

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

**JumpTV Inc.**  
September 30, 2007  
[unaudited]

**JumpTV Inc.**

**CONSOLIDATED BALANCE SHEETS**

[unaudited]

[Expressed in U.S. dollars]

As at	September 30, 2007 \$	December 31, 2006 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash <i>[note 5]</i>	60,202,143	21,936,878
Short-term investments <i>[note 6]</i>	130,173	28,115,378
Accounts receivable	1,757,364	—
Other receivables	606,646	723,621
Prepaid expenses and deposits <i>[note 7]</i>	1,669,757	1,178,119
<b>Total current assets</b>	<b>64,366,083</b>	<b>51,953,996</b>
Property, plant and equipment, net <i>[note 8]</i>	6,762,559	1,269,488
Intangible assets <i>[notes 3 and 9]</i>	20,263,025	312,140
Goodwill <i>[note 3]</i>	45,731,660	102,069
Other assets	686,765	161,246
Deferred direct broadcast operating costs, net	35,208	61,605
<b>Total assets</b>	<b>137,845,300</b>	<b>53,860,544</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	6,097,170	3,950,284
Bank indebtedness <i>[note 10]</i>	—	1,287,150
Due to related party <i>[note 7]</i>	11,196	14,676
Accrued license fees	353,076	106,916
Accrued professional fees	394,081	371,782
Current portion of notes payable <i>[note 11]</i>	37,139	—
Obligations under capital lease <i>[note 12]</i>	111,504	—
Accrued stock appreciation rights <i>[note 15[iv]]</i>	—	1,087,760
Deferred revenue	2,408,560	205,314
Income taxes payable	95,050	61,800
<b>Total current liabilities</b>	<b>9,507,776</b>	<b>7,085,682</b>
Deferred rent	585,949	18,502
Notes payable <i>[note 11]</i>	45,467	—
Obligations under capital lease <i>[note 12]</i>	122,205	—
<b>Total liabilities</b>	<b>10,261,397</b>	<b>7,104,184</b>
<b>Shareholders' equity</b>		
Share capital <i>[note 14]</i>	173,717,912	75,227,648
Contributed surplus <i>[note 15]</i>	5,348,142	2,937,219
Accumulated other comprehensive loss	(40,355)	(32,240)
Accumulated deficit	(51,441,796)	(31,376,267)
<b>Total shareholders' equity</b>	<b>127,583,903</b>	<b>46,756,360</b>
<b>Total liabilities and shareholders' equity</b>	<b>137,845,300</b>	<b>53,860,544</b>

Commitments and contingencies *[notes 12 and 13]*

See accompanying notes

On behalf of the Board:

"G. Scott Paterson"

Director

"Jordan Banks"

Director

**JumpTV Inc.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

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

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>Revenue</b>	2,004,056	534,671	4,183,126	1,312,167
Direct broadcast operating costs <i>[notes 8, 9 and 15[iii]]</i>	(2,874,920)	(706,102)	(5,786,509)	(1,437,113)
	(870,864)	(171,431)	(1,603,383)	(124,946)
<b>Other costs and expenses</b>				
Selling, general and administrative <i>[note 7]</i>	5,971,444	5,318,685	19,239,821	14,538,882
Stock-based compensation and other compensation payments <i>[note 15]</i>	686,113	1,417,321	2,635,953	2,744,701
Amortization of property, plant and equipment	157,591	34,225	373,474	82,076
Amortization of intangible assets	76,204	—	96,021	—
	6,891,352	6,770,231	22,345,269	17,365,659
Loss before the following:	(7,762,216)	(6,941,662)	(23,948,652)	(17,490,605)
Gain (loss) on foreign exchange	47,341	107,548	(38,962)	99,247
Investment income, net <i>[note 6]</i>	1,234,190	350,703	3,932,411	506,805
Loss before income taxes	(6,480,685)	(6,483,411)	(20,055,203)	(16,884,553)
Provision for income taxes	8,300	11,000	33,250	36,000
Future income tax recovery	(22,924)	—	(22,924)	—
<b>Net loss for the period</b>	(6,466,061)	(6,494,411)	(20,065,529)	(16,920,553)
Loss per weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	\$(0.13)	\$(0.23)	\$(0.44)	\$ (0.74)
Weighted average number of shares outstanding - basic and diluted <i>[note 4]</i>	48,803,530	28,848,119	45,737,733	22,913,150

*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 #	\$				
<b>Balance, December 31, 2006</b>	34,821,121	75,227,648	2,937,219	(32,240)	(31,376,267)	46,756,360
Net loss for the period	—	—	—	—	(20,065,529)	(20,065,529)
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						26,682,716
Issuance of common shares on acquisition of SportsYA <i>[note 3[i]]</i>	191,345	1,182,295	—	—	—	1,182,295
Exercise of stock options for common shares <i>[note 15[i]]</i>	133,355	555,058	(240,197)	—	—	314,861
Exercise of warrants for common shares <i>[note 15[iii]]</i>	3,700	23,422	(8,622)	—	—	14,800
Net proceeds from issuance of common shares through secondary public offering <i>[note 14]</i>	13,043,479	93,104,131	—	—	—	93,104,131
Issuance of common shares into escrow on acquisition of SportsYA <i>[notes 3[i] and 14]</i>	330,000	—	—	—	—	—
Issuance of common shares for advertising services <i>[note 14]</i>	197,628	934,900	—	—	—	934,900
Stock-based compensation <i>[note 15]</i>						
Restricted share plan units	—	—	851,653	—	—	851,653
Stock options	—	—	2,337,195	—	—	2,337,195
Warrants	—	—	257,602	—	—	257,602
Release of common shares from escrow for services <i>[notes 3[i] and 14]</i>	—	340,657	—	—	—	340,657
Issuance of common shares for restricted share plan units <i>[note 15[ii]]</i>	153,609	851,653	(851,653)	—	—	—
Issuance of common shares for services <i>[notes 3[ii] and 14]</i>	9,500	27,287	—	—	—	27,287
Repurchase and cancellation of common shares <i>[note 14]</i>	(226,100)	(796,353)	64,945	—	—	(731,408)
Issuance of common shares on acquisition of Cycling TV Limited <i>[notes 3[ii] and 14]</i>	743,349	2,267,214	—	—	—	2,267,214
Issuance of common shares into escrow on acquisition of Cycling TV Limited <i>[notes 3[ii] and 14]</i>	—	—	—	—	—	—
<b>Balance, September 30, 2007</b>	49,400,986	173,717,912	5,348,142	(40,355)	(51,441,796)	127,583,903

See accompanying notes

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

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

	<u>Share capital</u>						<u>Contributed surplus</u>	<u>Accumulated other comprehensive loss</u>	<u>Accumulated deficit</u>	<u>Total shareholders' equity</u>
	<u>Common shares</u>		<u>Class A common shares</u>		<u>Class C common shares</u>					
	#	\$	#	\$	#	\$				
<b>Balance, December 31, 2005</b>	—	—	16,245,556	9,744,083	1	1	609,908	(40,355)	(5,779,171)	4,534,466
Net loss for the period	—	—	—	—	—	—	—	—	(16,920,553)	(16,920,553)
Exercise of stock options for Class A common shares	—	—	1,772,420	918,284	—	—	(330,690)	—	—	587,594
Net proceeds from issuance of Class A common shares through private placements	—	—	3,066,784	8,179,046	—	—	—	—	—	8,179,046
Issuance of restricted share units	—	—	171,427	685,800	—	—	(685,800)	—	—	—
Exchange of Class A common shares for common shares	21,256,187	19,527,213	(21,256,187)	(19,527,213)	—	—	—	—	—	—
Net proceeds from issuance of common shares through initial public offering	12,000,000	48,283,942	—	—	—	—	1,260,540	—	—	49,544,482
Net proceeds from issuance of common shares through underwriters' over-allotment option	1,273,500	5,707,632	—	—	—	—	133,773	—	—	5,841,405
Exercise of stock options for common shares	12,606	37,891	—	—	—	—	—	—	—	37,891
Redemption of Class C common share	—	—	—	—	(1)	(1)	—	—	—	(1)
Stock-based compensation										
Restricted share units	—	—	—	—	—	—	1,214,935	—	—	1,214,935
Stock options	—	—	—	—	—	—	824,942	—	—	824,942
Warrants	—	—	—	—	—	—	80,965	—	—	80,965
Warrants issued on HVMedia asset purchase	—	—	—	—	—	—	19,222	—	—	19,222
<b>Balance, September 30, 2006</b>	34,542,293	73,556,678	—	—	—	—	3,127,795	(40,355)	(22,699,724)	53,944,394

*See accompanying notes*

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

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

	Three months ended September 30		Nine months ended September 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(6,466,061)	(6,494,411)	(20,065,529)	(16,920,553)
Adjustments to reconcile net loss to cash used in operating activities				
Amortization	1,003,239	76,069	1,440,248	174,310
Unrealized gain on short-term investments	—	—	(22,910)	—
Stock-based compensation, excluding change in accrued stock appreciation rights as noted below <i>[note 15]</i>	1,130,567	793,462	3,719,318	2,120,842
Amortization of deferred direct broadcast operating costs <i>[note 15[iii]]</i>	31,395	8,799	94,186	26,399
	(4,300,860)	(5,616,081)	(14,834,687)	(14,599,002)
Changes in operating assets and liabilities				
Accounts receivable	(351,380)	—	(477,680)	—
Other receivables	478,710	(197,586)	172,617	(408,731)
Prepaid expenses, deposits and other assets	(24,656)	(312,815)	304,364	(791,758)
Funds held in trust	14,884	(581,861)	—	(581,861)
Deferred direct broadcast operating costs	—	(191,690)	—	(191,690)
Accounts payable and accrued liabilities	959,482	(1,020,553)	(491,447)	1,221,951
Due to related party	18,059	(22,342)	(3,480)	(132,240)
Accrued license fees	160,578	23,899	246,160	(13,896)
Accrued stock appreciation rights	(449,653)	623,859	(1,087,760)	623,859
Accrued professional fees	(782,670)	(2,750,880)	22,299	362,242
Obligation under capital lease	(20,659)	—	(20,659)	—
Deferred revenue	481,114	22,253	556,404	46,838
Income taxes payable	8,300	11,000	33,250	36,000
Future tax liability	(22,924)	—	(22,924)	—
Deferred rent	308,857	—	567,447	—
<b>Cash used in operating activities</b>	<b>(3,522,818)</b>	<b>(10,012,797)</b>	<b>(15,036,096)</b>	<b>(14,428,288)</b>
<b>INVESTING ACTIVITIES</b>				
Redemption of short-term investments, net <i>[note 6]</i>	(12,848)	—	28,000,000	—
Purchase of equipment	(284,675)	(118,835)	(2,886,812)	(771,709)
Acquisition of SportsYA, net of cash acquired of \$3,308 <i>[note 3[i]]</i>	1,200	—	(146,439)	—
Acquisition of Cycling TV Limited, net of cash acquired of \$77,237 <i>[note 3[ii]]</i>	(2,357,360)	—	(2,357,360)	—
Acquisition of Broadband Network Division of XOS Technologies Inc. [JumpTV Sports] <i>[note 3[iii]]</i>	(60,584,537)	—	(60,584,537)	—
Acquisition of HV Media Limited	—	333	—	(444,973)
<b>Cash used in investing activities</b>	<b>(63,238,220)</b>	<b>(118,502)</b>	<b>(37,975,148)</b>	<b>(1,216,682)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from share issuances, net <i>[note 14]</i>	7,433	55,566,287	93,104,131	63,564,934
Bank indebtedness	—	—	(1,287,150)	—
Deferred share issue costs	—	3,449,672	—	—
Redemption of Class C common share	—	—	—	(1)
Proceeds from exercise of stock options	186,963	25,438	314,861	625,484
Proceeds from exercise of warrants	—	—	14,800	—
Normal course issuer bid	(870,133)	—	(870,133)	—
<b>Cash provided by (used in) financing activities</b>	<b>(675,737)</b>	<b>59,041,397</b>	<b>91,276,509</b>	<b>64,190,417</b>
<b>Net increase(decrease) in cash during the period</b>	<b>(67,436,775)</b>	<b>48,910,098</b>	<b>38,265,265</b>	<b>48,545,447</b>
Cash, beginning of period	127,638,918	5,110,401	21,936,878	5,475,052
<b>Cash, end of period</b>	<b>60,202,143</b>	<b>54,020,499</b>	<b>60,202,143</b>	<b>54,020,499</b>

See accompanying notes

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 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 and sports content over the Internet on a subscription basis.

On August 31, 2007, the Company acquired the Broadband Network business unit of XOS Technologies, Inc. ["JumpTV Sports"], based in Sanford, Florida, through an asset purchase agreement from XOS Technologies, Inc.

On July 31, 2007, the Company acquired all of the issued and outstanding shares of Cycling TV Limited ["Cycling TV"]. Cycling TV is based in London, England and is a broadcaster of top-tier international cycling races.

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 14]. 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. ["JumpTV Sports"], 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, Cycling TV, a wholly-owned subsidiary in England, 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 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.

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

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:

#### Revenue recognition

##### Text Messaging

The Company 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.

##### Annual Fees for Web Hosting, Ticketing, Donor and Guest Services

The Company receives annual fees for its web hosting, ticketing, donor and guest management services. Many of these fees are billed on an annual basis; however, some fees are structured to be billed on other periodic bases such as monthly, quarterly and semi-annually. These fees are billed at the beginning of the service period and are amortized over the life of the arrangement. The ticketing and donor management services typically have a minimum revenue guarantee to the Company along with a percentage of sales clause. For these types of arrangements, as the contract year for the services progresses, the Company will monitor the actual sales of the client and will accrue revenue according to the percent of sales clause in the contracts. At the end of the contract year, the Company will issue an invoice to the client for the unbilled portion of the percent of sales clause.

##### Advertising Revenue

Advertising revenue is generated by selling ad impressions and sponsorship deals. Advertising impressions include banner and pre-roll ads which are delivered through the Company's website as well as through client or third partner sites delivering the Company's content. Advertising is sold through various means including: the Company, third-party ad sellers, content partners and distribution partners. CPM (cost per thousand) advertising revenue is generated by displaying an "impression" of an advertisement to a website user. The CPM advertising revenue is calculated by tracking "impression counts" via a third party ad serving software. The third party software will provide the total number of impressions during a time period to the Company. The Company then applies the contracted impression rate to the number of impressions in order to calculate advertising revenue. Advertising revenue is recognized in the period in which the impressions are served.

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

#### **Merchandise and Auction Revenue**

The Company offers services to clients that allow them to sell merchandise and conduct auctions from the websites. The Company receives a revenue share from all merchandise and auction sales. The Company records the revenue share as revenue in the period in which the sale or auction takes place.

#### **Accounts receivable**

Accounts receivable are carried at original invoice amount. If a portion of the account balance is deemed uncollectible, the Company will either writeoff the amount owed or provide a reserve based on the uncollectible portion of the account. Management determines the collectibility of accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions.

#### **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 the declining balance method at a rate of 50%.

#### **Capital leases**

Leases entered into by the Company in which substantially all of the benefits and risk of ownership are transferred to the Company are recorded as capital leases and classified as property, plant and equipment and obligations under capital lease. Obligations under capital lease reflect the present value of future minimum lease payments, discounted at an appropriate rate, and are reduced by rental payments net of imputed interest. Assets under capital leases are depreciated based on the useful life of the asset. All other leases are classified as operating leases and leasing costs are expensed in the period in which they are incurred.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

### 3. Business Acquisitions

[i] SportsYA

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 acquisition has been accounted for using the purchase method. The results of SportsYA have been consolidated from January 5, 2007 and are included in the Company's results of operations.

The purchase price of \$1,352,361 consisted of 177,995 common shares of JumpTV with a fair value of approximately \$1,100,000 and \$255,669 in direct transaction costs including non-cash consideration of 13,350 common shares with a fair value of \$82,295, net of cash acquired of \$3,308.

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:

Non-cash working capital	\$	19,090
Intangible assets		<u>1,333,271</u>
Net assets acquired and total purchase price, net of cash acquired	\$	<u>1,352,361</u>

The purchase price allocation of the tangible and intangible assets is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase, as such, \$1,333,271 of the total cost has been initially capitalized as "Intangible assets" on the consolidated balance sheets with the exception of identifiable non-cash working capital of \$19,090. Management anticipates that the entire intangible assets balance represents goodwill and accordingly no amortization has been taken for the period. The assets purchased primarily represent tradenames, right to Internet domain names and employment contracts for key employees of SportsYA. As at September 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. As at September 30, 2007, 61,875 common shares have been issued. For the three and nine months ended September 30, 2007, the Company recognized stock-based compensation expense of \$73,288 and \$340,657, respectively. There were no such comparable amounts for prior periods.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

#### [ii] Cycling TV

On July 31, 2007, the Company completed the acquisition of all of the outstanding shares of Cycling TV, an Internet broadcaster of top-tier international cycling races. The acquisition has been accounted for using the purchase method. The results of Cycling TV have been consolidated from August 1, 2007 and are included in the Company's results of operations.

The purchase price of \$4,651,861 consists of cash consideration of \$2,267,000, 743,349 common shares of JumpTV with a fair value of approximately \$2,267,214 and direct transaction costs of \$167,597 including non-cash consideration of 9,500 common shares with a fair value of \$27,287, net of cash acquired of \$77,237.

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

Non-cash working capital	\$	(517,582)
Property, plant and equipment		105,119
Intangible assets		1,761,900
Goodwill		3,325,348
Future tax liabilities		<u>(22,924)</u>
	\$	<u>4,651,861</u>

The purchase price of Cycling TV contains contingent purchase price consideration of 1,840,097 common shares. The contingency is based on a July 31, 2009 12 month revenue milestone.

This contingent consideration will be accounted for as an addition to the purchase price consideration when the shares are issued or become issuable. As at September 30, 2007, the Company's uncertain as to whether Cycling TV will achieve the revenue milestone.

The purchase price allocation of the tangible and intangible assets is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase. The intangible assets purchased primarily represent channel contracts, non-compete agreements, website and domain names. For the three and nine months ended September 30, 2007, the Company has recognized approximately \$3,789 and \$3,789, respectively, in amortization has been recorded for tangible assets and \$163,105 and \$163,105, respectively, for intangible assets. There were no such comparable amounts for prior periods.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

[iii] XOS Technologies, Inc. – Network Business Division

On August 31, 2007, the Company entered into an asset purchase agreement to acquire the Broadband Network business unit of XOS Technologies, Inc ["JumpTV Sports"]. The acquisition has been accounted for using the purchase method. The results of the JumpTV Sports have been consolidated from September 1, 2007 and are included in the Company's results of operations.

The purchase price of \$60,584,537 consists of cash paid on closing in the amount of \$60,250,000, and direct transaction costs of \$334,537.

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

Non-cash working capital	\$ (2,280,049)
Property, plant and equipment	3,272,200
Intangible assets	17,524,901
Goodwill	42,289,689
Long-term liabilities	<u>(222,204)</u>
	\$ <u>60,584,537</u>

The purchase price allocation of the tangible and intangible assets is preliminary and may be adjusted as a result of obtaining additional information regarding preliminary estimates of fair values made at the date of purchase. The intangible assets purchased primarily represent channel contracts, computer software, trademarks and domain names. For the three and nine months ended September 30, 2007, the Company has recognized approximately \$21,318 and \$21,318, respectively, in amortization for tangible assets and \$427,569 and \$427,569, respectively, for intangible assets. There were no such comparable amounts for prior periods.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

#### 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 nine months ended September 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 nine months ended September 30, 2007 and 2006.

The following table summarizes the different potential common shares that were outstanding as at September 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 15 for additional details.

	September 30, 2007 #	September 30, 2006 #
Stock options	5,706,507	3,680,091
Restricted share plan units	369,677	818,573
Stock appreciation rights	2,352,160	1,300,000
Warrants	3,081,474	1,261,174
Common shares held in escrow [note 3[i]]	268,125	—

#### 5. Cash

Cash consists of the following:

	September 30, 2007 \$	December 31, 2006 \$
Cash [i]	56,610,175	6,220,296
Money market funds [ii]	3,591,968	15,637,690
Unrestricted funds held in trust [iii]	—	78,892
	60,202,143	21,936,878

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

- [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. [\$2,336,013] and a Canadian dollar account [Cdn\$1,206,108] 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 nine months ended September 30, 2007, the Company redeemed investments with a cost of \$28,000,000, for proceeds of \$28,295,626. As at September 30, 2007, short-term investments consisted of a guaranteed investment certificate at cost plus accrued interest totaling \$130,173 [December 31, 2006 - \$107,263] which matures on July 17, 2008 and bears interest at 3.75%.

#### **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 September 30, 2007, the Company had balances due to Patstar Inc. of \$11,196 [December 31, 2006 – due to Patstar Inc. of \$14,676] related to these reimbursements. In addition, rent expense paid by Patstar Inc. of \$9,983 and \$25,787 is included in selling, general and administrative expenses for the three and nine months ended September 30, 2007, respectively [three and nine months ended September 30, 2006 – rent paid to Patstar Inc. of nil and \$47,818]. All reimbursements and rent expense are recorded at the exchange amount.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

#### *Advances*

During 2006, the Company advanced funds to an officer of the Company. During 2007, these advances were being paid down on a monthly basis. Subsequent to the quarter end, the amount owing of \$78,266 was settled, accordingly, for the three month ended September 30, 2007, the amount was charged to selling, general and administration expense within the consolidated statement of operations.

#### **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:

	September 30, 2007		
	Cost \$	Accumulated amortization \$	Net book value \$
Computer equipment	1,738,431	321,109	1,417,322
Infrastructure equipment	1,562,526	378,368	1,184,158
Computer software	2,948,854	242,999	2,705,855
Furniture and fixtures	462,168	63,476	398,692
Leasehold improvements	1,036,824	103,108	933,716
Website development	142,228	19,412	122,816
	<u>7,891,031</u>	<u>1,128,472</u>	<u>6,762,559</u>

  

	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>

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

The following amortization expense is included with direct broadcast operating costs on the consolidated statements of operations:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Infrastructure equipment	88,622	41,844	238,507	92,234
Computer software	14,844	—	19,412	—
Website development	121,383	—	140,440	—
	224,849	41,844	398,359	92,234

### 9. Intangible Assets

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

	September 30, 2007		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Contractual agreements	19,104,500	664,191	18,440,309
Trademarks, tradenames and domain names	552,801	63,356	489,445
SportsYA acquisition <i>[note 3[i]]</i>	1,333,271	—	1,333,271
	20,990,572	727,547	20,263,025

	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
	370,500	58,360	312,140

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

Amortization expense related to the Company's acquired contractual agreements with channel partners for the three and nine months ended September 30, 2007 of \$540,642 and \$573,167 [three and nine months ended September 30, 2006 – nil and nil] is included within direct broadcast operating costs on the consolidated statements of operations.

Based on the preliminary estimated amount of intangible assets subject to amortization, the Company's estimated amortization expense over the next five years is as follows:

	\$
2007 [balance of year]	1,553,539
2008	6,206,636
2009	5,580,939
2010	5,151,982
2011	436,658

#### 10. Bank Indebtedness

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 nine months ended September 30, 2007, this loan was repaid in full.

#### 11. Notes Payable

In June 2006, XOS Technologies entered into a promissory note agreement for \$73,500 with an individual relating to an asset purchase agreement. Interest is charged on the outstanding balance at the rate of 11.14% per annum. The note requires five equal annual payments of principal and interest through November 2010. The outstanding balance on the note at September 30, 2007 was \$57,690 [December 31, 2006 – nil]. On August 31, 2007, in conjunction with the acquisition of the Broadband Network business unit of XOS Technologies Inc. ["JumpTV Sports"], JumpTV assumed this obligation.

In December 2005, XOS Technologies, entered into a promissory note agreement for \$150,000 for the purchase of computer software. Interest is charged on the outstanding balance at the rate of 4.34% per annum. The note requires 25 equal monthly payments of principal and interest through January 2008. The outstanding balance on the note at September 30, 2007 was \$24,916 [December 31, 2006 – nil]. On August 31, 2007, in conjunction with the acquisition of JumpTV Sports, the Company assumed this obligation.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

Annual maturities of the notes payable are as follows:

	\$
2007 [balance of year]	30,880
2008	19,845
2009	15,099
2010	16,782

#### 12. Obligations under Capital Lease

In conjunction with the acquisitions of JumpTV Sports and Cycling TV, the Company assumed the following capital lease obligations:

[i] XOS Technologies entered into a capital lease obligation for computer equipment. The lease requires 36 monthly payments of \$8,782, beginning in October 2006 through September 2009. Interest is computed monthly at 12.5% per annum. The preliminary fair value of the equipment of \$161,655 is included in computer equipment in the accompanying consolidated balance sheets at September 30, 2007. Amortization of \$4,041 and \$4,041 was recognized for the three and nine months ended September 30, 2007 [three and nine months ended September 30, 2006 – nil and nil]. As at September 30, 2007, the remaining principal balance of the capital lease was \$178,784 [December 31, 2006 – nil].

[ii] XOS Technologies entered into a capital lease obligation for computer equipment. The lease requires 36 monthly payments of \$1,695, beginning in December 2005 through November 2009. Interest is computed monthly at 8.6% per annum. The preliminary fair value of the equipment of \$20,751 is included in computer equipment in the accompanying consolidated balance sheets at September 30, 2007. Amortization of \$519 and \$519 was recognized for the three and nine months ended September 30, 2007 [three and nine months ended September 30, 2006 – nil and nil]. As at September 30, 2007, the remaining principal balance of the capital lease was \$21,087 [December 31, 2006 – nil].

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

[iii] Cycling TV entered into a capital lease obligation for infrastructure equipment. The lease requires 36 monthly payments of \$2,078, beginning April 2006 through March 2009. Interest is computed monthly at 7.5% per annum. The preliminary fair value of the equipment of \$28,638 is included in infrastructure equipment in the accompanying consolidated balance sheets at September 30, 2007. Amortization of \$1,476 and \$1,476 was recognized for the three and nine months ended September 30, 2007 [three and nine months ended September 30, 2006 – nil and nil]. As at September 30, 2007 the remaining principal balance of the capital lease was \$33,838 [December 31, 2006 - nil]

Annual maturities of these capital lease obligations are as follows:

	Computer equipment \$	Infrastructure equipment \$	Total \$
2007 [balance of year]	17,024	6,017	23,041
2008	107,775	22,450	130,225
2009	75,072	5,371	80,443
	199,871	33,838	233,709

### 13. Commitments and Contingencies

#### Commitments

In connection with the acquisitions of JumpTV Sports and Cycling TV, the Company has assumed the following commitments related to rent and minimum guarantees:

	\$
2007 [balance of year]	481,342
2008	2,926,964
2009	2,330,390
2010	2,115,212
2011	735,086

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

#### Contingencies

On June 12, 2006, CSTVO filed a complaint in the Florida State court against XOS Technologies and a co-defendant. The complaint alleges a claim for tortious interference with contractual relations against XOS Technologies; a breach of contract, misappropriation of trade secrets and confidential information under Florida and New York laws, and a breach of fiduciary duty against the co-defendant; and conspiracy to misappropriate trade secrets and conspiracy to breach fiduciary duty against both defendants. On August 31, 2007, in conjunction with the acquisition of JumpTV Sports, JumpTV assumed this claim. It is management's opinion that the claim will not be successful, and accordingly the Company has not accrued for any amounts relating to this claim.

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.

#### 14. Share Capital

Share capital consists of the following:

	September 30, 2007	December 31, 2006
	\$	\$
<b>Authorized</b>		
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		
<b>Issued and outstanding</b>		
Common shares		
September 30, 2007: Issued and outstanding: 51,243,083 [December 31, 2006: 34,821,121]	173,717,912	75,227,648

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

During the nine months ended September 30, 2007, the Company completed the following issuances and cancellations of its common shares, excluding issuances relating to stock options, warrants and restricted share plan units [note 15]:

Date	#	\$
January 5, 2007 [i]	521,345	1,182,295
February 23, 2007 [ii]	13,043,479	93,104,131
June 26, 2007 [iii]	197,628	934,900
August 17, 2007 [iv]	9,500	27,287
September 11, 2007 [v]	(50,000)	(176,084)
September 28, 2007 [vi]	(176,100)	(620,269)
September 28, 2007 [vii]	743,349	2,267,214
	14,289,021	96,719,474

[i] 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[i]].

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 nine months ended September 30, 2007, 20,625 and 61,875 shares have been released from escrow with fair values of \$73,288 and \$340,657, respectively, that have been recorded in stock-based compensation expense on the consolidated statements of operations [note 3[i]]. For accounting purposes, the common shares issued into escrow are treated as a variable interest entity and are consolidated in the accounts of the Company.

[ii] 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 \$93,104,131.

[iii] On June 26, 2007, in connection with an advertising agreement, the Company issued 197,628 common shares with a fair value of \$934,900.

[iv] On August 17, 2007, in connection the acquisition of Cycling TV, the Company issued 9,500 common shares with a fair value of \$27,287 as a finders fee [note 3[ii]].

[v] On September 11, 2007, in connection with the Company's normal course issuer bid the Company cancelled 50,000 common shares with a carrying value of \$176,084.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

[vi] On September 28, 2007, in connection with the Company's normal course issuer bid the Company cancelled 176,100 common shares with a carrying value of \$620,269.

[vii] On September 28, 2007, in connection with the acquisition of Cycling TV, the Company issued 743,349 common shares with a fair value of \$2,267,214 as initial share consideration [note 3[ii]].

The purchase price consideration of Cycling TV includes a contingent consideration of 1,840,097 common shares of the Company subject to Cycling TV achieving a revenue milestone [note 3[ii]].

#### 15. 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.

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	(133,355)	2.36
Cancelled/forfeited	(661,447)	4.07
Outstanding, September 30, 2007	5,706,507	4.27

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

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

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	1,590,887	2.64	903,436
2.50	839,488	3.49	445,269
4.00	290,747	3.57	94,180
5.00	100,000	3.87	27,083
5.82	100,000	3.93	25,000
6.00	107,583	3.66	36,542
6.05	1,155,000	4.53	120,313
6.08	107,000	4.09	24,521
6.26	1,182,114	4.64	198,505
6.43	233,688	4.19	43,969
	<u>5,706,507</u>	<u>3.76</u>	<u>1,918,818</u>

For the three and nine months ended September 30, 2007, \$818,851 and \$2,337,195 were recorded for total stock-based compensation expense related to stock options [three and nine months ended September 2006 - \$300,708 and \$824,942], respectively. The weighted average exercise price of options exercisable as at September 30, 2007 was \$3.14 [December 31, 2006 - \$2.29].

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

The weighted average fair value of all stock options granted during the nine months ended September 30, 2007 and 2006 was \$3.38 and \$1.43 based on the following assumptions:

	Nine months ended September 30, 2007	Nine months ended September 30, 2006
<b>Weighted average</b>		
Exercise price of stock options granted	\$6.16	\$2.65
Expected volatility	72%	72%
Risk-free interest rate	3.77%	4.39%
Expected life [years]	4	4
Dividend yield	nil	nil

During the nine months ended September 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 nine months ended September 30, 2007 relating to the fair value of these additional awards. No such expense was recognized during the comparative three and nine 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	(153,609)
Outstanding, September 30, 2007	369,677

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

During the nine months ended September 30, 2007 and 2006, the Company recognized stock-based compensation expense of \$856,047 and \$1,214,935, respectively [three months ended - \$161,096 and \$446,651] 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 is being 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 nine months ended September 30, 2007, 153,609 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 nine months ended September 30, 2007 and 2006, the Company expensed \$19,050 and \$19,050, respectively, [three months ended - \$6,350 and \$6,350] 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 nine months ended September 30, 2007 and 2006, the Company expensed \$26,397 and \$26,399, respectively [three months ended - \$8,799 and \$8,799] 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 nine months ended September 30, 2007 and 2006, the Company expensed \$2,699 and \$1,541, respectively [three months ended - \$900 and \$900] which are included within stock-based compensation expense on the consolidated statements of operations.

## **JumpTV Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 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 nine months ended September 30, 2007 and 2006, the Company expensed \$73,464 and \$20,479, respectively [three months ended - \$24,488 and \$16,950] which are 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 nine months ended September 30, 2007 and 2006, the Company expensed \$67,788 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 nine months ended September 30, 2007 and 2006, the Company expensed \$62,465 and \$61,798, respectively [three months ended - \$21,903 and \$21,903] which are included within stock-based compensation expense on the consolidated statements of operations.

On August 3, 2007, the Company issued 50,000 warrants to a television manufacturer. The exercise price of these warrants will be determined based on meeting certain milestones. As at September 30, 2007, these milestones have not been met, therefore the measurement date has not occurred. Accordingly, for the three and nine months ended September 30, 2007, no compensation expense was recognized related to these warrants. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years.

On August 10, 2007, the Company issued 100,000 warrants to the president and CEO of Cycling TV at an exercise price of \$3.86 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the nine months ended September 30, 2007 and 2006, the Company expensed \$5,210 and nil, respectively [three months ended - \$5,210 and nil] which are included within stock-based compensation expense on the consolidated statements of operations.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

On August 21, 2007, the Company issued 500,000 warrants to the president and CEO of JumpTV USA Holdco at an exercise price of \$3.86 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the nine months ended September 30, 2007 and 2006, the Company expensed \$20,432 and nil, respectively [three months ended - \$20,432 and nil] which are included within stock-based compensation expense on the consolidated statements of operations.

On August 31, 2007, the Company issued 1,174,000 warrants to employees of JumpTV USA Holdco and Cycling TV at an exercise price of \$3.86 per warrant. Each warrant is exercisable into one common share of the Company, vests over four years and expires after five years. For the nine months ended September 30, 2007 and 2006, the Company expensed \$3,249 and nil, respectively [three months ended - \$3,249 and nil] 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 nine months ended September 30, 2007 and the nine months ended September 30, 2006 was \$189,813 and \$80,965, respectively [three months ended - \$82,531 and \$28,512]. The total direct broadcast operating costs related to warrants expensed during the nine months ended September 30, 2007 and the nine months ended September 30, 2006 were \$94,186 and \$26,399, respectively [three months ended - \$31,395 and \$8,799].

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

	#	Weighted average exercise price \$
Outstanding, December 31, 2006	1,261,174	4.88
Granted	1,774,000	3.86
Granted – no strike price	50,000	n/a
Exercised	(3,700)	4.00
Outstanding, September 30, 2007	3,081,474	4.28

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

**JumpTV Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

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

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
1.80	100,000	2.00	56,250
3.86	1,774,000	4.91	14,708
4.00	96,300	3.50	33,488
4.97	150,000	3.70	46,875
5.00	663,674	0.87	663,674
6.00	147,500	3.56	59,219
6.23	100,000	4.17	33,333
n/a	50,000	5.00	—
	3,081,474	3.76	907,547

The weighted fair value of warrants granted during the nine months ended September 30, 2007 and 2006 was \$1.49 and \$1.93, respectively, based on the following assumptions:

	Nine months ended September 30, 2007	Nine months ended September 30, 2006
<b>Weighted average</b>		
Exercise price of warrants granted	\$3.86	\$5.04
Expected volatility	68%	72%
Risk-free interest rate	4.19%	4.93%
Expected life [years]	4	4
Dividend yield	nil	nil

## JumpTV Inc.

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

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

September 30, 2007

[iv] Stock Appreciation Rights Plan ["SARS"]

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

A summary of the SARS activity during the nine months ended September 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, September 30, 2007	2,352,160	5.18

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

Exercise price \$	Number outstanding #	Weighted average remaining contractual life [years]	Number exercisable #
4.00	1,120,830	3.44	660,398
6.00	20,830	0.25	20,830
6.26	1,210,500	4.64	179,460
	2,352,160	4.03	860,688

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 September 30, 2007 was \$3.06 [Cdn\$3.07] per common share. Accordingly, the Company recognized a stock-based compensation recovery of \$449,654 and \$1,087,761 for the three and nine months ended September 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 nine month periods for 2006.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

In summary, as at September 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	September 30, 2007 #	December 31, 2006 #
Stock options <i>[note 15[i]]</i>				
	1.80	June 2006 - November 2010	1,590,887	1,662,254
	2.50	March 2011	839,488	1,289,501
	4.00	April 2011	290,747	316,627
	5.00	August 2011	100,000	100,000
	5.82	September 2011	100,000	100,000
	6.00	April 2011 – June 2011	107,583	171,177
	6.05	April 2012	1,155,000	—
	6.08	November 2011	107,000	111,000
	6.26	June 2010 – May 2011	1,182,114	—
	6.43	December 2011	233,688	301,500
	7.16	November 2011	—	60,000
Restricted share units <i>[note 15[ii]]</i>	—	July 2009 - March 2011	369,677	591,414
Warrants <i>[note 15[iii]]</i>	1.80 - 6.23	September 2009 - August 31, 2012	3,081,474	1,261,174
Stock appreciation rights <i>[note 15[iv]]</i>	4.00 - 6.00	April 2011	2,352,160	1,300,000
			11,509,818	7,264,647

## 16. Supplemental Cash Flow Information

During the three and nine months ended September 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 September 30, 2007:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options of \$106,361.
- [ii] issuance of 46,863 common shares with a fair market value of approximately \$155,897 in regards to the vesting of restricted share plan units.
- [iii] issuance of 743,349 common shares with a fair market value of \$2,267,214 in regards to the initial share consideration for Cycling TV.

**JumpTV Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

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

September 30, 2007

For the nine months ended September 30, 2007:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options and warrants of \$248,819.
- [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 153,609 common shares with a fair market value of approximately \$851,652 in regards to the vesting of restricted share plan units.
- [iv] issuance of 743,349 common shares with a fair market value of \$2,267,214 in regards to the initial share consideration for Cycling TV.

For the three months ended September 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 nine months ended September 30, 2006:

- [i] reclassification of amounts from contributed surplus to share capital in regards to the exercise of stock options of \$330,960.

## JumpTV Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

September 30, 2007

#### 17. Segmented Information

The Company has one operating segment and one reportable segment, online broadcasting of international ethnic television channels and sports content 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		Nine months ended	
	<u>September 30,</u>		<u>September 30,</u>	
	2007	2006	2007	2006
	%	%	%	%
United States	63	52	55	54
Europe	22	23	23	24
Canada	5	11	7	10
Rest of world	10	14	15	12
	100	100	100	100

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

	September 30,	December 31,
	2007	2006
	%	%
United States	86	24
Europe	8	8
Canada	4	39
Trinidad and Tobago	—	25
Rest of world	2	4
	100	100