

JUMPTV

JUMPTV INC.

Q1 2008

FORM 51-102F1

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

FOR THE THREE MONTHS ENDED MARCH 31, 2008 AND 2007

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

The following Management's Discussion & Analysis ("MD&A") of JumpTV Inc's (the "Company" or "JumpTV") financial condition and results of operations, prepared as of May 13, 2008, should be read in conjunction with the Company's consolidated financial statements and accompanying notes for the three months ended March 31, 2008 and 2007, which have been prepared in accordance with Canadian generally accepted accounting principles. For additional information and details, readers are referred to the Company's Annual Information Form (AIF) for 2007 which can be found on www.sedar.com. 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 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 three month period one year ago. 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 current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in this document, as well as in the AIF, and that could have a material impact on future prospects. Readers are cautioned that actual results could vary.

Cautions 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 as at the date hereof.

Forward-looking statements involve significant risk, 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, except as required by law. 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. More specific risks include, that the Company may not complete the sale or transition of its content delivery network at a time or on terms consistent with its plans, or at all, risks that the Company may not complete the partnership of its non-Latin American international channels at a time or on terms consistent with its plans, or at all, risks that the Company's share price may restrict its ability to enter into transactions on terms satisfactory to it, or at all, and risks that the Company may be affected by unanticipated termination costs related to legacy channel agreements. More detailed assessment of the risks that could cause actual results to materially differ than current expectations is contained in the "Risk Assessment" section of the Company's 2007 annual MD&A.

Recent Developments

Effective November 12, 2007, the Company appointed Mr. Jordan Banks as Chief Executive Officer of JumpTV, and Mr. G. Scott Paterson, Executive Chairman. Mr. Banks was already serving as a non-executive Board member of JumpTV and was most recently managing director of eBay Canada, the number one online shopping destination in Canada.

On February 14, 2008, Jordan Banks outlined an eight-point strategy that encompasses the new direction for JumpTV:

1. Become laser-focused on acquiring top-tier content to attract sports fans and Hispanic audiences;
2. Reduce costs related to acquiring and streaming all non-Latin American international content by creating partnerships with complementary media companies;
3. Explore the sale of the JumpTV content delivery network to maximize the value of the asset while minimizing the related ongoing operational cost to JumpTV;
4. Continue to build its advertising sales team;
5. Heighten focus on the JumpTV service layer to increase monetization of NCAA and international sports properties;
6. Increase engagement and interactivity for JumpTV users by immediately integrating a robust set of social media tools;
7. Consolidate offices and reconstitute a new executive team in Toronto to realize operational efficiencies and related savings from previous M&A activities; and
8. Continue to cull non-performing content.

On February 14, 2008, the Company announced as part of its refined strategic focus to explore the sale of their content delivery network, after receiving approval from the Company's Board of Directors. The Company is actively seeking a buyer and has engaged a third party to help negotiate the sale. In accordance with CICA Handbook Section 3475, *Disposal of Long-Lived Assets and Discontinued Operations*, the Company reclassified their content delivery network assets from property, plant and equipment to assets held for sale. These assets are intended to be sold within the next year and amortization is no longer being taken as of February 14th.

On February 19, 2008, the Company announced key additions to the Company's executive team which include: Blair Baxter, Chief Financial Officer; Elmer Sotto, Vice President, Product and Business Operations; and Jay Howard, Vice President and General Counsel. JumpTV additionally appointed Nada Usina to President of JumpTV Inc. from President of the JumpTV Sports division.

As at March 31, 2008, the Company's market capitalization decreased below the carrying value of the Company. Management considered this to be an indicator of impairment, accordingly, as at March 31, 2008, performed a goodwill impairment test and determined that the Company failed step 1. As a result of performing step two of the impairment analysis, management determined that the fair value of the Company, including unidentifiable assets, did not support the carrying amount of goodwill, accordingly the Company recorded a non-cash goodwill impairment charge of \$47,882,317 during the three months ended March 31, 2008.

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 agreements with approximately 210 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 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.

Sporting content is JumpTV's 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. With respect to sports, JumpTV is increasingly active in streaming content that is complementary to its international channel line-up including soccer events such as select FIFA qualifiers and tournaments, Euro2008 qualifiers and UEFA Cup matches.

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

(i) Viewers of JumpTV may subscribe to premium services including monthly/multi-month or annual subscriptions to watch streamed live television channels and sporting events. As at March 31, 2008, the Company had approximately 82,000 subscribers for its content with an ARPU (average revenue per user per month) of approximately \$9 per month. Viewers of JumpTV in the United States may watch 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. Viewers may additionally watch sporting content on a free basis, including 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 monetizes through advertising revenue. JumpTV launched its first free-to-consumer channels on May 24, 2007.

(ii) In the month of March 2008, JumpTV had over 9.3 million unique visitors, over 4.4 million stream views and over 180 million advertising impressions on its site, the college sports sites it hosts and its affiliate sites which syndicate its content. Advertisers may promote their products, services and brands on the entire JumpTV Network, or across either the JumpTV International or JumpTVSports networks, or they may choose to be more narrow in their targeting by advertising of a specific channel or partner site.

(iii) JumpTV's services to its content partners include software applications such as e-commerce/merchandise capabilities (for example, 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 across certain territories. A typical channel partner contract covers a three to four year initial term during which the content partner receives, 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 through outsourced bandwidth providers. 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.

On February 14, 2008, the Company announced as part of its refined strategic focus to explore the sale of the JumpTV content delivery network and to maximize the value of their assets while minimizing the related ongoing operational cost to JumpTV. In addition, to reduce costs related to acquiring and streaming of all non-Latin American international content, the Company intends to create partnerships with complementary media companies.

JumpTV has over 200 full-time staff with principal offices in Toronto, Sanford (Florida) and London.

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\$60.9 million, including direct transaction costs. The Company is currently integrating its operations related to content delivery/bandwidth, product development, advertising sales and general administration. Results of JumpTVSports have been included from the date of acquisition.

The Company has combined the XOS Network assets into a new division called JumpTVSports, which also includes 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.

JumpTVSports 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. JumpTVSports currently has more than 150 official and exclusive broadband relationships with U.S. colleges, universities, conferences and professional sports teams including programs within the Southeastern Conference ("SEC"), Big 12 and Big 10 NCAA Division I conferences.

In addition to live and video-on-demand ("VOD") streaming of sporting events, 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 analyze data regarding their fans.

Like JumpTV International, JumpTVSports typically has long-term exclusive agreements with its content partners and shares revenue generated by subscribers and advertisers. As at March 31, 2008, JumpTVSports had approximately 41,500 subscribers paying approximately \$8 per month. JumpTVSports has historically generated millions of unique visitors and advertising impressions monthly by virtue of users consuming the free content that is published on its partner sites including VOD game highlights and clips, statistics, and social networking functions.

JumpTV International

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

As at March 31, 2008, JumpTV International has entered into license agreements with television broadcasters (referred to as "channel partners") representing approximately 210 channels from over 75 countries which give JumpTV International 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 JumpTV International's revenue from subscriptions and advertising.

As at March 31, 2008, 210 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, JumpTV International 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 International makes its channel partners' live linear feeds and VOD 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, multi-channel packages ("bundled" monthly pricing typically ranging from \$9.95 to \$29.95). In addition, JumpTV International has introduced longer term (multiple months) subscriptions for its subscribers with 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.

On May 24, 2007 JumpTV International 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 March 31, 2008 60 channels were available on a free-to-consumer basis. JumpTV International has also launched 5 channels on a free-to-consumer basis in Canada. JumpTV International intends to increase the number of ethnic channels and VOD 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 March 31, 2008, JumpTV International had approximately 30,000 subscribers (based on the number of unique credit cards numbers used to make purchases) who purchased approximately 34,500 channels and bundled subscriptions.

To complement its marketing and distribution efforts, JumpTV International 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 JumpTV International 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 International's content and services; and (ii) distribution efficiencies whereby in certain circumstances, JumpTV International can leverage these partners' existing delivery network infrastructure, reducing JumpTV International's content delivery costs.

JumpTV International believes the primary user candidates for JumpTV International's 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 JumpTV International's channel partner agreements, JumpTV International 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, JumpTV International'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 International's policy to be globally compliant on all of its intellectual property rights. As part of the channel partner agreements, JumpTV International'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 International as part of the channel partner agreement to enable JumpTV International to substitute compliant content in the place of content that is not Digital Rights Management (DRM) compliant. JumpTV International 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.

CyclingTV

On July 31, 2007 JumpTV closed the acquisition of CyclingTV based in based in London, England for a total of \$4.7 million, including direct transaction costs, which included approximately \$2.267 million in cash and approximately \$2.267 million in common stock. Results of CyclingTV have been included from the date of acquisition.

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, CyclingTV only offers clips because the Tour de France has yet to offer its races by way of broadband streaming.

As at March 31, 2008 CyclingTV had approximately 10,500 paying subscribers who pay, on average, an annual fee of approximately £22.

Key Performance Indicators that Affect our Advertising Business

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 viewership metrics to its Key Performance Indicators ("KPI's"). Among other 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; streams viewed, minutes viewed and unique visitors. These metrics correlate into advertising impressions that exist on JumpTV and/or its affiliated sites.

Viewership metrics noted below do not include viewing of JumpTV content on third party distributors such as AOL Video, Terra Networks and other distribution portals, which the Company considers to be substantial.

In addition to the results reported in accordance with Canadian generally accepted accounting principles ("GAAP"), the Company uses various key performance measures, that 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 reader's understanding of the Company's operational performance.

In addition, such terms as "streams viewed", "minutes viewed", "unique visitors", "page views", "advertising impressions" and "sell-through-rate" 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 measures of performance.

JumpTV is not aware of any uniform standards for calculating these advertising metrics and believe that JumpTV's presentation of such indicators may not be calculated consistently with other companies in the same or similar business. These advertising metrics are measures of operational performance and not measures of financial performance under GAAP.

Streams Viewed

The Company calculates streams viewed based on the number of streaming sessions lasting more than 30 seconds. Average monthly streams views for the period are equal to total stream views for the period divided by the number of months in the period.

Minutes Viewed

The Company calculates minutes viewed based on the total number of minutes watched for all stream views. Average monthly minutes viewed for the period are equal to total minutes viewed for the period divided by the number of months in the period.

Unique Visitors

The Company calculates unique visitors based on the total number of unique individuals visiting the Company's primary sites. Average monthly unique visitors for the period are equal to total unique visitors for the period divided by the number of months in the period.

Page views

The Company calculates page views based on the total number of pages served. Average monthly page views for the period are equal to total page views for the period divided by the number of months in the period.

Advertising Impressions

The Company calculates advertising impressions based on the number of times an advertisement is viewed by a user. If a webpage has more than one advertisement, multiple impressions will be counted when that page loads. Average monthly advertising impressions for the period are equal to total advertising impressions for the period divided by the number of months in the period.

KEY PERFORMANCE INDICATORS THAT AFFECT JUMPTV'S ADVERTISING BUSINESS

KPI	Q1 2008	Quarterly Growth %	Q4 2007	Quarterly Growth %	Q3 2007	Quarterly Growth %	Q2 2007
Average monthly stream views (millions)	4.5	9.8%	4.1	(10.9%)	4.6 *	80.8%	2.6
Average monthly minutes viewed (millions)	104.1	3.3%	100.8	18.0%	85.4 *	35.7%	63.0
Average monthly unique visitors (millions)	8.8	(12.0%)	10.0	47.1%	6.8 *	47.8%	4.6
Average monthly page views (millions)	84.6	(10.0%)	94.0	42.4%	66.0 *	42.9%	46.2
Average monthly advertising impressions (millions)	231.0	11.4%	207.4	77.4%	116.9	426.6%	22.2

The Company acquired CyclingTV on July 31, 2007 and JumpTV Sports on August 31, 2007. The figures shown above have not been prepared on a proforma basis.

* - figures do not include CyclingTV

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information set out below for the three months ended March 31, 2008 and 2007 and as at March 31, 2008 and December 31, 2007 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,	
	March 31,	March 31,
	2008	2007
	\$	\$
<u>Consolidated Statement of Operations Data:</u>		
Revenue	3,606,559	1,003,146
Direct broadcast operating costs	(4,670,568)	(1,360,259)
Net loss for the period	(58,728,817)	(7,085,166)
Basic and diluted loss per share	(1.19)	(0.18)
	March 31,	December 31,
	2008	2007
	\$	\$
<u>Consolidated Balance Sheet Data:</u>		
Cash and cash equivalents.....	39,769,054	51,202,984
Short-term investments	126,159	130,640
Total assets	71,201,320	129,973,931
Non-current liabilities	853,758	711,620
Total liabilities	10,646,923	11,522,305
Share capital	172,979,915	172,697,828
Total shareholders' equity	60,554,397	118,451,626

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, 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 JumpTVSports 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. JumpTVSports' 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. JumpTVSports 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 JumpTVSports 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 JumpTVSports 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 beyond pre-determined 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%-30% 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 JumpTVSports' 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:

- *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
- *Professional fees* – represents legal and accounting costs;
- *Travel* – relates to travel expenses primarily for inter-office travel;
- *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.
- *Rent* – represents fees paid for leased offices;
- *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.;

Stock-based Compensation

The Company accounts for all stock options, retention warrants and warrants using a fair value-based method. The fair value of each stock option, retention warrant 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.

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. Stock-based compensation expense is calculated as the amount by which the quoted market price exceeds the exercise price with ongoing measurement of the outstanding liability.

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

Three Months Ended March 31, 2008 compared to three months ended March 31, 2007

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenue	\$ 3,606,559	\$ 1,003,146	\$ 2,603,413
Direct broadcast operating costs	<u>(4,670,568)</u>	<u>(1,360,259)</u>	<u>(3,310,309)</u>
	<u>(1,064,009)</u>	<u>(357,113)</u>	<u>(706,896)</u>
Other costs and expenses			
Selling, general and administrative	8,855,722	6,528,891	2,326,831
Stock-based compensation	792,936	1,156,103	(363,167)
Amortization of property, plant and equipment	223,165	79,176	143,989
Amortization of intangible assets	<u>64,016</u>	<u>9,908</u>	<u>54,108</u>
	<u>9,935,839</u>	<u>7,774,078</u>	<u>2,161,761</u>
Loss before the following	<u>(10,999,848)</u>	<u>(8,131,191)</u>	<u>(2,868,657)</u>
Impairment of goodwill	(47,882,317)	0	(47,882,317)
Impairment of long-lived assets	(173,786)	0	(173,786)
(Loss) Gain on foreign exchange	(46,065)	45,814	(91,879)
Investment income, net	<u>380,075</u>	<u>1,015,661</u>	<u>(635,586)</u>
Loss before income taxes	(58,721,941)	(7,069,716)	(51,652,225)
Provision for income taxes	<u>6,876</u>	<u>15,450</u>	<u>(8,574)</u>
Net loss for the year	<u>\$ (58,728,817)</u>	<u>\$ (7,085,166)</u>	<u>\$ (51,643,651)</u>
Loss per share - basic and diluted	<u>\$ (1.19)</u>	<u>\$ (0.18)</u>	<u>\$ (1.02)</u>
Weighted average number of shares outstanding - basic and diluted	<u>49,280,987</u>	<u>40,387,397</u>	<u>8,893,590</u>

Revenue

Revenue increased from \$1,003,146 for the three months ended March 31, 2007 to \$3,606,559 for the three months ended March 31, 2008. The increase was primarily due to the acquisitions of JumpTVSports and CyclingTV, which contributed to approximately \$2.3 million of revenue during the quarter, and the increase in subscribers and subscriptions. For the three months ended March 31, 2008, advertising revenue was approximately \$395,076. 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 \$1,360,259 for the three months ended March 31, 2007 to \$4,670,568 for the three months ended March 31, 2008. During the three months ended March 31, 2008, there was an overall increase in direct broadcast operating costs due to the acquisitions of JumpTVSports and CyclingTV and an increase in the number of channels being streamed and an increase in the number of subscribers. For the three months ended March 31, 2007, the Company incurred approximately 21% of subscription revenue in channel licensing fees to its channel partners as compared to 35% for the three months ended March 31, 2008. Furthermore, the Company included amortization totaling \$986,950 during the three months ended March 31, 2008 broken down as follows: \$115,966 on its infrastructure equipment, \$17,135 on its website development, \$217,961 on its production software and \$635,888 on its intangible assets as compared to amortization totaling \$86,965 during the three months ended March 31, 2007.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$6,528,891 for the three months ended March 31, 2007 to \$8,855,722 for the three months ended March 31, 2008. The variance was due to the following:

- Wages and benefits increased from \$1,988,754 for the three months ended March 31, 2007 to \$4,541,613 for the three months ended March 31, 2008, as the number of employees increased from over 100 at March 31, 2007 to over 200 at March 31, 2008. The increase in employees was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Subcontracting/consulting increased from \$660,477 for the three months ended March 31, 2007 to \$1,051,633 for the three months ended March 31, 2008. The increase in employees was primarily due to the acquisitions of JumpTVSports and Cycling.
- Professional fees increased from \$413,805 for the three months ended March 31, 2007 to \$574,977 for the three months ended March 31, 2008. The increase in professional fees was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Travel increased from \$391,121 for the three months ended March 31, 2007 to \$487,586 for the three months ended March 31, 2008. The increase was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Marketing decreased from \$916,037 for the three months ended March 31, 2007 to \$278,701 for the three months ended March 31, 2008. The decrease was primarily due to test marketing performed in Q1 2007.
- Rent increased from \$250,063 for the three months ended March 31, 2007 to \$276,530 for the three months ended March 31, 2008. The increase in rent was primarily due to the acquisitions of JumpTVSports and Cycling TV.
- Draws & Commissions decreased from \$242,750 for the three months ended March 31, 2007 to \$58,668 for the three months ended March 31, 2008. 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.

Stock-based Compensation

Stock-based compensation expense decreased from \$1,156,103 for the three months ended March 31, 2007 to \$792,936 for the three months ended March 31, 2008. The decrease was primarily due to a reduction in the market price for the Company's shares and its impact on the Company's restricted share plan units and stock appreciation rights.

Loss on Foreign Exchange

For the three months ended March 31, 2007, JumpTV incurred a foreign exchange gain of \$45,813 as compared to a loss of \$46,065 for the three months ended March 31, 2008. 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

Investment income decreased from \$1,015,661 for the three months ended March 31, 2007 to \$380,075 for the three months ended March 31, 2008. The decrease was due to the decrease in cash and cash equivalents.

Impairment of Goodwill

Goodwill represents the excess, at the date of acquisition, of the cost of an acquired business over the fair value of the identifiable assets acquired and liabilities assumed. Goodwill impairment is assessed based on a comparison of the fair value of the reporting unit (which is the Company as a whole) to the underlying carrying value of the Company's net assets, including goodwill. If the carrying value of the Company exceeds its fair value, the Company performs the second step of the goodwill impairment test to determine the amount of the impairment loss. The second step of the impairment test involves comparing the implied fair value of the Company's goodwill with its carrying amount to measure the amount of impairment loss, if any.

Goodwill is not amortized but is subject to an annual impairment test at the Company level (operating segment or one level below an operating segment) and between annual tests if changes in circumstances indicate a potential impairment. The Company's impairment test was based on its single operating segment and reporting unit structure.

As at March 31, 2008, the Company's market capitalization decreased below the carrying value of the Company. Management considered this to be an indicator of impairment, accordingly, as at March 31, 2008, performed a goodwill impairment test and determined that the Company failed step 1. As a result of performing step two of the impairment analysis, Management determined that the fair value of the Company, including unidentifiable assets, did not support the carrying amount of goodwill, accordingly the Company recorded a non-cash goodwill impairment charge of \$47,882,317 during the three months ended March 31, 2008. There were no such comparable amounts for the prior period.

Impairment of Long-Lived Assets

CICA Handbook Section 3063, *Impairment of Long-Lived Assets*, requires that a long-lived asset be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized as the difference between fair value and carrying amount when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value. The Company has determined that the carrying value of intangible assets relating to HV Media, Limited exceed their fair value. Accordingly the Company recorded an impairment of \$173,786 in the quarter. No other impairment related to the remaining intangibles was evidenced.

Amortization of Property, Plant and Equipment

Amortization increased from \$79,176 for the three months ended March 31, 2007 to \$223,165 for the three months ended March 31, 2008. 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 \$9,908 for the three months ended March 31, 2007 to \$64,016 for the three months ended March 31, 2008. The increase was primarily due to domain names and trademarks acquired in the acquisitions of JumpTV Sports and Cycling TV Limited.

Provision for Income Taxes

Income taxes decreased from \$15,450 for the three months ended March 31, 2007 to \$6,876 for the three months ended March 31, 2008 which related to U.S. tax obligations regarding the Company's U.S. operations.

Critical Accounting Estimates

JumpTV'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 these consolidated financial statements requires the Company to make estimates and judgments 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 JumpTV believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value 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.

The preparation of consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates made by Management include 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, retention warrants and warrants. 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 Company's year-end December 31, 2007 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 when it is realized or realizable and earned. Revenues are earned through subscriptions, pay-per views, advertising, web hosting, site setup fees, ticketing and donor management services. The Company considers revenues realized or realizable and earned when it has persuasive evidence of an arrangement, the product has been delivered or services have been provided to the customer, the sales price is fixed or determinable and the collectibility is reasonably assured. The Company's different revenue streams are recognized as follows:

[a] Subscription Revenue

Subscription revenue is recognized on a straight-line basis over the subscription period which generally ranges from 30 days to one year. The Company defers the appropriate portion of cash received for which services have not been rendered. Revenue is presented net of refunds. Pay-per-view revenues are deferred and recognized in the period when the content is available to be viewed.

[b] Advertising Revenue

Advertising revenue is generated by selling advertising impressions and sponsorship agreements. Advertising impressions include banner and pre-roll advertisements which are delivered through the Company's website as well as through client or third-party sites delivering the Company's content. Advertising is sold through various means including: the Company, third-party advertising agents, content partners and distribution partners. CPM (cost per mille) advertising revenue is generated by displaying an "impression" of an advertisement to a website user. The CPM advertising revenue is calculated by tracking "impression counts" via a third-party advertising 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.

[c] Annual Fees for Web Hosting

These fees are billed and deferred at the beginning of the service period and are amortized over the term of the arrangement.

[d] Ticketing, Donor and Guest Management Services

Ticketing and donor management services fees are based on a percentage of sales and typically have a minimum revenue guarantee to the Company along with a percentage of sales clause. As the contract year for the services progresses, the Company will monitor the actual sales of the client and will accrue revenue according to the percent of sales clause in the contracts. At the end of the contract year, the Company will issue an invoice to the client for the unbilled portion of the percent of sales clause.

[e] Merchandise and Auction Revenue

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

[f] Text Messaging

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

Stock-based compensation and other stock-based payments

The Company accounts for all stock options, retention warrants and warrants using a fair value-based method. The fair value of each stock option, retention warrant 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 fair value of stock options, retention warrants and warrants granted to employees is measured at the date of the grant. The fair value of the warrants granted to non-employees is measured as the warrants vest. 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, retention warrants 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 based on the market value of the shares when the shares are issued, which generally coincides with the vesting period of these awards.

Goodwill and Intangible Assets

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

As at March 31, 2008 goodwill totaled nil and identifiable intangible assets totaled \$17,548,991. 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 and Risk Management

The Company's financial instruments are comprised of cash and cash equivalents, short-term investments, accounts receivable, interest receivable, other receivables, accounts payable, other accrued liabilities, amounts due to related parties, notes payable and obligations under capital lease.

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

The fair value of assets and liabilities were as follows:

	March 31, 2008 \$	December 31, 2007 \$
Financial Assets		
Held-for-Trading		
Cash and cash equivalents	39,769,054	51,202,984
Available-for-Sale		
Short-term investments	126,159	130,640
Loans and Receivables		
Accounts receivable	1,733,505	1,782,280
Interest receivable	83,042	726,995
Other receivables	91,209	79,385
Financial Liabilities		
Other Financial Liabilities		
Accounts payable	2,018,324	3,296,858
Other accrued liabilities	5,356,441	5,247,328
Due to related party	20,157	37,229
Note payable	45,567	45,467
Obligations under capital lease	168,034	200,764

All fair values denoted above approximate their carrying values due to their short term nature and/or variable interest rates.

Risk management is primarily the responsibility of the Company's corporate finance function. Significant risks are regularly monitored and actions are taken, when appropriate, according to the Company's approved policies, established for that purpose. In addition, as required these risks are reviewed with the Company's Board of Directors.

Foreign Exchange Risk

The Company is exposed to foreign exchange risk as a result of transactions in currencies other than its functional currency of the United States Dollar. The majority of the Company's revenues are transacted in U.S. Dollars, whereas the majority of expenses are transacted in U.S. and Canadian Dollars. The Company does not use derivative instruments to hedge against foreign exchange risk.

Interest Rate Risk

The Company is exposed to interest rate risk on its invested cash and cash equivalents and its short-term investments. 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.

Credit Risk

The Company sells its services to a variety of customers under various payment terms and therefore is exposed to credit risks. The Company has adopted policies and procedures designed to limit these risks. The maximum exposure to credit risk at the reporting date is the carrying value of receivables. The Company establishes an allowance for doubtful accounts that represents its estimate of incurred losses in respect of accounts receivable. The Company believes that the concentration of credit risk is limited due to the Company's primary source of revenues to date being subscription revenues, for which monies are received in advance principally through credit cards.

There is no significant credit risk related to the Company's cash and cash equivalents and short-term investments. Credit risk is managed through conducting financial and other assessments of these investments on an ongoing basis.

The following table sets out details of the age of accounts receivable that are outstanding and related allowance for doubtful accounts:

	March 31, 2008
	\$
Current	1,110,570
31-60 days	34,963
61-90 days	87,646
Over 90 days	811,471
<u>Less: Allowance for doubtful accounts</u>	<u>(311,145)</u>
<u>Total accounts receivable, net</u>	<u>1,733,505</u>

The carrying amount of accounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of operations and comprehensive loss. When a receivable balance is considered uncollectible, it is written off against the allowance for accounts receivable. Subsequent recoveries of amounts previously written off are credited against operating expenses in the consolidated statements of operations and comprehensive loss.

Liquidity and Capital Resources

On February 23, 2007, the Company issued 13,043,479 common shares for total proceeds of approximately \$101 million (approximately Cdn\$117 million). The net proceeds of this offering of securities were approximately \$93 million, net of the estimated offering expenses and underwriters' fees. The Company has used approximately \$65 million of these proceeds to fund the acquisitions of both JumpTVSports and Cycling TV Limited.

For the near future, JumpTV expects that it will continue to use its cash resources to fund working capital requirements. The Company believes existing cash, cash equivalents and short-term investments will be sufficient to satisfy normal working capital needs and capital expenditures for at least the next twelve months. However, the Company may sell additional equity securities to further enhance its liquidity position and the sale of additional equity securities could result in dilution to its shareholders.

Summary Balance Sheet Data:

	March 31, 2008	December 31, 2007
	\$	\$
Current Assets		
Cash and cash equivalents	39,769,054	51,202,984
Short-term investments	126,159	130,640
Accounts receivable, net	1,733,505	1,782,280
Interest receivable	83,042	726,995
Taxes receivable	742,210	659,000
Other receivables	91,209	79,385
Prepaid expenses and deposits	1,406,403	1,044,921
Deferred direct broadcast operating costs	<u>1,120,500</u>	-
Total current assets	<u>45,072,082</u>	<u>55,626,205</u>
Current Liabilities		
Accounts payable and accrued liabilities	2,018,324	3,296,858
Other accrued liabilities	5,394,435	5,247,328
Due to related party	20,157	37,229
Current portion of notes payable	13,586	13,586
Obligations under capital lease	117,212	120,465
Deferred revenue	2,110,901	1,752,042
Income taxes payable	<u>118,550</u>	<u>115,050</u>
Total current liabilities	<u>9,793,165</u>	<u>10,552,558</u>
Working capital ratio	<u>4.60</u>	<u>5.27</u>

Contractual Obligations and other commitments

The following table summarizes the Company's contractual commitments as at March 31, 2008, and the effect those commitments are expected to have on liquidity and cash flow in future periods:

Contractual Commitments	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	
Operating leases	\$ 1,916,962	\$ 3,051,949	\$ 1,807,018	\$ -	\$ 6,775,929
Marketing and license fees	4,320,370	3,896,275	692,543	-	8,909,188
Total	<u>\$ 6,237,332</u>	<u>\$ 6,948,224</u>	<u>\$ 2,499,561</u>	<u>\$ -</u>	<u>\$15,685,117</u>

Comparative Summarized Cash Flows

<u>Selected Consolidated Cash Flow Data</u>	Three months ended,	
	March 31, 2008	March 31, 2007
Cash flows used in operating activities	\$ (10,836,351)	\$ (4,666,316)
Cash flows (used in) provided by investing activities	\$ (614,828)	\$ 25,767,225
Cash flows provided by financing activities	\$ 17,249	\$ 91,893,786

Operating Activities

Cash used in operating activities for the three months ended March 31, 2008 was \$10,836,351. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$58,728,817;
- non-cash items adjusted to net loss in the amount of \$50,159,047 which primarily relates to impairment of goodwill, impairment of long-lived assets, stock-based compensation and amortization.

Investing Activities

Cash used in investing activities for the period ended March 31, 2008 was \$614,828. The primary use of these funds was for capital expenditures.

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

Property, plant and equipment

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
Computer equipment	\$ 2,342,757	\$ 2,196,670
Infrastructure equipment	39,810	1,906,798
Computer software	2,412,840	2,651,640
Furniture and fixtures	552,494	507,406
Leasehold improvements	1,044,613	1,040,039
Website development	161,059	161,059
	<u>\$ 6,553,573</u>	<u>\$ 8,463,612</u>

Certain assets totaling \$1,880,429 relating to the Company's content delivery network that were classified as property, plant and equipment as at December 31, 2007, were reclassified as assets held for sale on February 14, 2008 as the criteria for this classification were met. These assets are intended to be sold within the next year and amortization is no longer being taken.

Financing Activities

Cash provided by financing activities was \$17,249 for the three months ended March 31, 2008. This reflects proceeds received from the exercise of stock options.

Off-Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of March 31, 2008.

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 Executive 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 March 31, 2008, the Company had balances due to Patstar Inc. of \$20,157 [December 31, 2007 – \$37,229] related to these reimbursements.

In addition, rent expense paid by Patstar Inc. of \$10,590 is included as a reduction in selling, general and administrative expenses for the three months ended March 31, 2008 [three months ended March 31, 2007 – \$6,166]. All reimbursements and rent expense are recorded at fair value.

Outstanding Share Data

The Company has total common shares outstanding as at April 30, 2008 of 51,148,967. In addition, the Company has 9,464,027 outstanding options, warrants and retention warrants which are each exchangeable for one common share upon exercise.