

JUMPTV

JUMPTV INC.

Q1 2007

FORM 51-102F1

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

**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006
[unaudited]**

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

The following Management's Discussion and Analysis ("MD&A") of JumpTV Inc.'s (the "Company" or "JumpTV") financial condition and results of operations, prepared as of May 14, 2007, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three months ended March 31, 2007 and 2006, which have been prepared in accordance with Canadian generally accepted accounting principles. 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 of operations 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 preceding period. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on management's current plans and expectations. These forward-looking statements are affected by risks and uncertainties that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Caution regarding forward-looking statements

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

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

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

Summary Description of the Business

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

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

As at March 31, 2007, the Company has entered into license agreements with television broadcasters (referred to as "channel partners") representing more than 280 channels from over 75 countries which give JumpTV rights, generally on an exclusive world-wide basis, to broadcast each channel partner's live linear television feed over the Internet in return for a share of the Company's revenue from subscriptions to, and advertising by JumpTV on, its related channels. As at March 31, 2007, 252 channels were available for subscription through the Company's website. Additional channels are being commercially launched on the Company's website on an ongoing basis. JumpTV's objective is to grow the number of channels offered by the Company in 2007.

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

As at March 31, 2007, JumpTV had approximately 30,000 subscribers (based on the number of credit cards used to make purchases) that have purchased approximately 34,500 channels and bundled subscriptions.

For the three months ended March 31, 2007, JumpTV had subscribers in over 90 countries with approximately 49% of its subscribers residing in the United States, 24% of its subscribers residing in Western Europe and 10% residing in Canada. JumpTV plans to focus its marketing efforts in 2007 principally in North America and Western Europe. The bulk of the Company's subscriber acquisition efforts to date have targeted Internet search engine marketing and optimization and the Company expects that focus to continue.

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

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

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

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

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

In addition to its subscription strategy, in 2007 the Company expects to launch more than 100 of its channels on a free-to-consumer basis in the United States in Q3 2007 with a view to generating revenue through advertising. JumpTV will continue to assess the merits of an advertising supported revenue model under which channels would be made available free to viewers on a selective regional basis.

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

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

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

Key Performance Indicators

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

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

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

ARPU (Average Revenue per User)

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

Churn

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

SAC (Subscriber Acquisition Costs)

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

KEY PERFORMANCE INDICATORS (KPIs)

KPI	As at March 31, 2007	Quarterly Growth %	As at December 31, 2006	Quarterly Growth %	As at September 30, 2006	Quarterly Growth %	As at June 30, 2006	Quarterly Growth %	As at March 31, 2006
Total Subscribers	30,062	22.4%	24,554	11.5%	22,019	34.9%	16,319	26.1%	12,943
Total Subscriptions	34,496	22.6%	28,138	17.8%	23,885	31.8%	18,119	30.8%	13,850
Channels signed to date	280	10.2%	254	12.9%	225	10.3%	204	47.8%	138

KPI	Q1 2007	Quarterly Change %	Q4 2006	Quarterly Change %	Q3 2006	Quarterly Change %	Q2 2006	Quarterly Change %	Q1 2006
ARPU	\$11.52	4.3%	\$11.04	17.1%	\$9.43	(8.5%)	\$10.31 ⁽¹⁾	4.6%	\$9.86 ⁽¹⁾
SAC	\$51.72	31.9%	\$39.21	79.9%	\$21.80	(27.3%)	\$30.00	108.6%	\$14.38
Churn	12.5%	(53.4%)	26.9%	18.0%	22.8%	44.5%	15.8%	(1.2)%	16.0%

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

The Company has experienced an increase in subscribers and subscriptions from 24,554 and 28,138 as at December 31, 2006 to 30,062 and 34,496 as at March 31, 2007, respectively. This subscriber and subscription growth arose from increased marketing and improvements in user experience. During the three months ended March 31, 2007, JumpTV's ARPU increased to approximately \$11.52 from approximately \$11.04 for the three months ended December 31, 2006, which the Company attributes to more of its subscribers purchasing channel packages than single channel offerings.

Subscriber Acquisition Costs increased during the three months ended March 31, 2007 to approximately \$51.72 from \$39.21 for the three months ended December 31, 2006 as the Company increased its marketing expenditures principally in respect of search engine marketing (as opposed to natural search optimization) and television advertising. The Company expects that search engine marketing and television advertising efforts will continue to be the focus of its marketing efforts in the immediate future.

Churn for the three months ended March 31, 2007 decreased to approximately 12.5% from approximately 26.9% for the three months ended December 31, 2006. The decrease in churn is attributable in part to the elimination of certain marketing promotions in the fourth quarter. The Company's churn has been positively affected by subscribers opting for three month subscriptions over historically available one month subscriptions. As well, subscriber upgrades from single channel purchases to multiple channel bundles had negatively affected reported churn in the fourth quarter and for the three months ended March 31, 2007, the Company has made adjustments in the churn calculation to account for this upgrading activity so as to more accurately reflect churn.

In light of the Company's intention to launch an advertising supported revenue model under which channels would be made available free to viewers on a selective regional basis, the Company expects to augment existing KPI's with new ones that are consistent with the ability to assess and analyze progress on the advertising portion of the companies business. For example, traffic metrics such as impressions, stream views, visit duration and other statistics are being considered and introduced at a later date.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the three months ended March 31, 2007 and March 31, 2006 and as at March 31, 2007 and December 31, 2006 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.

	Three months ended March 31,	
	2007	2006
	\$	\$
<u>Statement of Operations Data:</u>		
Revenue	1,003,146	350,508
Direct broadcast operating costs	(1,360,259)	(250,330)
Net loss for the period	(7,085,166)	(3,977,137)
Basic and diluted loss per share	(0.18)	(0.21)
	March 31,	December 31,
	2007	2006
	\$	\$
<u>Balance Sheet Data:</u>		
Cash	134,931,573	21,936,878
Short-term investments	108,263	28,115,378
Total assets	142,061,499	53,860,544
Non-current liabilities	136,036	18,502
Total liabilities	6,908,110	7,104,184
Share capital	170,251,615	75,227,648

Note: On February 23, 2007, in connection with a public offering of the Company, the Company issued 13,043,479 common shares for net proceeds of \$93,104,671. Accordingly, cash, total assets, share capital and total shareholders' equity have all increased significantly since December 31, 2006 to March 31, 2007.

Key Financial Measures

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

Revenue

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

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

Direct Broadcast Operating Costs

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

Also included in direct broadcast operating costs are channel licensing costs, which represent consideration paid to JumpTV's channel partners for Internet broadcast rights. Pursuant to the Company's channel partner agreements, the channel partners generally receive license fees calculated as a specified percentage (approximately 21% on average) of the gross subscription revenue received each month by JumpTV for subscriptions to the applicable channels. A small number of channel partners, primarily 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. When the Company generates advertising revenue in future periods, the channel partners will be entitled to receive a specified percentage (generally 30%-35% on average) of the gross revenue generated by JumpTV for advertisements in respect of the applicable channels.

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

Selling, General and Administrative Costs

Selling, general and administrative costs include:

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

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

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

Stock-based Compensation

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognized over the vesting period. The offsetting entry is an increase to contributed surplus for an amount equal to the stock-based compensation expense related to the issuance of stock options. Upon exercise, the proceeds of the options and warrants together with the fair value recorded in contributed surplus are reclassified to share capital.

Stock appreciation rights give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the stock appreciation right price or to receive common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury or receive common shares by making a cash payment equal to the exercise price. The Company's Board of Directors has discretionary authority to accept or reject a cash payment request in whole or in part. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the option price with ongoing measurement of the outstanding liability. The liability is entitled accrued stock appreciation rights and is classified as a current liability on the consolidated balance sheets. If the holder elects to purchase common shares, the liability is credited to contributed surplus.

Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over the vesting period which is four years. Stock-based compensation expense related to restricted share units is accrued over the term of the vesting period based on the expected market value of the shares when the shares are issued, which generally coincides with the period that vesting occurs.

Three months ended March 31, 2007 compared to three months ended March 31, 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	\$ 1,003,146	\$ 350,508	\$ 652,638
Direct broadcast operating costs	<u>(1,360,259)</u>	<u>(250,330)</u>	<u>(1,109,929)</u>
	(357,113)	100,178	(457,291)
Other costs and expenses			
Selling, general and administrative	6,528,891	3,355,642	3,173,249
Stock-based compensation	1,156,103	766,181	389,922
Amortization of property, plant and equipment	79,176	21,933	57,243
Amortization of intangible assets	9,908	-	9,908
	<u>7,774,078</u>	<u>4,143,756</u>	<u>3,630,322</u>
Loss before the following	<u>(8,131,191)</u>	<u>(4,043,578)</u>	<u>(4,087,613)</u>
Gain on foreign exchange	45,814	8,324	37,490
Investment income	<u>1,015,661</u>	<u>71,117</u>	<u>944,544</u>
Loss before income taxes	(7,069,716)	(3,964,137)	(3,105,579)
Provision for income taxes	<u>15,450</u>	<u>13,000</u>	<u>2,450</u>
Net loss for the period	<u>\$ (7,085,166)</u>	<u>\$ (3,977,137)</u>	<u>\$ (3,108,029)</u>
Loss per share - basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.21)</u>	<u>\$ 0.03</u>
Weighted average number of shares outstanding - basic and diluted	<u>40,387,397</u>	<u>18,783,631</u>	<u>21,603,766</u>

Revenue

Revenue increased from \$350,508 for the three months ended March 31, 2006 to \$1,003,146 for the three months ended March 31, 2007. The increase was due primarily to the increase in subscribers and the number of subscribers purchasing multi-channel packages. Refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs increased from \$250,330 for the three months ended March 31, 2006 to \$1,360,259 for the three months ended March 31, 2007. During the three months ended March 31, 2007, there was an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the three months ended March 31, 2007 the Company incurred approximately 21% of revenue in channel licensing fees to its channel partners, as compared with 22% for the three months ended March 31, 2006. Furthermore, the Company included amortization in the amount of \$70,683 on its infrastructure equipment and \$16,262 on its intangible assets during the three months ended March 31, 2007 as compared to \$18,599 and nil, respectively during the three months ended March 31, 2006.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$3,355,642 for the three months ended March 31, 2006 to \$6,528,891 for the three months ended March 31, 2007. The variance was due to the following:

- Wages and benefits increased from \$465,257 for the three months ended March 31, 2006 to \$1,988,754 for the three months ended March 31, 2007, as the number of employees increased from 75 at March 31, 2006 to over 100 at March 31, 2007.
- Subcontracting/consulting decreased from \$1,320,297 for the three months ended March 31, 2006 to \$660,477 for the three months ended March 31, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$296,337 for the three months ended March 31, 2006 to \$242,750 for the three months ended March 31, 2007. Draws and Commissions were paid to individuals who management determined were primarily responsible for new channel partner agreements. The decrease was due to the Company shifting its focus from the signing of channel partner agreements to user experience and marketing efforts.
- Travel decreased from \$431,184 for the three months ended March 31, 2006 to \$391,121 for the three months ended March 31, 2007. The primary reason for the decrease is that during the three months ended March 31, 2006 significant travel expenditures were incurred in connection with the signing of new channel partner agreements. During the second half of 2006 and 2007, the Company has shifted its focus from signing channel partner agreements to user experience and marketing efforts.
- Professional fees increased from \$170,637 for the three months ended March 31, 2006 to \$413,805 for the three months ended March 31, 2007. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity.
- Rent increased from \$109,535 for the three months ended March 31, 2006 to \$250,063 for the three months ended March 31, 2007. The increase was due to the opening of offices in Mississauga, Toronto, Dubai, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo. The office located in Mississauga was a temporary office that was closed during the three months ended March 31, 2007.
- Marketing increased from \$99,852 for the three months ended March 31, 2006 to \$916,037 for the three months ended March 31, 2007. The increase was primarily due to marketing expenditures principally in respect of search engine marketing and television advertising.

Stock-based Compensation

Stock-based compensation expense increased from \$766,181 for the three months ended March 31, 2006 to \$1,156,103 for the three months ended March 31, 2007. The increase was primarily due to compensation costs recognized on stock options increasing from \$238,999 for the three months ended March 31, 2006 to \$494,340 for the three months ended March 31, 2007. In addition, the Company recognized compensation costs of \$61,352 relating to stock appreciation rights for which no expense was recorded for the three months ended March 31, 2006.

Gain on Foreign Exchange

For the three months ended March 31, 2007, JumpTV incurred a foreign exchange gain of \$45,813 as compared to a gain of \$8,324 for the three months ended March 31, 2006. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, U.S. dollars.

Investment Income

During the three months ended March 31, 2007, JumpTV redeemed short-term investments for net investment income of \$295,626. Interest income increased from \$71,117 for the three months ended March 31, 2006 to \$720,035 for the three months ended March 31, 2007. The substantial increase was due to an increase in funds in the Company's interest-bearing cash accounts as a result of the Company's public offerings in August 2006 and February 2007.

Amortization of Property, Plant and Equipment

Amortization increased from \$21,933 for the three months ended March 31, 2006 to \$79,176 for the three months ended March 31, 2007. The increase was primarily due to the purchase of office-related computer equipment.

Amortization of Intangible Assets

Amortization increased from nil for the three months ended March 31, 2006 to \$9,908 for the three months ended March 31, 2007. The increase was due to amortization recorded on intangible assets acquired as part of the HVMedia acquisition.

Provision for Income Taxes

Income taxes increased from \$13,000 for the three months ended March 31, 2006 to \$15,450 for the three months ended March 31, 2007 which related to U.S. tax obligations regarding the Company's U.S. operations.

Critical Accounting Estimates

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

The preparation of consolidated financial statements in conformity with Canadian GAAP requires the Company to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates, including those related to the determination of the useful lives of long-lived assets, allocation of the purchase price for acquisitions and the assumptions used in determining the fair value of stock options and warrants. JumpTV bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Because this can vary in each situation, actual results may differ from these estimates under different assumptions or conditions.

On an ongoing basis, management reviews its estimates to ensure they appropriately reflect changes in the Company's business and new information as it becomes available. If historical experience and other factors used by management to make these estimates do not reasonably reflect future actual results, the Company's financial position and results of operations could be materially impacted.

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

Revenue Recognition

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

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- the price to customer is fixed or determinable; and
- collectibility is reasonably assured.

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

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

Stock-based Compensation and Other Stock-Based Payments

The Company accounts for all stock options and warrants using a fair value-based method. The fair value of each stock option and warrant granted is estimated on the date of the grant using the Black-Scholes option pricing model and the related stock-based compensation expense is recognized over the vesting period. The offsetting entry is an increase to contributed surplus for an amount equal to the stock-based compensation expense related to the issuance of stock options. Upon exercise, the proceeds of the options and warrants together with the fair value recorded in contributed surplus are reclassified to share capital.

Stock appreciation rights give the holder the right to elect to either receive cash in an amount equal to the excess of the quoted market price over the stock appreciation right price or to receive common shares equal to the fair value of the common shares less the exercise price divided by the market value of the common shares from treasury or receive common shares by making a cash payment equal to the exercise price. The Board of Directors has discretionary authority to accept or reject a cash payment request in whole or in part. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the option price with ongoing measurement of the outstanding liability. The liability is entitled accrued stock appreciation rights and is classified as a current liability on the consolidated balance sheets. If the holder elects to purchase common shares, the liability is credited to contributed surplus.

Restricted share units give the holder the right to one common share for each vested restricted share plan unit. These awards vest on a monthly basis over the vesting period which is four years. Stock-based compensation expense related to restricted share units is accrued over the term of the vesting period based on the expected market value of the shares when the shares are issued, which generally coincides with the period that vesting occurs.

Goodwill and Intangible Assets

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

As at March 31, 2007 goodwill totaled \$116,591, identifiable intangible assets totaled \$285,970 and the unidentifiable intangible assets totaled \$1,338,703. The Company assesses the impairment of goodwill and identifiable intangible assets annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortization Policies and Useful Lives

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

Changes in Internal Controls over Financial Reporting

There were no changes in the Company's internal controls over financial reporting that occurred during the first quarter of 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

Financial Instruments

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, other receivables, deposits, accounts payable and accrued liabilities, bank loan, amounts due to/from related party, accrued license fees, accrued professional fees, accrued stock appreciation rights and deferred revenue.

Fair value of financial instruments

Fair value of a financial instrument is defined as the amount for which the instrument could be exchanged in a current transaction between willing parties. The estimated fair value of financial instruments approximates their carrying value due to the short maturity term of these financial instruments.

Risks associated with financial instruments

(i) Currency risk

The Company's activities which result in exposure to fluctuations in foreign exchange rates consist of its customer billings being in U.S. dollars and the majority of expenses being paid in foreign currencies. The Company does not use derivative financial instruments to reduce its currency risk.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its invested cash. The interest rates on these instruments are based on the bank's prime rate and therefore are subject to change with the market. The Company does not use derivative financial instruments to reduce its interest rate risk.

Liquidity and Capital Resources

Prior to August 10, 2006, JumpTV had funded its operations through previous private placements of equity securities. The funds generated from these private placements were primarily used for working capital purposes. On August 10, 2006, the Company completed an IPO of 13,273,500 common shares for net proceeds of \$55,630,291 including the exercise of the underwriters' over-allotment option. On February 23, 2007, the Company issued 13,043,479 common shares for total proceeds of approximately \$101,000,000 (approximately Cdn\$117,000,000). The net proceeds of this offering of securities are approximately \$93,000,000, net of the estimated offering expenses and underwriters' fees.

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

Summary Balance Sheet Data:

	March 31, 2007	December 31, 2006
	\$	\$
Current Assets		
Cash	134,931,573	21,936,878
Short-term investments	108,263	28,115,378
Other receivables	737,232	723,621
Prepaid expenses and deposits	866,473	1,178,119
Funds held in trust	231,075	-
Due from related parties	7,421	-
Total current assets	136,882,037	51,953,996
Current Liabilities		
Accounts payable and accrued liabilities	3,581,592	3,950,284
Bank loan	-	1,287,150
Due to related parties	-	14,676
Current portion of accrued license fees	150,578	106,916
Accrued professional fees	1,536,647	371,782
Accrued stock appreciation rights	1,149,112	1,087,760
Deferred revenue	276,895	205,314
Income taxes payable	77,250	61,800
Total current liabilities	6,772,074	7,085,682
Working capital ratio	20.21	7.33

Contractual Obligations and Other Commitments

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

Contractual Commitments	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	
Operating leases (1)	\$ 1,525,079	\$ 1,872,869	\$ 1,618,654	\$ 307,459	\$ 5,324,061
Marketing and license fees (2)	615,964	1,393,000	100,000	-	2,108,964
Content acquisition	100,000	199,500	108,500	-	408,000
Total	\$ 2,241,043	\$ 3,465,369	\$ 1,827,154	\$ 307,459	\$ 7,841,025

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

As at March 31, 2007, the Company has the following outstanding letters of credit:

- (i) \$300,000 to secure the Company's obligations under an agreement entered into with an equipment financing company as described below (the "Equipment Lease"). The Equipment Lease, dated July 27, 2006, provides for an uncommitted leasing facility allowing the Company to purchase up to \$650,000 worth of equipment which the Company will be obligated to repay by way of monthly payments. As at March 31, 2007 the Company has drawn upon \$226,141 (Cdn\$255,743) under this facility through equipment purchases.
- (ii) \$375,000 to secure the Company's obligations under certain corporate credit card accounts.
- (iii) \$140,000 to secure the Company's credit card processing obligations.

Comparative Summarized Cash Flows

<u>Selected Consolidated Cash Flow Data</u>	Three months ended March 31,	
	2007	2006
Cash flows used in operating activities	\$ (4,666,316)	\$ (2,834,156)
Cash flows provided by (used in) investing activities	\$ 25,767,225	\$ (258,415)
Cash flows provided by financing activities	\$ 91,893,786	\$ 8,591,508

Operating Activities

Cash used in operating activities for the three months ended March 31, 2007 was \$4,666,316. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$7,085,166 for the three months then ended;
- non-cash items adjusted to net loss in the amount of \$1,311,907, which primarily relates to stock-based compensation; and
- a positive net change in operating assets and liabilities of \$1,106,943.

Investing Activities

Cash provided by investing activities for the three months ended March 31, 2007 was \$25,767,225. The primary source of these funds was the redemption of short-term investments and for capital expenditures primarily relating to equipment for JumpTV's delivery infrastructure.

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

Property, plant and equipment

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Computer equipment	\$ 876,507	\$ 507,217
Infrastructure equipment	1,190,824	773,198
Computer software	267,022	169,614
Furniture and fixtures	343,898	124,683
Leasehold improvements	1,034,783	58,386
	<u>\$ 3,713,034</u>	<u>\$ 1,633,098</u>

Financing Activities

Cash provided by financing activities was \$91,893,786 for the three months ended March 31, 2007. This primarily reflects net proceeds raised from the Company's secondary public offering in February 2007 in the amount of \$93,104,671.

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

Off-Balance Sheet Arrangements

The Company does not have any "off-balance sheet" arrangements as of March 31, 2007.

Related Party Transactions

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

Patstar Inc.

On occasion, Patstar Inc., a company controlled by the Company's current Chief Executive Officer and Chairman of JumpTV, receives reimbursement of expenditures incurred on behalf of JumpTV or by employees of JumpTV. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. The balances owing to/(from) Patstar Inc. related to these reimbursements outstanding as at March 31, 2007 and December 31, 2006 were \$(7,421) and \$14,676, respectively. In addition, for the three months ended March 31, 2007 and for the three months ended March 31, 2006, included in the Company's selling, general and administrative expenses was rent (reimbursement) expense of \$(6,166) and \$23,502, respectively, that was paid from/to Patstar Inc. for the use of office space. All reimbursements and rent expense are recorded at the exchange amount.

Advances

During 2006, the Company advanced funds to a certain officer of the Company. As at March 31, 2007 \$42,119 [December 31, 2006 - \$15,743] remains outstanding. These advances have no specific repayment terms.

Outstanding Share Data

The Company has total common shares outstanding as at March 31, 2007 of 48,483,202. In addition, the Company has 6,122,427 outstanding options, warrants and stock appreciation rights which are each exchangeable for one common share upon exercise.

On March 22, 2007, the Board of Directors approved grants of 1,155,000 options with an effective grant date of April 9, 2007, a 48-month vesting period and a 60-month expiry. The exercise price was determined to be \$6.05 [Cdn \$6.97] in accordance with the Company's stock option plan being the five-day volume weighted average closing price on the TSX preceding April 9, 2007. These figures have not been included in the aforementioned outstanding share data.