

JUMPTV

JUMPTV INC.

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

**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2007 AND 2006
[unaudited]**

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

The following Management's Discussion and Analysis ("MD&A") of JumpTV Inc.'s (the "Company" or "JumpTV") financial condition and results of operations, prepared as of August 9, 2007, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three and six months ended June 30, 2007 and 2006, which have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts are in U.S. dollars unless stated otherwise.

Our MD&A is intended to enable readers to gain an understanding of JumpTV's current results of operations and financial position. To do so, we provide information and analysis comparing the results of operations and financial position for the current period to those of the preceding period. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on management's current plans and expectations. These forward-looking statements are affected by risks and uncertainties that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Caution regarding forward-looking statements

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

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

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

Summary Description of the Business

JumpTV is a leading provider of Internet Protocol (IP) Television and other IP-based rich media services to specialty out-of-market audiences. Subsequent to June 30, 2007, JumpTV announced that it had entered into a definitive agreement to acquire the assets of the Broadband Network business unit of XOS Technologies, Inc. Prior to this announcement, JumpTV's content was primarily comprised of ethnic television channels. Post-acquisition, the Company will divide its content focus into two areas: (i) ethnic programming (referred to herein as "JumpTV International") and (ii) out-of-market sports programming, with an initial focus on U.S. collegiate sports content (referred to herein as "JumpTVSports").

JumpTV International

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

As at June 30, 2007, the Company has entered into license agreements with television broadcasters (referred to as "channel partners") representing more than 300 channels from over 75 countries which give JumpTV rights, generally on an exclusive world-wide basis, to broadcast each channel partner's live linear television feed over the Internet in return for a share of the Company's revenue from subscriptions to, and advertising by JumpTV on, its related channels. As at June 30, 2007, 271 channels were available for subscription through the Company's website. Additional linear channels and VoD libraries are being commercially launched on the Company's website and on third-party websites on an ongoing basis. When launched on third-party websites, the Company uses a proprietary Applications Programming Interface (API) called the "Jumper" to control all commercial and technical aspects of the content delivery to the end viewer.

JumpTV makes its channel partners' live linear feeds and video-on-demand available, generally on a monthly subscription basis, through single-channel offerings ("a la carte" monthly pricing typically ranging from \$5.95 to \$9.95) and, increasingly, multi-channel packages ("bundled" monthly pricing typically ranging from \$9.95 to \$29.95). In addition, JumpTV has introduced longer term (multiple months) subscriptions for its subscribers, where a la carte prices typically ranging in price from \$24.95 to \$34.95 for three-month subscriptions. The Company's subscriptions and products are priced in U.S. dollars, generally paid on a monthly basis in advance, principally using credit cards. In the future, the Company plans to offer its subscribers the ability to pay in multiple currencies.

On May 24, 2007 the Company launched 84 of its channels on a free-to-consumer basis in the United States with a view to generating revenue through advertising. As at June 30, 2007 the Company had 108 of its channels available on a free-to-consumer basis. JumpTV intends to increase the number of ethnic channels and video-on-demand content it offers on a free-to-consumer basis in the United States as well as assess the merits of offering selected content on a free-to-consumer basis in Canada and the United Kingdom.

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

For the three months ended June 30, 2007, JumpTV had subscribers in over 120 countries with approximately 47% of its subscribers residing in the United States, 25% of its subscribers residing in Western Europe and 9% residing in Canada. JumpTV focuses its consumer marketing efforts in principally in North America and Western Europe. The bulk of the Company's subscriber acquisition efforts to date have targeted Internet search engine marketing and optimization and the Company expects that focus to continue

To complement its marketing and distribution efforts, JumpTV has developed and continues to execute on its strategy of partnering with leading Internet service providers, major Internet portals and IPTV-enabled hardware manufacturers. The benefit of these partnerships for the Company is twofold: (i) through their existing audience and recognized brands, these partners provide a mechanism through which large numbers of potential customers are exposed to JumpTV's products and services; and (ii) distribution efficiencies whereby in certain circumstances, JumpTV can leverage these partners' existing delivery network infrastructure, eliminating the need for JumpTV to incur certain content delivery costs.

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

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

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

To complement the Company's ethnic television product offering, JumpTV is pursuing an ethnic content acquisition strategy focused on offering its viewers libraries of movies, music videos, general entertainment and children's programming relevant to their particular language, country and culture, acquired directly from the producers of this programming.

JumpTVSports

On July 17, 2007, the Company announced that it had entered into a definitive agreement to acquire the Broadband Network (or "XOS Network") business unit of XOS Technologies Inc., based in Sanford, Florida, through an asset purchase agreement for US\$60.25 million in cash and up to \$3 million in retention warrants for employees. The transaction is expected to close by the end of August. Upon closing the Company will integrate the XOS Network assets and expects to realize synergies with respect to content delivery/bandwidth, product development, ad sales and general administration.

The Company has announced that the XOS Network assets will become part of a new operating unit of the company called JumpTVSports, which will also comprise the Company's wholly-owned Hispanic sports content portal www.SportsYa.com and other sports properties—like certain FIFA World Cup IP broadcast rights in Canada, Euro 2008 qualifying matches, Egyptian Football Federation, etc.—already owned by the Company as of June 30, 2007.

XOS Network is one of the largest online global sports networks streaming thousands of NCAA games including football, men's and women's basketball, volleyball, baseball and track & field events. XOS Network currently has more than 150 official and exclusive broadband relationships with U.S. colleges, universities, conferences and professional sports teams including programs within the SEC, Big 12 and Big 10 NCAA Division I conferences.

In addition to live and video-on-demand streaming of sports matches, XOS Network provides custom-brand site design and Web hosting for its partner teams and athletic departments through a technology platform that includes Internet publishing tools, e-commerce solutions, online ticketing, mobile distribution capabilities and social networking technologies.

Like JumpTV, XOS Network typically has long-term exclusive agreements with its content partners and shares revenue generated by customers and advertising. XOS Network currently has approximately 24,000 paid subscribers to its exclusive video content offerings

XOS Network designs and powers multiplatform broadband environments which include branded broadband video channels for its sports partners. Each broadband video channel provides exclusive live and on-demand video streaming for games and event content. In addition, the XOS Network includes its proprietary "One Fan Profile" capability that includes the XOS Total Ticketing platform, event registration services and e-commerce solutions.

JumpTV believes the business development and product-related synergies inherent in this combination will allow the combined venture to gain traction in the North American and International professional sports marketplace.

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

The Company intends to augment its organic growth through strategic acquisitions. Namely, JumpTV intends to continue its strategy of acquiring businesses that are complementary to the Company's current operations and strategic direction. There can be no guarantees however that the Company will be successful in completing future acquisitions or that any such acquisitions will add value to the Company and its shareholders over time.

Pro forma of the XOS Network acquisition, JumpTV has approximately 190 full-time staff, with principal offices in Toronto, Dubai, Sanford (Florida), New York, Singapore and Bogotá, Colombia.

Key Performance Indicators

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

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

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

ARPU (Average Revenue per User)

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

Churn

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

SAC (Subscriber Acquisition Costs)

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

KEY PERFORMANCE INDICATORS (KPIs)

KPI	As at June 30, 2007	Quarterly Growth %	As at March 31, 2007	Quarterly Growth %	As at December 31, 2006	Quarterly Growth %	As at September 30, 2006	Quarterly Growth %	As at June 30, 2006	Quarterly Growth %	As at March 31, 2006
Total Subscribers	29,968	(0.3)%	30,062	22.4%	24,554	11.5%	22,019	34.9%	16,319	26.1%	12,943
Total Subscriptions	34,148	(1.0)%	34,496	22.6%	28,138	17.8%	23,885	31.8%	18,119	30.8%	13,850
Channels signed	302	7.9%	280	10.2%	254	12.9%	225	10.3%	204	47.8%	138

KPI	Q2 2007	Quarterly Change %	Q1 2007	Quarterly Change %	Q4 2006	Quarterly Change %	Q3 2006	Quarterly Change %	Q2 2006	Quarterly Change %	Q1 2006
ARPU	\$11.42	(0.9)%	\$11.52	4.4%	\$11.04	17.1%	\$9.43	(8.5)%	\$10.31 ⁽¹⁾	4.6%	\$9.86 ⁽¹⁾
SAC	\$33.69	(34.9)%	\$51.72	31.9%	\$39.21	79.9%	\$21.80	(27.3)%	\$30.00	108.6%	\$14.38
Churn	13.3%	6.4%	12.5%	(53.4)%	26.9%	18.0%	22.8%	44.5%	15.8%	(1.2)%	16.0%

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

KPI	3 months ended June 30,			6 months ended June 30,		
	2007	2006	% Growth	2007	2006	% Growth
ARPU	\$11.42	\$10.31 ⁽¹⁾	10.8%	\$11.47	\$10.11 ⁽¹⁾	13.5%
SAC	\$33.69	\$30.00	12.3%	\$43.87	\$23.14	89.6%
Churn	13.3%	15.8%	-15.8%	12.9%	15.9%	-18.9%

⁽¹⁾ The Company reported an ARPU of \$9.91 and \$9.80 for the three and six months ended June 30, 2006, respectively, in our respective quarterly filings by dividing total subscriber-related revenues for the period by the average subscribers for that period. Average subscribers for the period were calculated by adding the total subscribers at the end of each month and dividing by the number of months in the period. We have adjusted this figure to \$10.31 and \$10.11, respectively, to be consistent with the revised definition of average subscribers. This definition states that ARPU is calculated by dividing total subscriber-related revenues for a period by JumpTV's average subscribers for that period. Average JumpTV subscribers for a period are calculated by adding the average JumpTV subscribers for each month and dividing by the number of months in the period. Average JumpTV subscribers for each month are calculated by adding the beginning and ending JumpTV subscribers for the month and dividing by two.

Subscriptions were 34,148 as at June 30, 2007 down 1% from 34,496 as at March 31, 2007 and subscribers were 29,968 as at June 30, 2007 down less than 1% from 30,062 as at March 31, 2007. The Company had expected a significantly higher reduction in subscriptions and subscribers during the period due to the free-to-consumer launch of approximately 100 of its heretofore subscription-based channels in the United States. However, the addition of new content and the growth in the Company's non-U.S. subscriber base compensated for the loss of U.S. subscribers.

Churn for the three months ended June 30, 2007 was 13.3%, up 6% from 12.5% for the three months ended March 31, 2007.

For the second quarter of 2007, JumpTV's subscriber acquisition costs (SAC) were US\$33.69, a decrease of 34.9% compared to US\$51.72 in the first quarter of 2007. The Company continues to test various marketing initiatives. An increased focus on search engine optimization (SEO) contributed to the decrease.

Average monthly revenue per user (ARPU) was US\$11.42 in the quarter ending June 30, 2007, a less than 1% decrease from US\$11.52 in the first quarter of 2007.

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

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the three and six months ended June 30, 2007 and June 30, 2006 and as at June 30, 2007 and December 31, 2006 has been derived from the Company's unaudited interim and audited consolidated financial statements and accompanying notes, respectively, posted on www.sedar.com. Readers should read the following information in conjunction with those statements and related notes.

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<u>Statement of Operations Data:</u>				
Revenue	1,175,924	426,998	2,179,070	777,496
Direct broadcast operating costs	(1,551,330)	(480,681)	(2,911,589)	(731,011)
Net loss for the period	(6,514,301)	(6,449,005)	(13,599,467)	(10,426,142)
Basic and diluted loss per share	(0.13)	(0.31)	(0.31)	(0.52)

	June 30, 2007	December 31,
	\$	2006
	\$	\$
<u>Balance Sheet Data:</u>		
Cash	127,638,918	21,936,878
Short-term investments	117,325	28,115,378
Total assets	136,092,664	53,860,544
Non-current liabilities	277,092	18,502
Total liabilities	4,953,351	7,104,184
Share capital	171,689,822	75,227,648
Total shareholders' equity	131,139,313	46,756,360

Note: On February 23, 2007, in connection with a public offering of the Company, the Company issued 13,043,479 common shares for net proceeds of \$93,096,698. Accordingly, cash, total assets, share capital and total shareholders' equity have all increased significantly since December 31, 2006 to June 30, 2007.

Key Financial Measures

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

Revenue

The primary source of revenue recognized to date comprises revenue earned from subscription fees. JumpTV makes its channel partners' live linear feeds available, generally on a monthly subscription basis, through single-channel offerings ("a la carte" monthly pricing typically ranging from \$5.95 to \$9.95) and, increasingly, multi-channel packages ("bundled" monthly pricing typically ranging from \$10.95 to \$24.95). In addition, JumpTV has introduced longer term (multiple months) subscriptions for its subscribers, where a la carte prices typically ranging in price from \$24.95 to \$34.95 for three-month subscriptions. The Company's subscriptions and products are priced in U.S. dollars, generally paid on a monthly basis in advance, principally using credit cards. In the future, the Company plans to offer its subscribers the ability to pay in multiple currencies. As payments are received in advance, a portion of monthly subscription revenue for which the services have not been completed is deferred until the following month.

In addition to subscription revenue, JumpTV earns advertising revenue generated from offering selected channels on a free-to-consumer basis in the United States.

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

Direct Broadcast Operating Costs

Direct broadcast operating costs include costs incurred to suppliers who provide bandwidth, co-location and hosting, as part of the Company's network delivery infrastructure, for streaming live linear television feeds to JumpTV subscribers in over 120 countries. Bandwidth costs vary from period to period, as they are based primarily on usage which is a non-controllable and variable factor. The Company purchases bandwidth in fixed amounts and must pay for capacity utilization over set minimums. Also included in these costs are co-location charges which relate to infrastructure costs that are used in both signal acquisition and distribution.

Also included in direct broadcast operating costs are channel licensing costs, which represent consideration paid to JumpTV's channel partners for Internet broadcast rights. Pursuant to the Company's channel partner agreements, the channel partners generally receive license fees calculated as a specified percentage (approximately 20% on average) of the gross subscription revenue received each month by JumpTV for subscriptions to the applicable channels. A small number of channel partners, primarily those with agreements signed before May 2005, generally receive license fees calculated as a specified dollar amount for each subscriber in respect of the applicable channels. On advertising revenue, the channel partners generally receive a specified percentage (generally 30%-35% on average) of the gross revenue generated by JumpTV for advertisements in respect of the applicable channels.

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

Selling, General and Administrative Costs

Selling, general and administrative costs include:

- *Draws & Commissions (formerly referred to as "Success Fees")* – members of the Channel and Subscriber Acquisition Group have historically been granted payments based on business development activities. These payments - sometimes referred to internally as "draws", "bonuses", "success fees" or "commissions" (collectively referred to herein as "Draws & Commissions") have in the past been primarily related to individual and team efforts to secure channel partner agreements and content distribution agreements. A small number of sales agents have fixed commission arrangements, but the vast majority of Draws & Commissions are determined at the discretion of management;
- *Travel* – relates to travel expenses primarily for members of the Channel and Subscriber Acquisition Group who travel throughout the world to source and develop new channel partner and content distribution relationships, and inter-office travel;
- *Rent* – represents fees paid for leased offices;
- *Professional fees* – represents legal and accounting costs;
- *Wages and benefits* – represents expenses for the Company's full-time and part-time employees;
- *Subcontracting* – represents various services provided by consultants, and independent contractors throughout the world. Included in this figure are payments made to certain consulting/subcontracting entities related to members of management who are not compensated as employees; and
- *Marketing* – represents expenses for both global and local marketing programs that focus on various target ethnic communities. These initiatives include both on-line and off-line marketing expenditures. These expenditures also include search engine marketing and search engine optimization.

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

Stock-based Compensation

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

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

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

Three months ended June 30, 2007 compared to three months ended June 30, 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	\$ 1,175,924	\$ 426,988	\$ 748,936
Direct broadcast operating costs	<u>(1,551,330)</u>	<u>(480,681)</u>	<u>(1,070,649)</u>
	<u>(375,406)</u>	<u>(53,693)</u>	<u>(321,713)</u>
Other costs and expenses			
Selling, general and administrative	6,739,486	5,864,555	874,931
Stock-based compensation	793,737	561,199	232,538
Amortization of property, plant and equipment	136,707	25,918	110,789
Amortization of intangible assets	<u>9,908</u>	<u>-</u>	<u>9,908</u>
	<u>7,679,838</u>	<u>6,451,672</u>	<u>1,228,166</u>
Loss before the following	<u>(8,055,244)</u>	<u>(6,505,365)</u>	<u>(1,549,879)</u>
Loss on foreign exchange	(132,117)	(16,625)	(115,492)
Investment income, net	<u>1,682,560</u>	<u>84,985</u>	<u>1,597,575</u>
Loss before income taxes	(6,504,801)	(6,437,005)	(67,796)
Provision for income taxes	<u>9,500</u>	<u>12,000</u>	<u>(2,500)</u>
Net loss for the period	<u>\$ (6,514,301)</u>	<u>\$ (6,449,005)</u>	<u>\$ (65,296)</u>
Loss per share - basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.31)</u>	<u>\$ 0.18</u>
Weighted average number of shares outstanding - basic and diluted	<u>48,531,087</u>	<u>21,054,579</u>	<u>27,476,508</u>

Revenue

Revenue increased from \$426,988 for the three months ended June 30, 2006 to \$1,175,924 for the three months ended June 30, 2007. The increase was due primarily to the increase in subscribers and the number of subscribers purchasing multi-channel packages. For the three months ended June 30, 2007, advertising revenue was approximately \$121,000. Refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs increased from \$480,681 for the three months ended June 30, 2006 to \$1,551,330 for the three months ended June 30, 2007. During the three months ended June 30, 2007, there was an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the three months ended June 30, 2007 the Company incurred approximately 19% of subscription revenue in channel licensing fees to its channel partners, as compared with 20% for the three months ended June 30, 2006. Furthermore, the Company included amortization in the amount of \$79,044 on its infrastructure equipment and \$16,263 on its intangible assets during the three months ended June 30, 2007 as compared to \$32,296 and nil, respectively during the three months ended June 30, 2006.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$5,864,555 for the three months ended June 30, 2006 to \$6,739,486 for the three months ended June 30, 2007. The variance was due to the following:

- Wages and benefits increased from \$1,393,839 for the three months ended June 30, 2006 to \$2,184,416 for the three months ended June 30, 2007, as the number of employees increased from 68 at June 30, 2006 to over 100 at June 30, 2007. In addition, approximately \$404,000 was paid in regards to severance during the three months ended June 30, 2007.
- Subcontracting/consulting decreased from \$1,971,850 for the three months ended June 30, 2006 to \$663,062 for the three months ended June 30, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws and Commissions decreased from \$261,281 for the three months ended June 30, 2006 to \$175,000 for the three months ended June 30, 2007. Draws and Commissions were paid to individuals who management determined were primarily responsible for new channel partner agreements. The decrease was due to the Company shifting its focus from the signing of channel partner agreements to user experience and marketing efforts.
- Travel decreased from \$524,314 for the three months ended June 30, 2006 to \$277,655 for the three months ended June 30, 2007. The primary reason for the decrease is that during the three months ended June 30, 2006 significant travel expenditures were incurred in connection with the signing of new channel partner agreements. During the second half of 2006 and 2007, the Company has shifted its focus from signing channel partner agreements to user experience and marketing efforts.
- Professional fees increased from \$592,592 for the three months ended June 30, 2006 to \$1,315,844 for the three months ended June 30, 2007. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity. In addition the Company incurred substantial legal and due diligence fees in assessing potential acquisitions.
- Rent increased from \$80,670 for the three months ended June 30, 2006 to \$208,949 for the three months ended June 30, 2007. The increase was due to the opening of offices in Mississauga, Toronto, Dubai, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo.
- Marketing increased from \$287,764 for the three months ended June 30, 2006 to \$498,744 for the three months ended June 30, 2007. The increase was primarily due to marketing expenditures principally in respect of search engine marketing and television advertising.

Stock-based Compensation

Stock-based compensation expense increased from \$561,199 for the three months ended June 30, 2006 to \$793,737 for the three months ended June 30, 2007. The increase was primarily due to compensation costs recognized on stock options increasing from \$285,235 for the three months ended June 30, 2006 to \$1,024,004 for the three months ended June 30, 2007. In addition, the Company recognized a stock-based compensation recovery of \$699,459 relating to stock appreciation rights for which no expense was recorded for the three months ended June 30, 2006.

Loss on Foreign Exchange

For the three months ended June 30, 2007, JumpTV incurred a foreign exchange loss of \$132,117 as compared to a loss of \$16,625 for the three months ended June 30, 2006. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, U.S. dollars.

Investment Income, net

During the three months ended June 30, 2007 interest income increased from \$84,985 for the three months ended June 30, 2006 to \$1,682,560 for the three months ended June 30, 2007. The substantial increase was due to an increase in funds in the Company's interest-bearing cash accounts as a result of the Company's public offerings in August 2006 and February 2007.

Amortization of Property, Plant and Equipment

Amortization increased from \$25,918 for the three months ended June 30, 2006 to \$136,707 for the three months ended June 30, 2007. The increase was primarily due to the purchase of office-related computer equipment.

Amortization of Intangible Assets

Amortization increased from nil for the three months ended June 30, 2006 to \$9,908 for the three months ended June 30, 2007. The increase was due to amortization recorded on intangible assets acquired as part of the HVMedia acquisition.

Provision for Income Taxes

Income taxes decreased from \$12,000 for the three months ended June 30, 2006 to \$9,500 for the three months ended June 30, 2007 which related to U.S. tax obligations regarding the Company's U.S. operations.

Six months ended June 30, 2007 compared to six months ended June 30, 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	\$ 2,179,070	\$ 777,496	\$ 1,401,574
Direct broadcast operating costs	<u>(2,911,589)</u>	<u>(731,011)</u>	<u>(2,180,578)</u>
	(732,519)	46,485	(779,004)
Other costs and expenses			
Selling, general and administrative	13,268,378	9,220,197	4,048,181
Stock-based compensation	1,949,839	1,327,380	622,459
Amortization of property, plant and equipment	215,883	47,851	168,032
Amortization of intangible assets	<u>19,816</u>	<u>-</u>	<u>19,816</u>
	15,453,916	10,595,428	4,858,488
Loss before the following	<u>(16,186,435)</u>	<u>(10,548,943)</u>	<u>(5,637,492)</u>
Loss on foreign exchange	(86,303)	(8,301)	(78,002)
Investment income, net	<u>2,698,221</u>	<u>156,102</u>	<u>2,542,119</u>
Loss before income taxes	(13,574,517)	(10,401,142)	(3,173,375)
Provision for income taxes	<u>24,950</u>	<u>25,000</u>	<u>(50)</u>
Net loss for the period	<u>\$ (13,599,467)</u>	<u>\$ (10,426,142)</u>	<u>\$ (3,173,325)</u>
Loss per share - basic and diluted	<u>\$ (0.31)</u>	<u>\$ (0.52)</u>	<u>\$ 0.21</u>
Weighted average number of shares outstanding - basic and diluted	<u>44,326,196</u>	<u>19,871,859</u>	<u>24,454,337</u>

Revenue

Revenue increased from \$777,496 for the six months ended June 30, 2006 to \$2,179,070 for the six months ended June 30, 2007. The increase was due primarily to the increase in subscribers and the number of subscribers purchasing multi-channel packages. For the six months ended June 30, 2007, advertising revenue was approximately \$136,000. Refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs increased from \$731,011 for the six months ended June 30, 2006 to \$2,911,589 for the six months ended June 30, 2007. During the six months ended June 30, 2007, there was an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the periods presented the Company incurred approximately 20% of subscription revenue in channel licensing fees to its channel partners. Furthermore, the Company included amortization in the amount of \$149,885 on its infrastructure equipment and \$32,525 on its intangible assets during the six months ended June 30, 2007 as compared to \$50,895 and nil, respectively during the six months ended June 30, 2006.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$9,220,197 for the six months ended June 30, 2006 to \$13,268,378 for the six months ended June 30, 2007. The variance was due to the following:

- Wages and benefits increased from \$1,859,096 for the six months ended June 30, 2006 to \$4,173,169 for the six months ended June 30, 2007, as the number of employees increased from 68 at June 30, 2006 to over 100 at June 30, 2007. In addition, approximately \$436,000 was paid in regards to severance during the six months ended June 30, 2007.
- Subcontracting/consulting decreased from \$3,292,147 for the six months ended June 30, 2006 to \$1,323,538 for the six months ended June 30, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws and Commissions decreased from \$557,618 for the six months ended June 30, 2006 to \$417,751 for the six months ended June 30, 2007. Draws and Commissions were paid to individuals who management determined were primarily responsible for new channel partner agreements. The decrease was due to the Company shifting its focus from the signing of channel partner agreements to user experience and marketing efforts.
- Travel decreased from \$955,498 for the six months ended June 30, 2006 to \$668,776 for the six months ended June 30, 2007. The primary reason for the decrease is that during the six months ended June 30, 2006 significant travel expenditures were incurred in connection with the signing of new channel partner agreements. During the second half of 2006 and 2007, the Company has shifted its focus from signing channel partner agreements to user experience and marketing efforts.
- Professional fees increased from \$763,229 for the six months ended June 30, 2006 to \$1,729,650 for the six months ended June 30, 2007. The increase was due to fees associated with public company compliance and increased legal and audit fees due to increased commercial activity. In addition the Company incurred substantial legal and due diligence fees in assessing potential acquisitions.
- Rent increased from \$190,205 for the six months ended June 30, 2006 to \$459,012 for the six months ended June 30, 2007. The increase was due to the opening of offices in Mississauga, Toronto, Dubai, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo.
- Marketing increased from \$387,616 for the six months ended June 30, 2006 to \$1,414,780 for the six months ended June 30, 2007. The increase was primarily due to marketing expenditures principally in respect of search engine marketing and television advertising.

Stock-based Compensation

Stock-based compensation expense increased from \$1,327,380 for the six months ended June 30, 2006 to \$1,949,839 for the six months ended June 30, 2007. The increase was primarily due to compensation costs recognized on stock options increasing from \$524,234 for the six months ended June 30, 2006 to \$1,518,345 for the six months ended June 30, 2007. In addition, the Company recognized compensation costs of \$(638,107) relating to stock appreciation rights for which no expense was recorded for the six months ended June 30, 2006.

Loss on Foreign Exchange

For the six months ended June 30, 2007, JumpTV incurred a foreign exchange loss of \$86,303 as compared to a loss of \$8,301 for the six months ended June 30, 2006. The change was primarily due to translation of balance sheet items from their respective currencies to the Company's reporting currency, U.S. dollars.

Investment Income, net

During the six months ended June 30, 2007 investment income increased from \$156,102 for the six months ended June 30, 2006 to \$2,698,221 for the six months ended June 30, 2007. The substantial increase was due to an increase in funds in the Company's interest-bearing cash accounts as a result of the Company's public offerings in August 2006 and February 2007.

Amortization of Property, Plant and Equipment

Amortization increased from \$47,851 for the six months ended June 30, 2006 to \$215,883 for the six months ended June 30, 2007. The increase was primarily due to the purchase of office-related computer equipment.

Amortization of Intangible Assets

Amortization increased from nil for the six months ended June 30, 2006 to \$19,816 for the six months ended June 30, 2007. The increase was due to amortization recorded on intangible assets acquired as part of the HVMedia acquisition.

Provision for Income Taxes

Income taxes increased from \$25,000 for the six months ended June 30, 2006 to \$24,950 for the six months ended June 30, 2007 which related to U.S. tax obligations regarding the Company's U.S. operations.

Critical Accounting Policies

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

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

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

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

Revenue Recognition

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

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

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

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

Stock-based Compensation and Other Stock-Based Payments

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

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

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

Goodwill and Intangible Assets

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

As at June 30, 2007 goodwill totaled \$116,621, identifiable intangible assets totaled \$259,799 and the unidentifiable intangible assets totaled \$1,334,471. The Company assesses the impairment of goodwill and identifiable intangible assets annually, or more often if events or changes in circumstances indicate that the carrying value may not be recoverable.

Amortization Policies and Useful Lives

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

Financial Instruments

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

Fair value of financial instruments

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

Risks associated with financial instruments

(i) Currency risk

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

(ii) Interest rate risk

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

Liquidity and Capital Resources

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

The net proceeds from this offering will be used primarily to fund the continued roll-out of JumpTV's delivery infrastructure, to fund further investment in product development and technology, to fund JumpTV's subscriber acquisition strategy as well as to fund general corporate expenditures and working capital requirements of JumpTV's business including possible acquisitions. In keeping with its overall strategy, the Company is currently evaluating various potential acquisition opportunities.

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.

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.

Summary Consolidated Balance Sheet Data:

	June 30, 2007	December 31, 2006
	\$	\$
Current Assets		
Cash	127,638,918	21,936,878
Short-term investments	117,325	28,115,378
Accounts receivables	126,300	-
Other receivables	1,003,273	723,621
Prepaid expenses and deposits	1,213,844	1,178,119
Funds held in trust	14,884	-
Due from related party	6,863	-
	<u>130,121,407</u>	<u>51,953,996</u>
Current Liabilities		
Accounts payable and accrued liabilities	2,490,003	3,950,284
Bank loan	-	1,287,150
Due to related party	-	14,676
Current portion of accrued license fees	192,498	106,916
Accrued professional fees	1,176,751	371,782
Accrued stock appreciation rights	449,653	1,087,760
Deferred revenue	280,604	205,314
Income taxes payable	86,750	61,800
	<u>4,676,259</u>	<u>7,085,682</u>
Working capital ratio	<u>27.83</u>	<u>7.33</u>

Comparative Summarized Cash Flows

Selected Consolidated Cash Flow Data	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Cash flows used in operating activities	\$ (6,995,414)	\$ (4,793,830)	\$ (11,662,728)	\$ (7,627,986)
Cash flows provided by (used in) investing activities	\$ (355,702)	\$ (806,066)	\$ 25,412,522	\$ (1,064,481)
Cash flows provided by (used in) financing activities	\$ 58,461	\$ (263,692)	\$ 91,952,246	\$ 8,327,816

Operating Activities

Cash used in operating activities for the six months ended June 30, 2007 was \$11,662,728. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$13,599,467 for the six months then ended;
- non-cash items adjusted to net loss in the amount of \$3,078,488, which primarily relates to stock-based compensation; and
- a negative net change in operating assets and liabilities of \$1,141,749.

Investing Activities

Cash provided by investing activities for the six months ended June 30, 2007 was \$25,412,522. The primary source of these funds was the redemption of short-term investments in the amount of \$28,000,000 and for capital expenditures totaling \$2,439,840 primarily relating to equipment for JumpTV's delivery infrastructure.

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

Property, plant and equipment

	<u>June 30, 2007</u>	<u>December 31, 2006</u>
Computer equipment	\$ 934,428	\$ 507,217
Infrastructure equipment	1,370,893	773,198
Computer software	416,738	169,614
Furniture and fixtures	433,622	124,683
Leasehold improvements	978,837	58,386
Website development	100,718	-
	<u>\$ 4,235,236</u>	<u>\$ 1,633,098</u>

Financing Activities

Cash provided by financing activities was \$91,952,246 for the six months ended June 30, 2007. This primarily reflects net proceeds raised from the Company's public offering in February 2007 in the amount of \$93,096,698.

In the future, JumpTV expects that it will continue to use its cash resources to fund working capital for losses generated by its operations, as it continues to invest in its delivery infrastructure, product development and subscriber acquisition strategy. The Company believes existing cash will be sufficient to satisfy normal working capital needs and capital expenditures for at least the next 12 months. However, the Company may sell additional equity securities to further enhance its liquidity position and the sale of additional equity securities could result in dilution to its shareholders.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of June 30, 2007.

Related Party Transactions

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

Patstar Inc.

On occasion, Patstar Inc., a company controlled by the Company's current Chief Executive Officer and Chairman, 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.

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.

Outstanding Share Data

The Company has total common shares outstanding as at July 31, 2007 of 48,772,266. In addition, the Company has 9,479,504 outstanding options, warrants and stock appreciation rights which are each exchangeable for one common share upon exercise.