right to appoint one director to the board ¹		
Unlimited Class 1 Preference Shares		
Unlimited Class 2 Preference Shares		
Issued and outstanding		
Common shares		
September 30, 2006: Issued and outstanding: 34,542,293 [December 31, 2005: nil]	73,556,678	—
Class A common shares		
September 30, 2006: Issued and outstanding: nil [December 31, 2005: 16,245,556]	—	9,744,083
Class C common share		
September 30, 2006: Issued and outstanding: nil [December 31, 2005: 1]	—	1
	<u>73,556,678</u>	<u>9,744,084</u>

JumpTV Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2006

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

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

[2] On July 7, 2006, 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 nine months ended September 30, 2006 the Company completed the following issuances of its Class A common shares and common shares, excluding issuances relating to stock options and Restricted Share Plan units:

Date	#	\$
February 8, 2006	566,000	1,415,000
February 9, 2006	600,000	1,500,000
February 17, 2006	513,000	1,282,500
February 28, 2006	1,054,000	2,617,811
March 14, 2006	13,734	34,335
March 31, 2006	287,250	1,149,000
July 10, 2006	32,800	180,400
August 10, 2006	12,000,000	48,283,942
August 30, 2006	1,273,500	5,707,632
	16,340,284	62,170,620

On August 10, 2006, in connection with the initial public offering ["IPO"] of the Company, the Company issued 12,000,000 common shares for total proceeds of \$59,121,585 [Cdn\$66,000,000] less offering costs of \$10,837,643. On August 30, 2006, the underwriters' over-allotment option was exercised whereby the Company issued 1,273,500 common shares for total proceeds of \$6,315,032 [Cdn\$7,004,250] less offering costs of \$607,400.

JumpTV Inc.

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11. 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 allowed 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, expired between five years and 10 years after the date on which the option was granted. The vesting periods of the options ranged from immediate to 10 years as determined by the Company's Chief Executive Officer. There was no limit of stock options that can be issued under the Old Plan.

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

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

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

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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 common shares subject to the Company fulfilling an IPO on a principal exchange, but cannot be less than such a price. Prior to the Company completing its IPO, 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 common shares issuable upon exercise of options granted pursuant to the New Plan is equal to the greater of: [a] 4,000,000 common shares; and [b] 12.5% of the number of issued and outstanding common shares from time to time. The options granted under the New Plan vest monthly over four years.

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

	#	Weighted average exercise price \$
Outstanding, December 31, 2005	1,724,651	1.80
Granted	2,198,463	3.41
Exercised	(12,606)	2.02
Forfeited	(230,417)	3.59
Outstanding, September 30, 2006	3,680,091	2.65

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

Exercise price \$	Number of stock options outstanding #	Weighted average remaining contractual life [years]	Number of stock options exercisable #
1.80	1,662,254	3.63	562,283
2.50	1,306,794	4.49	218,141
4.00	326,876	4.57	39,186
5.00	100,000	4.87	2,083
5.82	100,000	4.93	—
6.00	184,167	4.71	16,709

For all periods presented, the Company has applied the fair value recognition provisions of Canadian Institute of Chartered Accountants Handbook Section 3870, "Stock Based Compensation and Other Stock-based Payments". In accordance with the provisions of Section 3870, \$824,942 and \$178,483 were recorded for total stock-based compensation expense related to stock options for the nine-month periods ended September 30, 2006 and 2005, respectively [three months ended September 30, 2006 and 2005 - \$300,708 and \$68,180].

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

	Nine months ended September 30, 2006	Nine months ended December 31, 2005
Weighted average		
Exercise price of stock options granted	\$2.65	\$1.80
Expected volatility	72%	72%
Risk-free interest rates	4.39%	4.13%
Expected lives [years]	4	4
Estimated fair value	\$1.43	\$1.00
Dividend yield	nil	nil

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September 30, 2006

[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 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 common shares.

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, September 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 nine-month periods ended September 30, 2006 and 2005, the Company recognized compensation expense of \$1,214,935 and nil, respectively, [three months ended September 30, 2006 and 2005 - \$446,651 and nil] related to its Restricted Share Plan. Prior to the IPO on August 10, 2006, compensation expense was based on the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, compensation expense was determined based on the Company's closing market price on the TSX at September 29, 2006 of \$5.86 [Cdn\$6.55] per common share. During the nine-month period ended September 30, 2006, 171,427 Restricted Share Plan units were vested and issued for common shares of the Company and 89,936 were vested but had not yet been issued.

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September 30, 2006

[iii] Warrants

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

On September 2, 2005, the Company granted 100,000 warrants to one of its directors related to consulting services provided. The warrants have an exercise price of \$1.80 and vest monthly over a 48-month period. The warrants expire on September 2, 2009. The weighted average fair value of the warrants was estimated to be \$1.02 using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate of 3.85%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$101,600 is being expensed over the period of service which is estimated to be four years. For the nine months ended September 30, 2006 and 2005, the Company expensed \$80,965 and \$6,350, respectively, [three months ended September 30, 2006 and 2005 - \$46,103 and \$6,350], 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 common shares of the Company. The warrants have an exercise price of \$1.80 and vested immediately upon grant. The warrants expire five years from the date of grant. The weighted average fair value of the warrants was estimated to be \$1.03 using the Black-Scholes option pricing model with the following weighted average assumptions: risk-free interest rate of 4.49%; volatility of 72%; expected life of four years; and dividend yield of 0.0%. The total estimated fair value of \$102,670 is capitalized and will be amortized to direct broadcast operating costs over the 35-month term of the related agreement. For the nine months ended September 30, 2006 and 2005, the Company expensed \$26,399 and nil, respectively [three months ended September 30, 2006 and 2005 - \$8,799 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 September 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 was required to complete an IPO by August 15, 2006 as opposed to the original agreed upon date of June 30, 2006.

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In consideration of this amendment, the Company issued to the channel partner 7,500 warrants with an expiry of five 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 four years and expires after five years.

On May 31, 2006, as part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants which are exercisable to acquire common shares at an exercise price per warrant equal to the \$4.90 [Cdn\$5.50] *[note 3]*.

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

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

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

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

The total compensation expense related to warrants expensed during the three and nine month periods ended September 30, 2006 was \$46,103 and \$80,965, respectively.

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

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

Exercise price \$	Number of warrants outstanding #	Weighted average remaining contractual life [years]	Number of warrants exercisable #
1.80	200,000	3.61	131,250
4.00	100,000	4.50	12,188
4.90	150,000	4.56	14,635
5.00	663,674	1.93	663,674
6.00	147,500	4.70	9,375

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

	Board of Directors	Advisory Board	Channel Partner	HVMedia Limited	Underwriters
Weighted average					
Exercise price of warrants granted	\$1.80	\$5.13	\$2.09	\$4.97	\$5.00
Expected volatility	72%	72%	72%	72%	72%
Risk-free interest rates	3.85%	4.84%	4.53%	5.04%	4.93%
Expected lives [years]	4	4	4	4	4
Estimated fair value	\$1.02	\$1.52	\$1.09	\$1.82	\$2.10
Dividend yield	nil	nil	nil	nil	nil

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September 30, 2006

[iv] Stock appreciation rights plan

On September 2, 2005, the Company established a stock appreciation rights plan ["SARS Plan"]. The maximum number of units that can be granted under the SARS Plan is equivalent to the greater of 1,500,000 or 5% of the aggregate number of issued and outstanding common shares. The exercise price shall be determined by the Board of Directors at the time of grant but in no event shall the exercise price be lower than the market price of the common shares at the time of the grant. Each unit granted under the SARS Plan has a maximum life of five years from the date of the grant. The SARS Plan provides the 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 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 common shares less the exercise price divided by the market value of the common shares from treasury; or
- [3] Elect to pay the Company the exercise price and receive common shares equal to the number of units granted under the SARS Plan from treasury.

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

Prior to the IPO on August 10, 2006, compensation expense was based on the change in the fair value of the Company's common shares as indicated through the most recent common share issuances. After August 9, 2006, compensation expense was determined based on the Company's closing market price on the TSX at September 29, 2006 of \$5.86 [Cdn\$6.55] per common share. Accordingly, the Company recognized compensation expense of \$623,859 for the three months ended September 30, 2006 related to outstanding units granted under the Company's SARS Plan. No compensation expense had been recognized in previous periods.

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

	Exercise price \$	Expiry/ vesting	September 30, 2006 #	December 31, 2005 #
Stock options				
2000 stock option plan [1]	0.06 - 0.09	October 2007 - December 2008	—	143,316
<i>[note 11[i]]</i>	0.16 - 0.24	February 2006	—	29,790
	0.25 - 0.36	August 2007	—	400,000
	0.37 - 0.50	April 2009 - September 2014	—	1,500,000
2005 stock option plan	1.80	June 2006 - November 2010	1,662,254	1,724,651
<i>[note 11[i]]</i>	2.50	March 2011	1,306,794	—
	4.00	April 2011	326,876	—
	5.00	August 2011	100,000	—
	5.86	September 2011	100,000	—
	6.00	April 2011 – June 2011	184,167	—
Restricted share units				
<i>[note 11[ii]]</i>	—	July 2009 - March 2010	990,000	840,000
Warrants <i>[note 11[iii]]</i>	1.80 - 6.00	September 2009 – June 2011	597,500	230,000
Stock appreciation rights				
<i>[note 11[iv]]</i>	4.00 - 6.00	March 2011 – May 2011	1,300,000	—
			6,567,591	4,867,757

[1] 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.

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12. Supplemental Cash Flow Information

During the nine months ended September 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 nine-month period ended September 30, 2006:

- [i] reclassification of amounts previously expensed in regards to the exercise of stock options of \$330,690 [three-month period ended September 30, 2006 - \$12,452].

For the nine-month period ended September 30, 2005:

- [i] issuance of 3,000,000 Class A common shares upon conversion of the special warrants for \$750,000 [three-month period ended September 30, 2005 - nil].
- [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 [three-month period ended September 30, 2005 - nil].

13. 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, funds held in trust, other receivables, accounts payable and other accrued liabilities, due to related parties, accrued license fees, accrued professional fees, accrued stock appreciation rights, deferred revenue and income taxes payable 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.

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Supplier risk

For the nine-month periods ended September 30, 2006 and 2005 approximately 38% and 60%, respectively, [three months ended September 30, 2006 and 2005 - 25% and 92%] of channel license fees were paid to two channel partners.

14. 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, including equipment and intangible assets:

	September 30, 2006 %	December 31, 2005 %
United States	24	37
Europe	9	27
Canada	32	28
Caribbean	32	—
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 September 30		Nine months ended September 30	
	2006 %	2005 %	2006 %	2005 %
United States	52	54	54	55
Europe	23	24	24	23
Canada	11	10	10	10
Other	14	12	12	12
	100	100	100	100