

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

JumpTV Inc.
June 30, 2007
[unaudited]

JumpTV Inc.**CONSOLIDATED BALANCE SHEETS**

[unaudited]

[Expressed in U.S. dollars]

As at	June 30, 2007	December 31, 2006
	\$	\$
ASSETS		
Current		
Cash <i>[note 5]</i>	127,638,918	21,936,878
Short-term investments <i>[note 6]</i>	117,325	28,115,378
Accounts receivable	126,300	—
Other receivables	1,003,273	723,621
Prepaid expenses and deposits <i>[note 7]</i>	1,213,844	1,178,119
Funds held in trust	14,884	—
Due from related party <i>[note 7]</i>	6,863	—
Total current assets	130,121,407	51,953,996
Property, plant and equipment, net <i>[note 8]</i>	3,486,958	1,269,488
Intangible assets <i>[notes 3 and 9]</i>	1,594,270	312,140
Goodwill	116,621	102,069
Other assets	729,401	161,246
Deferred direct broadcast operating costs, net	44,007	61,605
	136,092,664	53,860,544
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	2,490,003	3,950,284
Bank loan <i>[note 10]</i>	—	1,287,150
Due to related party <i>[note 7]</i>	—	14,676
Accrued license fees	192,498	106,916
Accrued professional fees	1,176,751	371,782
Accrued stock appreciation rights <i>[note 13[iv]]</i>	449,653	1,087,760
Deferred revenue	280,604	205,314
Income taxes payable	86,750	61,800
Total current liabilities	4,676,259	7,085,682
Deferred rent	277,092	18,502
Total liabilities	4,953,351	7,104,184
Shareholders' equity		
Share capital <i>[note 12]</i>	171,689,822	75,227,648
Contributed surplus <i>[note 13]</i>	4,465,580	2,937,219
Accumulated other comprehensive loss	(40,355)	(32,240)
Accumulated deficit	(44,975,734)	(31,376,267)
Total shareholders' equity	131,139,313	46,756,360
	136,092,664	53,860,544

Contingencies *[note 11]**See accompanying notes*

On behalf of the Board:

"Curt Marvis"
Director

"Jordan Banks"
Director

JumpTV Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

[unaudited]
[Expressed in U.S. dollars]

	Three months ended June 30,		Six months ended June 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Revenue	1,175,924	426,988	2,179,070	777,496
Direct broadcast operating costs <i>[notes 8, 9 and 13[iii]]</i>	(1,551,330)	(480,681)	(2,911,589)	(731,011)
	(375,406)	(53,693)	(732,519)	46,485
Other costs and expenses				
Selling, general and administrative <i>[note 7]</i>	6,739,486	5,864,555	13,268,378	9,220,197
Stock-based compensation <i>[note 13]</i>	793,737	561,199	1,949,839	1,327,380
Amortization of property, plant and equipment	136,707	25,918	215,883	47,851
Amortization of intangible assets	9,908	—	19,816	—
	7,679,838	6,451,672	15,453,916	10,595,428
Loss before the following:	(8,055,244)	(6,505,365)	(16,186,435)	(10,548,943)
Loss on foreign exchange	(132,117)	(16,625)	(86,303)	(8,301)
Investment income, net <i>[note 6]</i>	1,682,560	84,985	2,698,221	156,102
Loss before income taxes	(6,504,801)	(6,437,005)	(13,574,517)	(10,401,142)
Provision for income taxes	9,500	12,000	24,950	25,000
Net loss for the period	(6,514,301)	(6,449,005)	(13,599,467)	(10,426,142)
Loss per weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	(0.13)	(0.31)	(0.31)	(0.52)
Weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	48,531,087	21,054,579	44,326,196	19,871,859

See accompanying notes

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

[unaudited]
[Expressed in U.S. dollars]

	Share capital		Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total shareholders' equity \$
	Common shares					
	#	\$				
Balance, December 31, 2006	34,821,121	75,227,648	2,937,219	(32,240)	(31,376,267)	46,756,360
Net loss for the period	—	—	—	—	(13,599,467)	(13,599,467)
Unrealized gain on short-term investments	—	—	—	287,511	—	287,511
Reclassification of unrealized gain on short-term investments	—	—	—	(295,626)	—	(295,626)
Comprehensive loss for the period	—	—	—	—	—	33,148,778
Issuance of common shares on acquisition of SportsYA <i>[note 3]</i>	191,345	1,182,295	—	—	—	1,182,295
Exercise of stock options for common shares <i>[note 13[i]]</i>	58,979	261,734	(133,836)	—	—	127,898
Exercise of warrants for common shares <i>[note 13[iii]]</i>	3,700	23,422	(8,622)	—	—	14,800
Net proceeds from issuance of common shares through secondary public offering <i>[note 12]</i>	13,043,479	93,096,698	—	—	—	93,096,698
Issuance of common shares into escrow <i>[notes 3 and 12]</i>	330,000	—	—	—	—	—
Issuance of common shares for advertising services <i>[note 12]</i>	197,628	934,900	—	—	—	934,900
Stock-based compensation <i>[note 13]</i>	—	—	695,755	—	—	695,755
Restricted share plan units	—	—	1,518,345	—	—	1,518,345
Stock options	—	—	152,474	—	—	152,474
Warrants	—	—	—	—	—	—
Release of common shares from escrow for services <i>[notes 3 and 12]</i>	—	267,370	—	—	—	267,370
Issuance of common shares for restricted share plan units <i>[note 13[ii]]</i>	106,746	695,755	(695,755)	—	—	—
Balance, June 30, 2007	48,752,998	171,689,822	4,465,580	(40,355)	(44,975,734)	131,139,313

	Share capital				Contributed surplus \$	Accumulated other comprehensive loss \$	Accumulated deficit \$	Total shareholders' equity \$
	Class A common shares		Class C common share					
	#	\$	#	\$				
Balance, December 31, 2005	16,245,556	9,744,083	1	1	609,908	(40,355)	(5,779,171)	4,534,466
Net and comprehensive loss for the period	—	—	—	—	—	—	(10,426,142)	(10,426,142)
Exercise of stock options	1,772,420	918,284	—	—	(318,238)	—	—	600,046
Net proceeds from issuance of common shares through private placements	3,033,984	7,998,646	—	—	—	—	—	7,998,646
Redemption of Class C common share	—	—	(1)	(1)	—	—	—	(1)
Issuance of restricted share units	171,427	685,800	—	—	(685,800)	—	—	—
Stock-based compensation <i>[note 13]</i>	—	—	—	—	768,284	—	—	768,284
Restricted share units	—	—	—	—	524,234	—	—	524,234
Stock options	—	—	—	—	34,862	—	—	34,862
Warrants	—	—	—	—	19,222	—	—	19,222
Warrants issued on HV Media asset purchase	—	—	—	—	—	—	—	—
Balance, June 30, 2006	21,223,387	19,346,813	—	—	952,472	(40,355)	(16,205,313)	4,053,617

See accompanying notes

JumpTV Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited]

[Expressed in U.S. dollars]

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss for the period	(6,514,301)	(6,449,005)	(13,599,467)	(10,426,142)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities				
Amortization	260,978	58,213	437,008	98,745
Unrealized gain on short-term investments	(9,062)	—	(10,062)	—
Stock-based compensation, excluding change in accrued stock appreciation rights as noted below <i>[note 13]</i>	1,484,267	561,199	2,588,752	1,327,380
Amortization of deferred direct broadcast operating costs <i>[note 13[iii]]</i>	31,396	8,800	62,790	17,599
	(4,746,722)	(5,820,793)	(10,520,979)	(8,982,418)
Changes in operating assets and liabilities				
Accounts receivables	(126,300)	—	(126,300)	—
Other receivables	(266,041)	(196,721)	(306,093)	(211,145)
Prepaid expenses, deposits and other assets	43,957	(325,844)	329,021	(478,943)
Funds held in trust	216,191	—	(14,884)	—
Accounts payable and other accrued liabilities	(1,253,887)	1,697,951	(1,613,228)	2,208,303
Due to related parties	558	(102,535)	(21,539)	(109,898)
Accrued license fees	41,920	(3,513)	85,582	(37,795)
Accrued stock appreciation rights	(699,459)	—	(638,107)	—
Accrued professional fees	(359,896)	(68,264)	804,969	(65,675)
Deferred revenue	3,709	13,889	75,290	24,585
Income taxes payable	9,500	12,000	24,950	25,000
Deferred rent	141,056	—	258,590	—
Cash used in operating activities	(6,995,414)	(4,793,830)	(11,662,728)	(7,627,986)
INVESTING ACTIVITIES				
Redemption of short-term investments, net <i>[note 6]</i>	—	—	28,000,000	—
Purchase of equipment	(359,904)	(445,306)	(2,439,840)	(703,721)
Acquisition, net of cash acquired of \$3,308 <i>[note 3]</i>	4,202	(360,760)	(147,638)	(360,760)
Cash provided by (used in) investing activities	(355,702)	(806,066)	25,412,522	(1,064,481)
FINANCING ACTIVITIES				
Proceeds from share issuances, net <i>[note 12]</i>	(7,973)	—	93,096,698	7,998,646
Repayment of bank loan	—	—	(1,287,150)	—
Deferred share issue costs	—	(270,875)	—	(270,875)
Redemption of Class C common share	—	—	—	(1)
Proceeds from exercise of stock options	51,634	12,500	127,898	600,046
Proceeds from exercise of warrants	14,800	—	14,800	—
Other	—	(5,317)	—	—
Cash provided by (used in) financing activities	58,461	(263,692)	91,952,246	8,327,816
Net increase (decrease) in cash during the period	(7,292,655)	(5,863,588)	105,702,040	(364,651)
Cash, beginning of period	134,931,573	10,973,989	21,936,878	5,475,052
Cash, end of period	127,638,918	5,110,401	127,638,918	5,110,401

See accompanying notes

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended
June 30, 2007 and 2006 is unaudited]

June 30, 2007

1. Nature of Operations and Basis of Presentation

JumpTV Inc. ["JumpTV" or "the Company"], 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 May 24, 2007, the Company launched selected channels on a free-to-consumer basis in the United States with a view to generating revenue through advertising.

On August 10, 2006, the Company completed its initial public offering ["IPO"] of its common shares. On February 23, 2007, the Company completed a public offering of its common shares [note 12]. The Company's common shares are listed on both the Toronto Stock Exchange ["TSX"] and the Alternative Investment Market ["AIM"].

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, JumpTV International FZ LLC, a wholly-owned subsidiary in the United Arab Emirates, JumpTV USA Inc., a wholly-owned subsidiary in the United States, Sports International Group LLC ["SportsYA"], a wholly-owned subsidiary of JumpTV International FZ LLC in the United States, Deportes Ya S.A., a wholly-owned subsidiary of SportsYA, and KIT Capital Ltda. [formerly, JumpTV Colombia Ltda.], a variable interest entity in Colombia 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 annual consolidated financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the Company's consolidated financial statements as at and for the year ended December 31, 2006.

These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent consolidated financial statements as at and for the year ended December 31, 2006, except for the following:

JumpTV Inc.

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June 30, 2007

Revenue recognition

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, net of provision for doubtful accounts.

Property, plant and equipment

The Company capitalizes certain website development costs incurred to develop customized website applications if the website application introduces new functionality, does not replace an existing website feature and will generate future economic benefits. Website development costs are being amortized using 50% declining balance method.

3. Business Acquisition

On January 5, 2007, the Company completed the acquisition of all of the outstanding shares of SportsYA, the owner of www.SportsYA.com, a sports content website targeting the Hispanic market residing in the United States and Latin America.

The purchase price of \$1,356,869 consisted of 177,995 common shares of JumpTV with a fair value of approximately \$1,100,000 and \$261,101 in direct transaction costs including non-cash consideration of 13,350 common shares with a fair value of \$82,295.

The acquisition has been accounted for using the purchase method, with the results of SportsYA included in the Company's results of operations from the date of acquisition.

The allocation of the purchase price to the net assets acquired is as follows:

Cash	\$	3,308
Current assets		28,441
Intangible assets and goodwill		1,334,471
Current liabilities		<u>(9,351)</u>
		<u>\$1,356,869</u>

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended
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June 30, 2007

The purchase price allocation of the tangible and intangible assets is preliminary and, as such, \$1,334,471 of the total cost has been initially capitalized as "Intangible assets" on the consolidated balance sheets with the exception of identified tangible net assets of \$22,398. The assets purchased primarily represent tradenames, right to Internet domain names, and employment contracts for key employees of SportsYA. As at June 30, 2007, no amortization has been recorded pending finalization of the purchase price allocation.

In connection with the acquisition, the principal former owner of SportsYA, signed a consulting agreement with JumpTV. Accordingly, 330,000 common shares of JumpTV were placed into escrow and will be earned and paid in 48 equal monthly installments. The fair value of these shares will be recorded in stock-based compensation expense on the consolidated statements of operations over the 48-month vesting period.

4. Loss per Share

Basic 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 for the period by the weighted average number of shares outstanding and if dilutive, potential common shares using the treasury stock method. Potential common shares consist of stock options, restricted share units, stock appreciation rights and warrants.

For the three and six months ended June 30, 2007 and 2006, the Company had potential common shares 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 six months ended June 30, 2007 and 2006.

The following table summarizes the different potential common shares that were outstanding as at June 30, 2007 and 2006 but were not included in the computation of diluted loss per share as their effect would have been anti-dilutive. See note 13 for additional details.

	June 30, 2007 #	June 30, 2006 #
Stock options	5,869,870	3,723,114
Restricted share plan units	416,540	818,573
Stock appreciation rights	2,352,160	1,300,000
Warrants	1,257,474	597,500
Common shares held in escrow <i>[note 3]</i>	288,750	—

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended
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June 30, 2007

5. Cash

Cash consists of the following:

	June 30, 2007 \$	December 31, 2006 \$
Cash [i]	122,760,629	6,220,296
Money market funds [ii]	4,875,954	15,637,690
Unrestricted funds held in trust [iii]	2,335	78,892
	<u>127,638,918</u>	<u>21,936,878</u>

[i] Cash consists primarily of U.S. and Canadian dollar accounts which earn interest at approximately 4% to 5%.

[ii] Money market funds consist of a U.S. [\$4,294,097] and a Canadian dollar account [Cdn\$619,919] which earn interest at approximately 3% to 5%.

[iii] Unrestricted funds held in trust relate to monies held to fund costs for a subsidiary of the Company and monies held by underwriters to fund future expenditures. There are no restrictions related to monies held in trust.

6. Short-term Investments

During the six months ended June 30, 2007, the Company redeemed investments with a cost of \$28,000,000, for proceeds of \$28,295,626. As at June 30, 2007, short-term investments consisted of a guaranteed investment certificate at cost plus accrued interest totaling \$117,325 [December 31, 2006 - \$107,263] which matures on July 17, 2007 and bears interest at 3.6%.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 is unaudited]

June 30, 2007

7. 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, receives reimbursement of expenditures incurred on behalf of the Company. The nature of these reimbursements relates to expenses that the Company has incurred in the normal course of business. At June 30, 2007, the Company had balances due from Patstar Inc. of \$6,863 [December 31, 2006 - due to Patstar Inc. of \$14,676] related to these reimbursements. In addition, rent expense paid by Patstar Inc. of \$9,638 and \$15,804 is included in the selling, general and administrative expenses for the three and six months ended June 30, 2007, respectively [three and six months ended June 30, 2006 - rent paid to Patstar Inc. of \$24,316 and \$47,818]. All reimbursements and rent expense are recorded at the exchange amount.

Advances

During 2006, the Company advanced funds to an officer of the Company. As at June 30, 2007 \$76,396 [December 31, 2006 - \$15,743] remains outstanding and is included in prepaid expenses and deposits. These advances have no specific repayment terms.

8. Property, Plant and Equipment

The details of property, plant and equipment and the related accumulated amortization are set forth below for the following periods:

	June 30, 2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	934,428	249,245	685,183
Infrastructure equipment	1,370,893	289,746	1,081,147
Computer software	416,738	99,368	317,370
Furniture and fixtures	433,622	45,681	387,941
Leasehold improvements	978,837	59,670	919,167
Website development	100,718	4,568	96,150
	<u>4,235,236</u>	<u>748,278</u>	<u>3,486,958</u>

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 is unaudited]

June 30, 2007

	December 31, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	507,217	155,049	352,168
Infrastructure equipment	773,198	139,861	633,337
Computer software	169,614	49,752	119,862
Furniture and fixtures	124,683	14,528	110,155
Leasehold improvements	58,386	4,420	53,966
	<u>1,633,098</u>	<u>363,610</u>	<u>1,269,488</u>

Amortization expense related to the Company's infrastructure equipment for the three and six months ended June 30, 2007 of \$79,044 and \$149,885, respectively, [three and six months ended June 30, 2006 - \$32,296 and \$50,894] is included within direct broadcast operating costs on the consolidated statements of operations.

9. Intangible Assets

The details of intangible assets and the related accumulated amortization are set forth below:

	June 30, 2007		
	Cost \$	Accumulated amortization \$	Net book value \$
Contractual agreements	330,800	93,258	237,542
Trademarks, tradenames and domain names	39,700	17,443	22,257
SportsYA acquisition [note 3]	1,334,471	—	1,334,471
	<u>1,704,971</u>	<u>110,701</u>	<u>1,594,270</u>

	December 31, 2006		
	Cost \$	Accumulated amortization \$	Net book value \$
Contractual agreements	330,800	48,967	281,833
Trademarks, tradenames and domain names	39,700	9,393	30,307
	<u>370,500</u>	<u>58,360</u>	<u>312,140</u>

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended
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June 30, 2007

Amortization expense related to the Company's acquired contractual agreements with channel partners for the three and six months ended June 30, 2007 of \$16,263 and \$32,525 [three and six months ended June 30, 2006 - nil and nil] is included within direct broadcast operating costs on the consolidated statements of operations.

Based on the current amount of intangible assets subject to amortization, and excluding the SportsYA acquisition, the estimated amortization expense over the next five years is as follows:

	\$
2007 [balance of year]	52,342
2008	97,165
2009	78,075
2010	31,592
2011	625

10. Bank Loan

On December 31, 2006, the Company had a \$1,287,150 [Cdn\$1,500,000] credit facility with a Canadian chartered bank to finance general corporate requirements, which was fully drawn upon as of December 31, 2006. The loan was repayable on demand bearing interest at prime [6% as of December 31, 2006]. During the six months ended June 30, 2007, this loan was fully repaid.

11. Contingencies

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims, including claims that content broadcast by the Company may infringe on the intellectual property rights of others. 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 financial position and results of operations of the Company.

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended
June 30, 2007 and 2006 is unaudited]

June 30, 2007

12. Share Capital

Share capital consists of the following:

	June 30, 2007 \$	December 31, 2006 \$
Authorized		
Unlimited common shares, voting, no par value, discretionary non-cumulative dividend		
Unlimited Class 1 preference shares, non-voting, no par value, discretionary partly cumulative or non- cumulative dividends		
Unlimited Class 2 preference shares, non-voting, no par value, discretionary partly cumulative or non- cumulative dividends		
Issued and outstanding		
Common shares		
Issued and outstanding: 48,752,998		
[December 31, 2006 - 34,821,121]	171,689,822	75,227,648

During the six months ended June 30, 2007, the Company completed the following issuances of its common shares, excluding issuances relating to stock options, warrants and restricted share plan units [note 13]:

	#	\$
January 5, 2007	521,345	1,182,295
February 23, 2007	13,043,479	93,096,698
June 26, 2007	197,628	934,900
	13,762,452	95,213,893

On January 5, 2007, the Company issued 191,345 common shares with a fair value of approximately \$1,182,295 to complete the purchase of 100% of the outstanding shares of SportsYA [note 3].

JumpTV Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

[Information as at June 30, 2007 and for the three and six months ended June 30, 2007 and 2006 is unaudited]

June 30, 2007

On January 5, 2007, the Company issued 330,000 common shares into escrow in respect of a consulting agreement SportsYA signed with the principal former owner of SportsYA with JumpTV. Accordingly, 330,000 common shares of JumpTV were placed into escrow and will be released and paid in 48 equal monthly installments. The fair value of these shares will be recorded in stock-based compensation expense on the consolidated statements of operations over the 48-month vesting period. During the three and six months ended June 30, 2007, 20,625 and 41,250 shares have been released from escrow with fair values of \$119,351 and \$267,370, respectively, that have been recorded in stock-based compensation expense on the consolidated statements of operations [note 3]. For accounting purposes, the common shares issued into escrow are treated as a variable interest entity and is consolidated in the accounts of the Company.

On February 23, 2007, in connection with a secondary public offering of the Company, the Company issued 13,043,479 common shares for net proceeds of \$93,096,698.

13. Stock Option and Stock-Based Compensation Plans

[i] Stock Option 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 five-day average closing price of the Company's common shares prior to the date of grant but cannot be less than such a price. Prior to the Company completing its initial public offering, the exercise price of any stock options granted under the New Plan was 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 [i] 4,000,000 common shares; and [ii] 12.5% of the number of issued and outstanding common shares.

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June 30, 2007

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

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	4,112,059	3.07
Granted	2,389,250	6.16
Exercised	(58,979)	2.17
Cancelled	(572,460)	3.69
Outstanding, June 30, 2007	5,869,870	4.28

The following table summarizes stock option information of the New Plan as at June 30, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	1,594,638	2.89	814,118
2.50	909,770	3.74	397,566
4.00	295,264	3.82	81,847
5.00	100,000	4.12	20,833
5.82	100,000	4.19	18,750
6.00	123,853	3.80	43,318
6.05	1,155,000	4.78	48,125
6.08	107,750	4.34	18,583
6.26	1,234,250	4.89	122,130
6.43	240,595	4.40	33,417
7.16	8,750	0.25	8,750
	5,869,870	4.01	1,607,437

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, amounts of \$1,518,345 and \$524,234 were recorded for total stock-based compensation expense related to stock options for the six months ended June 30, 2007 and 2006 [three months ended - \$1,024,004 and \$285,235], respectively. The weighted average exercise price of options exercisable as at June 30, 2007 was \$2.93 [December 31, 2006 - \$2.29].

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June 30, 2007

The weighted average fair value of all stock options granted during the six months ended June 30, 2007 and 2006 was \$3.38 and \$2.56 based on the following assumptions:

	Six months ended June 30, 2007	Six months ended June 30, 2006
Weighted average		
Exercise price of stock options granted	\$6.16	\$2.56
Expected volatility	72%	72%
Risk-free interest rate	3.77%	4.52%
Expected life [years]	4	4
Dividend yield	nil	nil

During the six months ended June 30, 2007, the Company agreed to extend or accelerate the vesting of stock options for certain employees who left the Company and to extend the expiry term to various periods beyond the 90-day period from departure as detailed in the Company's stock option plan. Accordingly, the Company has accounted for these modifications as additional grants and has recognized additional stock-based compensation expense in the amount of \$4,722 and \$94,613 for the three and six months ended June 30, 2007 relating to the fair value of these additional awards. No such expense was recognized during the comparative three and six month periods for 2006.

[ii] Restricted Share Plan

A summary of restricted share activity under the restricted share plan is as follows:

	#
Outstanding, December 31, 2006	591,414
Granted	10,000
Forfeited	(78,128)
Issued	(106,746)
Outstanding, June 30, 2007	416,540

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June 30, 2007

During the six months ended June 30, 2007 and 2006, the Company recognized stock-based compensation expense of \$694,951 and \$768,284 respectively, [three months ended - \$296,201 and \$247,452] related to its restricted share plan. In addition, the Company issued common shares in 2006 and 2007 related to restricted share plan units with a fair value of \$36,354 which will be expensed in 2007. Prior to the initial public offering on August 10, 2006, stock-based 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 per common share. During the six months ended June 30, 2007, 106,746 restricted share plan units were vested and issued for common shares of the Company.

[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 with an exercise price of \$1.80 to one of its directors related to consulting services provided. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$12,700 and \$12,700, respectively, [three months ended - \$6,350 and \$6,360] which are included within stock-based compensation expense on the consolidated statements of operations.

In connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants with an exercise price of \$1.80 to purchase common shares of the Company. The total estimated fair value of \$102,670 has been capitalized and will be amortized to direct broadcast operating costs over the 35-month term of the related agreement. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$17,598 and \$17,600, respectively, [three months ended - \$8,799 and \$8,800] which are included within direct broadcast operating costs on the consolidated statements of operations.

On June 5, 2006, the Company amended the terms of this channel partner agreement such that the Company was required to complete an initial public offering by August 15, 2006 as opposed to the original agreed upon date of June 30, 2006. In consideration of this amendment, the Company issued to the channel partner 7,500 warrants with an expiry of five years from the date of issuance at an exercise price of \$6.00 per warrant. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$1,800 and \$641, respectively, [three months ended - \$900 and \$641] which is included within stock-based compensation expense on the consolidated statements of operations.

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June 30, 2007

On May 31, 2006, as part of the HVMedia asset purchase, two key employees of HVMedia received 75,000 warrants each at an exercise price of \$4.97 [Cdn\$5.50] per warrant. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$48,976 and \$3,529, respectively, [three months ended - \$24,488 and \$3,529] which is included within stock-based compensation expense on the consolidated statements of operations.

On August 10, 2006, the Company issued 663,674 warrants to its underwriters at an exercise price of \$5.00 [Cdn\$5.50] 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 recorded in share capital as a share issuance cost.

On November 30, 2006, in connection with the Company obtaining broadcast rights from a channel partner, the Company issued 100,000 warrants with an exercise price of \$6.23 to purchase common shares of the Company. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$45,192 and nil, respectively, [three months ended - \$22,596 and nil] which are included within direct broadcast operating costs on the consolidated statements of operations.

In addition, during 2006, the Company issued 230,000 warrants to members of the Advisory Board of the Company at exercise prices of \$4.00 to \$6.00 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the six months ended June 30, 2007 and the six months ended June 30, 2006, the Company expensed \$43,806 and \$17,992, respectively, [three months ended - \$21,903 and \$17,992] which are included within stock-based compensation expense on the consolidated statements of operations.

The total stock-based compensation expense related to warrants expensed during the six months ended June 30, 2007 and the six months ended June 30, 2006 was \$107,282 and \$34,862, respectively [three months ended - \$53,641 and \$28,512]. The total direct broadcast operating costs related to warrants expensed during the six months ended June 30, 2007 and the six months ended June 30, 2006 was \$62,790 and \$17,600, respectively [three months ended - \$31,395 and \$8,800].

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June 30, 2007

A summary of the warrant activity during the six months ended June 30, 2007 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	1,261,174	4.88
Exercised	(3,700)	4.00
Outstanding, June 30, 2007	1,257,474	4.88

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

The following table summarizes the warrant information as at June 30, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	100,000	2.25	50,000
4.00	96,300	3.75	27,238
4.97	150,000	3.95	37,500
5.00	663,674	1.12	663,674
6.00	147,500	3.82	50,625
6.23	100,000	4.42	27,083
	1,257,474	2.33	856,120

For the six months ended June 30, 2007, the Company did not grant any warrants. The weighted fair value of warrants granted during the six months ended June 30, 2006 was \$1.65 based on the following assumptions:

	Six months ended June 30, 2007	Six months ended June, 2006
Weighted average		
Exercise price of warrants granted	n/a	\$5.11
Expected volatility	n/a	72%
Risk-free interest rate	n/a	4.92%
Expected life [years]	n/a	4
Dividend yield	n/a	nil

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[iv] Stock Appreciation Rights Plan [SARS]

During the three and six months ended June 30, 2007 the Company granted 1,210,500 units under the SARS Plan.

A summary of the SARS activity during the six months ended June 30, 2007 is as follows:

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	1,300,000	4.15
Granted	1,210,500	6.26
Forfeited	(158,340)	5.00
Outstanding, June 30, 2007	2,352,160	5.18

The following table summarizes the SARS information as at June 30, 2007:

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
4.00	1,120,830	3.75	591,650
6.00	20,830	3.74	20,830
6.26	1,210,500	4.89	103,818
	2,352,160	4.33	716,298

Prior to the initial public offering on August 10, 2006, stock-based 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, stock-based compensation expense was determined based on the Company's closing market price on the TSX which as at June 30, 2007 was \$4.76 [Cdn\$5.04] per common share. Accordingly, the Company recognized a stock-based compensation recovery of \$699,459 and \$638,107 for the three and six months ended June 30, 2007 related to outstanding units granted under the Company's SARS Plan. No stock-based compensation expense was recognized during the comparative three and six month periods for 2006.

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June 30, 2007

In summary, as at June 30, 2007 and December 31, 2006, the number of common shares of the Company reserved for issuance is as follows:

	Exercise price \$	Expiry/ vesting date	June 30, 2007 #	December 31, 2006 #
Stock options				
<i>[note 13[i]]</i>	1.80	June 2006 - November 2010	1,594,638	1,662,254
	2.50	March 2011	909,770	1,289,501
	4.00	April 2011	295,264	316,627
	5.00	August 2011	100,000	100,000
	5.82	September 2011	100,000	100,000
	6.00	April 2011 – June 2011	123,853	171,177
	6.05	April 2012	1,155,000	—
	6.08	November 2011	107,750	111,000
	6.26	June 2010 – May 2011	1,234,250	—
	6.43	December 2011	240,595	301,500
	7.16	November 2011	8,750	60,000
Restricted share units				
<i>[note 13[ii]]</i>	—	July 2009 - March 2011	416,540	591,414
Warrants <i>[note 13[iii]]</i>	1.80 - 6.23	September 2009 - November 2011	1,257,474	1,261,174
Stock appreciation rights				
<i>[note 13[iv]]</i>	4.00 - 6.00	April 2011	2,352,160	1,300,000
			<u>9,896,044</u>	<u>7,264,647</u>

14. Supplemental Cash Flow Information

During the three and six months ended June 30, 2007 and 2006, there was no interest or taxes paid by the Company.

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

For the three months ended June 30, 2007:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$38,223.
- [ii] issuance of 50,091 common shares with a fair market value of approximately \$287,273 in regards to the vesting of restricted share plan units.

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For the six months ended June 30, 2007:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$142,458.
- [ii] issuance of 191,345 common shares with a fair market value of approximately \$1,182,295 in regards to the acquisition of SportsYA.
- [iii] issuance of 106,746 common shares with a fair market value of approximately \$695,755 in regards to the vesting of restricted share plan units.

For the three months ended June 30, 2006:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options of \$6,147.

For the six months ended June 30, 2006:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options of \$318,238.

15. Segmented Information

The Company has one operating segment and one reportable segment, online broadcasting of international ethnic television channels over the Internet on a subscription basis. Substantially all of the operations of the Company are directly engaged in or support this operating segment.

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	%	%	%	%
United States	47	54	48	55
Europe	25	24	25	24
Canada	9	9	10	10
Rest of world	19	13	17	11
	100	100	100	100

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June 30, 2007

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

	June 30, 2007 %	December 31, 2006 %
United States	33	24
Europe	2	8
Canada	54	39
Trinidad and Tobago	8	25
Rest of world	3	4
	100	100

16. Subsequent Events

- [i] On July 17, 2007, the Company entered into a definitive agreement to acquire the assets of XOS Technologies Inc.'s Broadband Network Business Unit for \$60.25 million in cash. In addition, the Company agrees to grant up to \$3 million in warrants to employees of XOS as a retention incentive.
- [ii] On August 9, 2007, the Company announced that it had agreed to purchase all of the issued and outstanding shares of Cycling TV for a total of \$4.95 million, which includes approximately \$2.21 million in cash at closing and \$2.74 million in common shares which will be issued on September 28, 2007. The agreement also includes performance shares in the amount of \$6.79 million that are earned based on pre-determined revenue targets.