

JUMPTV

JUMPTV INC.

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

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 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 November 12, 2007, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three and nine months ended September 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 JumpTV

JumpTV is the one of the world's leading broadcasters of international television and sports content over the Internet.

JumpTV has approximately 300 television channels partners from over 75 countries and approximately 175 sports content partners from over 30 countries and virtually every US state. The Company's international television content has an emphasis, at present, on content from Latin American, the Arabic speaking world and South Asia. The Company's sports content has an emphasis on US college sports such football and basketball with over 130 university and college sites hosted by JumpTVSports.

JumpTV believes its sporting content is a primary driver of subscriptions and traffic. News content is also a major driver and music and entertainment are the other key drivers of interest in JumpTV content. In respect to sports, JumpTV is increasingly active in streaming content that is complementary to its international channel line-up including soccer events such as selected FIFA qualifiers and tournaments, Euro2008 qualifiers and UEFA Cup matches.

On August 31, 2007, JumpTV completed a \$60.25 million acquisition of the assets of the Broadband Network business unit of XOS Technologies, Inc. which held the Internet broadcast rights to approximately 130 US colleges and universities as well as other sporting properties. Prior to this acquisition, JumpTV's content was primarily comprised of ethnic television channels.

JumpTV has three primary revenue sources; (i) subscriptions, (ii) advertising, (iii) and services to its content partners.

(i) Users of JumpTV can subscribe to premium services including monthly/multi-month or annual subscriptions to watch streamed live channels and sporting events. As at September 30, 2007, the Company had approximately 86,000 subscribers with an ARPU (average revenue per user per month) of approximately \$10 per month. As at November 13, 2007, the Company had approximately 94,000 subscribers.

(ii) Users of JumpTV in the United States can view over 120 international television channels that are free to consumers through jumptv.com and other affiliate partner sites such as AOL.com and Terra.com. In respect to sporting content, users can view, on a free basis, replays of games, video on demand clips and highlights, statistics, interviews and other content including certain social networking functions all of which generate traffic which the Company is now actively in the process of monetizing through advertising revenue. JumpTV launched its first free to consumer channels on June 1, 2007.

In the month of September 2007, JumpTV had over 9 million unique visitors, over 7.5 million stream views and over 200 million advertising impressions on its site, the college sports sites it hosts and its affiliate sites which syndicate its content. Advertisers can promote their products, services and brands on the entire JumpTV Network or on JumpTV International or JumpTVSports or choose to be more narrow in their targeting by advertising of a specific channel or partner site. The Company brought on board its head of ad sales during the third quarter and has reported that advertising revenue for this quarter was \$287,320.

(iii) JumpTV's services to its content partners include software applications such as e-commerce/merchandise capabilities (ex: sale of team jerseys), ticketing and site fee maintenance, as examples.

Over 90% of JumpTV's channel partner agreements provide for exclusive internet broadcasting rights. The typical channel partner contracts cover three to four year initial terms whereby content partners receive, on average, 20-30% of gross subscription revenue and 30% of gross advertising revenue.

JumpTV has developed an IP (Internet Protocol)-based global content delivery infrastructure to stream live, linear broadcast feeds to viewers around the world. The Company currently uses third party content delivery networks to stream most of its US originated live sporting events. In addition, the Company provides certain non-live, video on demand streaming internally and through outsourced bandwidth providers and is expanding capabilities in this area. 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 content delivery network consists of and integrates geofiltering and content substitution capabilities which are fundamental to the Company's commitment to rights' compliance. The Company anticipates that it will continue to invest in its delivery infrastructure as the Company continues to grow and in connection with this has publicly disclosed that it is considering optimizing shareholder value by unlocking the value of its content delivery network through multiple alternatives.

JumpTV has approximately 240 full-time staff with principal offices in Toronto, Sanford (Florida), Dubai, London, New York, Buenos Aires and Bogotá, Colombia.

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 September 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 September 30, 2007, 283 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 \$19.95 to \$24.95 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 September 30, 2007 the Company had 112 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 September 30, 2007, JumpTV had approximately 33,300 subscribers (based on the number of credit cards used to make purchases) that have purchased approximately 38,500 channels and bundled subscriptions.

For the three months ended September 30, 2007, JumpTV had subscribers in over 120 countries with approximately 45% of its subscribers residing in the United States, 25% in Western Europe and 10% in Canada. JumpTV has focused its marketing efforts in 2007 principally in North America and Western Europe. The bulk of the Company's subscriber acquisition and traffic generation 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 users are exposed to JumpTV's content 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 user 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 and general entertainment programming relevant to their particular language, country and culture.

JumpTVSports

On August 31, 2007 JumpTV acquired 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 retention warrants for employees. The Company is currently in the process of integrating the operations between the two in order 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 have become part of a new operating unit of the company called JumpTVSports which also comprises the Company's wholly-owned Hispanic sports content portal www.SportsYa.com, CyclingTV and other sports properties including certain FIFA World Cup IP broadcast rights in Canada, Euro 2008 qualifying matches, Israel Football League and other sporting properties.

JumpTV Sports 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. JumpTV Sports 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, JumpTVSports 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. JumpTVSports' proprietary functionality includes its "One Fan Profile" which content partners use to analyse data regarding their fans.

Like JumpTV International, JumpTV Sports typically has long-term exclusive agreements with its content partners and shares revenue generated by subscribers and advertising. As at September 30th, JumpTV Sports had approximately 37,700 subscribers paying approximately \$10 per month. JumpTVSports generates millions of unique visitors and advertising impressions monthly by virtue of users consuming the free content that is published on its partner sites including video on demand game highlights and clips, statistics, and social networking functions.

CyclingTV

On July 31, 2007 JumpTV closed the acquisition of CyclingTV based in based in London, England for a total of \$4.5 million which includes approximately \$2.267 million in cash payable on closing and approximately \$2.267 million in common stock.

CyclingTV is the leading online video network offering dedicated cycling content to the global cycling audience. Users can view CyclingTV races for free at streaming speeds (bit rates) that offer a good quality viewing experience. To achieve a very high quality viewing experience, users become subscribers and can view the races at very high streaming speeds (bit rates). CyclingTV offers advertisers an affluent targeted audience and viewers from over 135 countries.

CyclingTV currently holds the internet broadcast rights to top-tier international cycling races including Vuelta a España (one of the three European "Grand Tour" races), Paris Roubaix, Tour de Suisse, Criterium Dauphine du Libere and the Amstel Gold Race. For the Tour de France, Cycling TV offers clips given that the Tour has yet to offer its races by way of broadband streaming.

As at September 30th, CyclingTV had approximately 15,000 paying subscribers who pay, on average, an annual fee of approximately £19.

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.

**JUMPTV INTERNATIONAL (EXCLUDES JUMPTV SPORTS AND CYCLING TV LIMITED)
KEY PERFORMANCE INDICATORS (KPIs)**

KPI	As at September 30, 2007	Quarterly Growth %	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 %
Total Subscribers	33,330	11.2%	29,968	(0.3)%	30,062	22.4%	24,554	11.5%	22,019	34.9%
Total Subscriptions	38,555	12.9%	34,148	(1.0)%	34,496	22.6%	28,138	17.8%	23,885	31.8%
Channels signed	305	0.1%	302	7.9%	280	10.2%	254	12.9%	225	10.3%

KPI	Q3 2007	Quarterly Change %	Q2 2007	Quarterly Change %	Q1 2007	Quarterly Change %	Q4 2006	Quarterly Change %	Q3 2006	Quarterly Change %
ARPU	\$11.54	1.1%	\$11.42	(0.9)%	\$11.52	4.4%	\$11.04	17.1%	\$9.43	(8.5)%
SAC	\$14.49	(57.0)%	\$33.69	(34.9)%	\$51.72	31.9%	\$39.21	79.9%	\$21.80	(27.3)%
Churn	13.2%	(0.8)%	13.3%	6.4%	12.5%	(53.4)%	26.9%	18.0%	22.8%	44.5%

These Key Performance Metrics are for JumpTV International only and does not include Metrics for JumpTV Sports and Cycling TV

KPI	3 months ended September 30,			9 months ended September 30,		
	2007	2006	% Growth	2007	2006	% Growth
ARPU	\$11.54	\$9.43	22.4%	\$11.49	\$9.82	17.0%
SAC	\$14.49	\$21.80	-33.5%	\$33.49	\$22.44	49.2%
Churn	13.2%	22.8%	-42.1%	13.0%	18.2%	-28.6%

Important Note: the above KPI's are exclusive of results from JumpTV Sports and CyclingTV

Subscriptions were 38,555 as at September 30, 2007, up 12.9% from 34,148 as at June 30, 2007 and subscribers were 33,330 as at September 30, 2007, up 11.2% from 29,968 as at June 30, 2007. The Company had expected a reduction in subscriptions and subscribers during the period due to the free-to-consumer launch of approximately 112 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 September 30, 2007 was 13.2%, down 0.8% from 13.3% for the three months ended June 30, 2007. The Company had expected churn to have increased quarter over quarter due to the launch of free-to-consumer channels predictably leading to cancellations of paid subscriptions.

For the third quarter of 2007, JumpTV's subscriber acquisition costs (SAC) was \$14.49, a decrease of 57% compared to US\$33.69 in the second quarter of 2007. The Company continues to experiment with marketing initiatives.

Average monthly revenue per user (ARPU) was \$11.54 in the quarter ending September 30, 2007, a 1% increase from US\$11.42 in the second quarter of 2007.

View ship Metrics

In light of the Company's launching its advertising supported revenue model under which channels are made available free to viewers in the United States on a selective basis, the Company is in the process of adding certain key viewer ship metrics to its KPI's. While there are several key viewership metrics that the company tracks and may report on from time to time there are three primary metrics that the company believes are fundamental to helping assess its ad revenue potential at this point including; streams viewed, minutes viewed and unique visitors. These metrics correlate into advertising impressions that exist on JumpTV and/or its affiliated sites.

Viewer ship metrics noted below do not include the activity in connection with JumpTV content on third party distributors such as AOL Video, Terra Networks and other distribution portals which the Company believes represents material traffic.

Streams Viewed

The company calculates streams viewed based on the number of streaming sessions lasting more than 30 seconds. During the month of September the Company reported a total of approximately 7.7 million stream views for JumpTV and JumpTV Sports exclusive of third party distribution partnerships.

Minutes Viewed

The company calculates minutes viewed based on the total number of minutes watched for all stream views. During the month of September the Company reported a total of approximately 120 million minutes for JumpTV and JumpTV Sports exclusive of third party distribution partnerships.

Unique Visitors

The company calculates unique visitors based on the total number of individual people visiting the Company's primary sites. During the month of September the Company reported a total of approximately 9.4 million unique visitors for JumpTV and JumpTV Sports exclusive of third party distribution partnerships.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

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

	3 months ending,					
	Sep-07	Jun-07	Mar-07	Sep-06	Jun-06	Mar-06
	\$	\$	\$	\$	\$	\$
<u>Statement of Operations Data:</u>						
Revenue	2,004,056	1,175,924	1,003,146	534,671	426,988	350,508
Direct broadcast operating costs	(2,874,920)	(1,551,330)	(1,360,259)	(706,102)	(480,681)	(250,330)
Net loss for the period	(6,466,061)	(6,514,301)	(7,085,166)	(6,494,411)	(6,449,005)	(3,977,137)
Basic and diluted loss per share	(0.13)	(0.13)	(0.18)	(0.23)	(0.31)	(0.21)

	Nine months ending,	
	Sep-07	Sep-06
	\$	\$
<u>Statement of Operations Data:</u>		
Revenue	4,183,126	1,312,167
Direct broadcast operating costs	(5,786,509)	(1,437,113)
Net loss for the period	(20,065,529)	(16,920,553)
Basic and diluted loss per share	(0.44)	(0.74)

	Sep-07		Dec-06	
	\$	\$	\$	\$
<u>Balance Sheet Data:</u>				
Cash	60,202,143	21,936,878	60,202,143	21,936,878
Short-term investments	130,173	28,115,378	130,173	28,115,378
Total assets	137,973,173	53,860,544	137,973,173	53,860,544
Non-current liabilities	753,621	18,502	753,621	18,502
Total liabilities	10,261,397	7,104,184	10,261,397	7,104,184
Share capital	173,717,912	75,227,648	173,717,912	75,227,648
Total shareholders' equity	127,583,903	46,756,360	127,583,903	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 \$93,104,131. Accordingly, cash, total assets, share capital and total shareholders' equity have all increased significantly since December 31, 2006 to September 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 for JumpTV International 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 International earns advertising revenue generated from offering selected channels on a free-to-consumer basis in the United States.

The primary sources of revenue recognized to date for JumpTV Sports comprises revenue earned from subscription fees, advertising, e-commerce and annual fees related to web-site hosting, ticketing, donor, and guest management platforms. Subscription revenues are generated by offering client sporting content in packages on a one-time, monthly, seasonal, or annual basis at prices ranging from \$4.95 to \$99.95. JumpTV Sports' subscription services are priced in US dollars, generally paid in advance, using credit card payment methods. Subscription revenues as reported are not recognized when cash is received, but rather are deferred and recognized on a daily basis over the service period of the subscription package. Advertising revenue is generated by displaying advertising impressions on client web-sites and as pre-roll segments during content delivery. Advertising revenue is typically earned on a "CPM" (cost per mille) basis at varying rates dependent on the level of audience targeting expected to be achieved during the advertising campaign. Advertising revenue is accrued and recognized in the period in which actual advertising impressions are delivered. E-commerce revenue includes revenue earned through online merchandise sales, auctions, and event registration activities. JumpTV Sports recognizes e-commerce revenue on a net basis in the period in which the sale occurs. Annual fee revenue is earned by hosting web-sites, ticketing, donor, and guest management sites. Annual fees are typically billed in advance and comprise a significant portion of JumpTV Sports accounts receivables. Annual fees are deferred and recognized over the service period of the contract.

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 for both JumpTV International and JumpTV Sports 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 of JumpTV International are channel licensing costs, which represent consideration paid to JumpTV International'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 International 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 International for advertisements in respect of the applicable channels.

Also included in direct broadcast operating costs of JumpTV Sports are client revenue sharing costs, which represent consideration paid to JumpTV Sports' clients for content delivery rights. Pursuant to JumpTV Sports' client agreements, clients receive revenue shares calculated as a specified percentage of the gross subscription revenues received. Revenue sharing rates vary from agreement to agreement, but generally range from 20% to 50% depending on the volume of subscription transactions that take place. Advertising revenue sharing costs are also calculated as a specified percentage of the gross advertising revenues billed to advertisers and are typically 20% of gross revenue. E-Commerce cost of goods sold are comprised of revenue shares that are due to clients on certain transactions.

Amortization of the Company's infrastructure equipment, contractual agreements and website development 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 of JumpTV International 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. Members of the Client Relations and Client Sales groups of JumpTV Sports have historically been granted payments based on securing new client contracts and securing new revenue streams on existing client contracts. JumpTV Sports sales agents and client relations agents earn these payments under fixed commission arrangements;
- *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 and sports properties. These initiatives include both on-line and off-line marketing expenditures. These expenditures also include search engine marketing and search engine optimization.

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 September 30, 2007 compared to three months ended September 30, 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	\$ 2,004,056	\$ 534,671	\$ 1,469,385
Direct broadcast operating costs	<u>(2,874,920)</u>	<u>(706,102)</u>	<u>(2,168,818)</u>
	(870,864)	(171,431)	(699,433)
Other costs and expenses			
Selling, general and administrative	5,971,444	5,318,685	652,759
Stock-based compensation	686,113	1,417,321	(731,208)
Amortization of property, plant and equipment	157,591	34,225	123,366
Amortization of intangible assets	<u>76,204</u>	<u>-</u>	<u>76,204</u>
	6,891,352	6,770,231	121,121
Loss before the following	<u>(7,762,216)</u>	<u>(6,941,662)</u>	<u>(820,554)</u>
Gain on foreign exchange	47,341	107,548	(60,207)
Investment income, net	<u>1,234,190</u>	<u>350,703</u>	<u>883,487</u>
Loss before income taxes	(6,480,685)	(6,483,411)	2,726
Provision for income taxes	8,300	11,000	(2,700)
Future income tax recovery	<u>(22,924)</u>	<u>-</u>	<u>(22,924)</u>
Net loss for the period	<u>\$ (6,466,061)</u>	<u>\$ (6,494,411)</u>	<u>\$ 28,350</u>
Loss per share - basic and diluted	<u>\$ (0.13)</u>	<u>\$ (0.23)</u>	<u>\$ 0.09</u>
Weighted average number of shares outstanding - basic and diluted	<u>48,803,530</u>	<u>28,848,119</u>	<u>19,955,411</u>

Revenue

Revenue increased from \$534,671 for the three months ended September 30, 2006 to \$2,004,056 for the three months ended September 30, 2007. The increase was primarily due to the acquisitions of the Broadband Network Division of XOS Technologies Inc. ["JumpTV Sports"] and Cycling TV Limited and the increase in subscribers and subscriptions. For the three months ended September 30, 2007, advertising revenue was approximately \$287,000. 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 \$706,102 for the three months ended September 30, 2006 to \$2,874,920 for the three months ended September 30, 2007. During the three months ended September 30, 2007, there was an overall increase in direct broadcast operating costs due to the acquisitions of the JumpTV Sports and Cycling TV Limited and an increase in the number of channels being streamed and the increase in the number of subscribers. For the three months ended September 30, 2007 the Company incurred approximately 28% of subscription revenue in channel licensing fees to its channel partners, as compared with 23% for the three months ended September 30, 2006. Furthermore, the Company included amortization in the amount of \$88,622 on its infrastructure equipment, \$14,844 on its website development, \$121,383 on its production software and \$540,642 on its intangible assets during the three months ended September 30, 2007 as compared to \$41,844, nil, nil and nil, respectively during the three months ended September 30, 2006.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$5,318,685 for the three months ended September 30, 2006 to \$5,971,444 for the three months ended September 30, 2007. The variance was due to the following:

- Wages and benefits increased from \$1,780,233 for the three months ended September 30, 2006 to \$2,505,932 for the three months ended September 30, 2007, as the number of employees increased from 50 at September 30, 2006 to over 200 at September 30, 2007. The increase in employees was primarily due to the acquisitions JumpTV Sports and Cycling TV Limited.
- Subcontracting/consulting decreased from \$997,841 for the three months ended September 30, 2006 to \$683,048 for the three months ended September 30, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$456,751 for the three months ended September 30, 2006 to \$117,334 for the three months ended September 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 \$382,255 for the three months ended September 30, 2006 to \$353,093 for the three months ended September 30, 2007. The primary reason for the decrease is that during the three months ended September 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 \$266,659 for the three months ended September 30, 2006 to \$334,801 for the three months ended September 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 increased legal and due diligence fees in assessing potential acquisitions.
- Rent increased from \$156,009 for the three months ended September 30, 2006 to \$232,812 for the three months ended September 30, 2007. The increase was due to the opening of offices in Toronto, Dubai, London and Sanford, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo.
- Marketing decreased from \$393,011 for the three months ended September 30, 2006 to \$311,812 for the three months ended September 30, 2007. An increased focus on search engine optimization (SEO), targeted event-driven marketing campaigns and a reduction in overall operating expenses contributed to the decrease.

Stock-based Compensation

Stock-based compensation expense decreased from \$1,417,321 for the three months ended September 30, 2006 to \$686,113 for the three months ended September 30, 2007. The decrease was primarily due to the decrease in stock price.

Gain on Foreign Exchange

For the three months ended September 30, 2007, JumpTV incurred a foreign exchange gain of \$47,341 as compared to a gain of \$107,548 for the three months ended September 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 September 30, 2007 investment income increased from \$350,703 for the three months ended September 30, 2006 to \$1,234,190 for the three months ended September 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 \$34,225 for the three months ended September 30, 2006 to \$157,591 for the three months ended September 30, 2007. The increase was primarily due to the equipment acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Amortization of Intangible Assets

Amortization increased from nil for the three months ended September 30, 2006 to \$76,204 for the three months ended September 30, 2007. The increase was primarily due to intangibles acquired in the acquisitions of the JumpTV Sports and Cycling TV Limited.

Provision for Income Taxes

Income taxes decreased from \$11,000 for the three months ended September 30, 2006 to \$8,300 for the three months ended September 30, 2007 which related to U.S. tax obligations regarding the Company's U.S. operations.

Future Income Tax Recovery

Future income tax recovery increased from a nil for the three months ended September 30, 2006 to a recovery of \$22,924 for the three months ended September 30, 2007. The increase represents a future tax liability and recovery relating to the acquisition of intangible assets from Cycling TV Limited.

Nine months ended September 30, 2007 compared to nine months ended September 30, 2006

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	\$ 4,183,126	\$ 1,312,167	\$ 2,870,959
Direct broadcast operating costs	<u>(5,786,509)</u>	<u>(1,437,113)</u>	<u>(4,349,396)</u>
	(1,603,383)	(124,946)	(1,478,437)
Other costs and expenses			
Selling, general and administrative	19,239,821	14,538,882	4,700,939
Stock-based compensation	2,635,953	2,744,701	(108,748)
Amortization of property, plant and equipment	373,474	82,076	291,398
Amortization of intangible assets	<u>96,021</u>	<u>-</u>	<u>96,021</u>
	22,345,269	17,365,659	4,979,610
Loss before the following	<u>(23,948,652)</u>	<u>(17,490,605)</u>	<u>(6,458,047)</u>
Gain (loss) on foreign exchange	(38,962)	99,247	(138,209)
Investment income, net	<u>3,932,411</u>	<u>506,805</u>	<u>3,425,606</u>
Loss before income taxes	(20,055,203)	(16,884,553)	(3,170,650)
Provision for income taxes	33,250	36,000	(2,750)
Future income tax recovery	<u>(22,924)</u>	<u>-</u>	<u>(22,924)</u>
Net loss for the period	<u>\$ (20,065,529)</u>	<u>\$ (16,920,553)</u>	<u>\$ (3,144,976)</u>
Loss per share - basic and diluted	<u>\$ (0.44)</u>	<u>\$ (0.74)</u>	<u>\$ 0.30</u>
Weighted average number of shares outstanding - basic and diluted	<u>45,737,733</u>	<u>22,913,150</u>	<u>22,824,583</u>

Revenue

Revenue increased from \$1,312,167 for the nine months ended September 30, 2006 to \$4,183,126 for the nine months ended September 30, 2007. The increase was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited and the increase in subscribers and subscriptions. For the nine months ended September 30, 2007, advertising revenue was approximately \$423,505. 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 \$1,437,113 for the nine months ended September 30, 2006 to \$5,786,509 for the nine months ended September 30, 2007. During the nine months ended September 30, 2007, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTV Sports and Cycling TV Limited and an increase in the number of channels being streamed and the increase in the number of subscribers. For the nine months ended September 30, 2006 the Company incurred approximately 21% of subscription revenue in channel licensing fees to its channel partners as compared to 23% for the nine months ended September 30, 2007. Furthermore, the Company included amortization in the amount of \$238,507 on its infrastructure equipment, \$19,412 on its website development, \$140,440 on its production software and \$573,167 on its intangible assets during the nine months ended September 30, 2007 as compared to \$92,739, nil, nil and nil, respectively during the nine months ended September 30, 2006.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$14,538,882 for the nine months ended September 30, 2006 to \$19,239,821 for the nine months ended September 30, 2007. The variance was due to the following:

- Wages and benefits increased from \$3,639,329 for the nine months ended September 30, 2006 to \$6,679,100 for the nine months ended September 30, 2007, as the number of employees increased from 138 at September 30, 2006 to over 200 at September 30, 2007. The increase in employees was primarily due to the acquisitions of JumpTV Sports and Cycling TV Limited.
- Subcontracting/consulting decreased from \$4,289,988 for the nine months ended September 30, 2006 to \$2,006,786 for the nine months ended September 30, 2007. The decrease was due to the decrease in expenditures to third parties for technology development.
- Draws & Commissions decreased from \$1,014,369 for the nine months ended September 30, 2006 to \$535,086 for the nine months ended September 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 \$1,337,753 for the nine months ended September 30, 2006 to \$1,021,869 for the nine months ended September 30, 2007. The primary reason for the decrease is that during the nine months ended September 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 \$1,029,888 for the nine months ended September 30, 2006 to \$2,064,451 for the nine months ended September 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 \$346,214 for the nine months ended September 30, 2006 to \$691,824 for the nine months ended September 30, 2007. The increase was due to the opening of offices in Mississauga, Toronto, Dubai, Sanford, London, and representative offices in Bangkok, Amman, Singapore, Kampala and Sao Paolo.
- Marketing increased from \$780,717 for the nine months ended September 30, 2006 to \$1,726,592 for the nine months ended September 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 decreased from \$2,744,701 for the nine months ended September 30, 2006 to \$2,635,953 for the nine months ended September 30, 2007.

Loss on Foreign Exchange

For the nine months ended September 30, 2007, JumpTV incurred a foreign exchange loss of \$38,962 as compared to a gain of \$99,247 for the nine months ended September 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 nine months ended September 30, 2007 investment income increased from \$506,805 for the nine months ended September 30, 2006 to \$3,932,411 for the nine months ended September 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 \$82,076 for the nine months ended September 30, 2006 to \$373,474 for the nine months ended September 30, 2007. The increase was primarily due to the purchase of office-related computer equipment. The increase was primarily due to the equipment acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Amortization of Intangible Assets

Amortization increased from nil for the nine months ended September 30, 2006 to \$96,021 for the nine months ended September 30, 2007. The increase was primarily due to intangibles acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Provision for Income Taxes

Income taxes decreased from \$36,000 for the nine months ended September 30, 2006 to \$33,250 for the nine months ended September 30, 2007 which related to U.S. tax obligations regarding the Company's U.S. operations.

Future Income Tax Recovery

Future income tax recovery increased from a nil for the nine months ended September 30, 2006 to a recovery of \$22,924 for the nine months ended September 30, 2007. The increase represents a future tax liability and recovery relating to the acquisition of intangible assets from Cycling TV Limited.

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

JumpTV earns money through three primary revenue lines; subscriptions, advertising and other services

Subscription Revenue

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.

Advertising Revenue

The Company recognizes advertising generated by selling ad impressions and through sponsorship deals. Advertising impressions include banner and pre-roll ads which are delivered through the Company's web-site 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 web site 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

Other Services

The Company recognizes other revenue from other services including; Web hosting, e-commerce solutions, online ticketing, mobile distribution capabilities and social networking technologies. Fees for web hosting, ticketing and guest services are billed at the beginning of the service period and are amortized over the life of the arrangement. The company records any commission amounts related to e-commerce and ticketing transactions as revenue in the period in which the sale or auction takes place.

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 September 30, 2007 goodwill totaled \$45,731,660 and identifiable intangible assets totaled \$18,929,754. 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, notes payable, obligations under capital lease 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.

Business Combinations:

[i] 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	(222,204)
	\$ <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 period periods.

[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 in common shares of JumpTV with a fair value of approximately \$2,267,214, 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 target.

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

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 period periods.

Summary Balance Sheet Data:

	September 30, 2007	December 31, 2006
	\$	\$
Current Assets		
Cash	60,202,143	21,936,878
Short-term investments	130,173	28,115,378
Accounts receivables	1,757,364	-
Other receivables	606,646	723,621
Prepaid expenses and deposits	1,669,757	1,178,119
Total current assets	64,366,083	51,953,996
Current Liabilities		
Accounts payable and accrued liabilities	6,097,170	3,950,284
Bank loan	-	1,287,150
Due to related parties	11,196	14,676
Current portion of accrued license fees	353,076	106,916
Accrued professional fees	394,081	371,782
Current portion of notes payable	37,139	-
Obligations under capital lease	111,504	-
Accrued stock appreciation rights	-	1,087,760
Deferred revenue	2,408,560	205,314
Income taxes payable	95,050	61,800
Total current liabilities	9,507,776	7,085,682
Working capital ratio	6.77	7.33

Comparative Summarized Cash Flows

Selected Consolidated Cash Flow Data	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Cash flows used in operating activities	\$ (3,522,818)	\$ (10,012,797)	\$ (15,036,096)	\$ (14,428,288)
Cash flows used in investing activities	\$ (63,238,220)	\$ (118,502)	\$ (37,975,148)	\$ (1,216,682)
Cash flows provided by (used in) financing activities	\$ (675,737)	\$ 59,041,397	\$ 91,276,509	\$ 64,190,417

Operating Activities

Cash used in operating activities for the nine months ended September 30, 2007 was \$15,036,096. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$20,065,529 for the nine months then ended;
- non-cash items adjusted to net loss in the amount of \$5,230,842, which primarily relates to stock-based compensation and amortization.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2007 was \$37,975,148. The primary source and use of these funds was the redemption of short-term investments in the amount of \$28,000,000, the acquisition of JumpTV Sports for \$60,584,537, the acquisition of Cycling TV Limited for \$2,357,360 (net of cash acquired) and for capital expenditures totaling \$2,886,812 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

	Sept 30 2007	December 31 2006
Computer equipment	\$ 1,738,431	\$ 507,217
Infrastructure equipment	1,562,526	773,198
Computer software	2,948,854	169,614
Furniture and fixtures	462,168	124,683
Leasehold improvements	1,036,824	58,386
Website development	142,228	-
	<u>\$ 7,891,031</u>	<u>\$ 1,633,098</u>

Financing Activities

Cash provided by financing activities was \$91,276,509 for the nine months ended September 30, 2007. This primarily reflects net proceeds raised from the Company's public offering in February 2007 in the amount of \$93,104,131.

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 twelve months. However, the Company may sell additional equity securities to further enhance its liquidity position and the sale of additional equity securities could result in dilution to its shareholders.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of September 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 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 the 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.

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.

Contingencies

On June 12, 2006, CSTVO filed a complaint in the Florida State court against JumpTV Sports and a co-defendant. The complaint alleges a claim for tortious interference with contractual relations against XOS; 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 the JumpTV Sports, JumpTV inherited 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.

Outstanding Share Data

The Company has total common shares outstanding as at October 31, 2007 of 49,370,395. In addition, the Company has 10,851,047 outstanding options, warrants and stock appreciation rights which are each exchangeable for one common share upon exercise.