

JUMPTV

JUMPTV INC.

Q2 2006

FORM 51-102F1

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

**FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2006 AND JUNE 30, 2005
(UNAUDITED)**

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

The following Management Discussion & Analysis ("MD&A") of JumpTV's financial condition and results of operations should be read in conjunction with the selected financial information and JumpTV's unaudited consolidated interim financial statements and accompanying notes for the three and six months ended June 30, 2006 and 2005, as well as the annual MD&A and audited consolidated financial statements and accompanying notes for nine-months ended December 31, 2005 and years ended March 31, 2005 and 2004 contained in the Company's final prospectus ("Final Prospectus") posted on August 1, 2006 on www.sedar.com. The unaudited interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2006 and 2005 have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") for preparation of interim financial information. All dollar amounts are in U.S. dollars unless stated otherwise.

JumpTV Inc. (the "Company" or "JumpTV") is a public company incorporated under the Canadian Business Corporations Act and its shares are listing on the Toronto Stock Exchange "TSX" and Alternative Investment Market on the London Stock Exchange "AIM" as of August 10, 2006. Additional information relating to the Company can be found on SEDAR at www.sedar.com and the Company's website at www.jump.tv.

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. Where ever 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 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. Many factors could cause the actual 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 detailed assessment of the risks that of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Assessment" section included in the final prospectus posted on August 1, 2006 on www.sedar.com.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three and six month periods ending June 30, 2006 and 2005 and as at June 30, 2006 and as at December 31, 2005 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three and six months ended June 30, 2006 and 2005 posted on www.sedar.com. Readers should read the following information in conjunction with those statements and related notes

Consolidated Financial Information

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
	\$	\$	\$	\$
Income Statement Data:				
Revenue, net	426,988	356,786	777,496	632,773
Direct broadcast operating costs	(480,681)	(1,064,074)	(731,011)	(1,175,879)
Net loss for the period	(6,449,005)	(988,400)	(10,426,142)	(1,034,754)
Basic and diluted loss per share	(0.31)	(0.10)	(0.52)	(0.11)

	<u>June 30, 2006</u>	<u>December 31, 2005</u>
	\$	\$
Balance Sheet Data:		
Total assets	10,926,556	6,149,886
Non-current liabilities	120,000	120,000
Total liabilities	6,872,939	1,615,420
Share capital	19,346,813	9,744,084
Shareholders' equity	4,053,617	4,534,466

Operating Information:

	<u>As of</u>	
	<u>June 30, 2006</u>	<u>December 31, 2005</u>
	#	#
Subscribers	16,319 *	11,572
Subscriptions	18,119 *	12,361
Channels signed	204 *	102

* Of JumpTV's 204 channel partner agreements as at June 30, 2006, 194 had licensed to JumpTV the rights to broadcast their respective linear feeds on an exclusive basis via Internet enabled devices.

Key Financial Measures

Jump TV 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, net

Revenue, a measurement defined by GAAP, is the inflow of cash, receivables, or other consideration arising from the sale of products or services. The primary source of revenue recognized to date, comprises revenue earned from subscription fees. JumpTV makes its channel partners' live linear feeds available, generally on a monthly subscription basis through single-channel offerings (monthly pricing ranging from \$5.95 to \$16.95) and, through, multi-channel packages ("bundled" monthly pricing ranging from \$19.95 to \$22.95). The Company's subscribers currently pay in U.S. dollars, generally on a monthly basis in advance, principally using credit cards. As payments are received in advance, a proportion of monthly subscription revenue for which the services have not been completed rendered is deferred until the following month.

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. See "Critical Accounting Policies and Estimates" on page 15.

Direct Broadcast Operating Costs

Direct broadcast operating costs include costs incurred to suppliers who provide bandwidth, co-location and hosting, as part of the Company's network delivery infrastructure, for streaming to JumpTV subscribers in over 80 countries. Bandwidth costs vary from year to year, as they are based primarily on usage which is a non-controllable and variable factor. Although the Company purchases bandwidth in fixed amounts, JumpTV must pay for overage related to capacity utilization over set minimums. Also included in these costs are co-location charges which relate to infrastructure costs that are used in both signal acquisition and distribution.

Also included in direct broadcast operating costs are channel licensing costs JumpTV has with its channel partners. Pursuant to the Company's channel partner agreements, the channel partners generally receive a specified percentage (approximately 20% on average) of the gross subscription revenue generated each month by JumpTV from the applicable channels. A small number of channel partners generally receive fees based on dollar amounts per subscriber in respect of the applicable channels. If the Company generates advertising revenue in future periods, then channel partners will be entitled to receive a specified percentage (typically 30%) of the gross revenue generated by JumpTV for advertisements in respect of the applicable channels.

Amortization of the Company's infrastructure equipment is included within direct broadcast operating costs

Selling, General and Administrative Costs

Selling, general and administrative costs include:

- *Draws & Commissions (formerly referred to as "Success Fees")* – members of the Channel and Subscriber Acquisition Group have historically been granted payments based on business development activities. These payments - sometimes referred to internally as "draws", "bonuses", "success fees" or "commissions" (collectively referred to herein as "Draws & Commissions") have in the past been primarily related to individual and team efforts to secure channel partner agreements and content distribution agreements. Despite the use of certain agreements obtained as a general metric for success, draw and commission levels are ultimately determined at the discretion of management;
- *Travel* – relates to travel expenses primarily for the Channel and Subscriber Acquisition Group traveling throughout the world to sign new channel partner agreements and general business travel;
- *Rent* – represents fees paid for leased offices located in Mississauga, Toronto (to both related and unrelated parties), Montreal, London, Dubai, New York and Bogota;

- *Professional fees* – comprise legal and accounting costs;
- *Wages and benefits* – the Company currently employs both full time and part time employees between its Toronto and New York offices ;
- *Subcontracting* – for 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* – the Company incurs both global and local marketing programs that focus on various target ethnic communities. These initiatives include both on-line and offline marketing expenditures.

JumpTV expects that general and administrative expenses will increase in the future as JumpTV incurs additional costs related to the growth of its business and costs associated with becoming a public company, including the costs of preparing for public reporting and implementation of a new enterprise resource planning (“ERP”) and global accounting system.

Stock-based Compensation

JumpTV follows the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870 (“CICA 3870”), “Stock-based Compensation and Other Stock-based Payments”. Under the standards of CICA 3870, the fair value of all stock options and warrants granted to employees are recorded in operations or production costs, as applicable over their vesting periods. Generally, JumpTV uses monthly vesting over 4 years (1/48 per month) under the Stock Option Plan.

Prior to January 1, 2004, the CICA Handbook permitted companies to measure the compensation costs of equity instruments issued under employee compensation plans using a fair value-based method or other method, such as the intrinsic value-based method. JumpTV has accounted for all stock options and warrants using the fair value based method.

The fair value of options and warrants are determined using the Black Scholes option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. The resulting fair value of the options and warrants are expensed on a straight-line basis over their vesting periods. Cash consideration received from employees when options and warrants are exercised and the value of options and warrants accumulated in contributed surplus is credited to share capital.

Key Performance Indicators

The Company has a limited historical operating track record. The following are the key performance indicators the Company expects to use in managing its business in the future: subscriber numbers, number of channels, Subscriber Acquisition Costs, Churn, ARPU and average subscribers per channel.

ARPU, Churn and Subscriber Acquisition Costs

JumpTV is not aware of any uniform standards for calculating ARPU, Churn and Subscriber Acquisition Costs and we believe that JumpTV's presentations of ARPU, Churn and Subscriber Acquisition Costs 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 generally accepted accounting principles.

We calculate revenue per subscriber, 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.

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.

JumpTV calculates Subscriber Acquisition Costs 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.

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Average revenue per subscriber (ARPU)	\$9.91	\$10.79	\$9.80	\$10.03
Subscriber Acquisition Cost (SAC)	\$30.00	\$3.73	\$23.14	\$1.57
Churn	15.8%	17.6%	15.9%	16.0%

Three Months Ended June 30, 2006 and June 30, 2005

	Three months ended June 30,		Change
	2006	2005	
Revenue, net	\$ 426,988	\$ 356,786	\$ 70,202
Direct broadcast operating costs	(480,681)	(1,064,074)	583,393
	<u>(53,693)</u>	<u>(707,288)</u>	<u>653,595</u>
Other costs and expenses			
Selling, general and administrative	5,864,555	224,049	5,640,506
Stock-based compensation	561,199	45,758	515,441
Amortization	25,918	5,375	20,543
	<u>6,451,672</u>	<u>275,182</u>	<u>6,176,490</u>
Loss before the following	<u>(6,505,365)</u>	<u>(982,470)</u>	<u>(5,522,895)</u>
Loss on foreign exchange	16,625	734	15,891
Interest income	(84,985)	(404)	(84,581)
	<u>(6,437,005)</u>	<u>(982,800)</u>	<u>(5,454,205)</u>
Provision for income taxes	12,000	5,600	6,400
	<u>(6,449,005)</u>	<u>(988,400)</u>	<u>(5,460,605)</u>
Net loss for the period	<u>\$ (6,449,005)</u>	<u>\$ (988,400)</u>	<u>\$ (5,460,605)</u>
Loss per weighted average number of shares outstanding - basic and diluted	<u>\$ (0.31)</u>	<u>\$ (0.10)</u>	<u>\$ (0.21)</u>
Weighted average number of shares outstanding - basic and diluted	<u>21,054,579</u>	<u>9,937,909</u>	<u>11,116,670</u>

Key Performance Indicators

Monthly ARPU during the three-months ended June 30, 2006 was \$9.91, as compared to \$10.79 during the three-months ended June 30, 2005.

Subscriber Acquisition Costs were \$30.00 during the three-months ended June 30, 2006, as compared to \$3.73 during the three-months ended June 30, 2005. This variance reflects the fact that the Company has historically done very limited marketing.

Average monthly churn was 15.8% during the three months ended June 30, 2006, as compared with 17.6% during the three months ended June 30, 2005.

Revenue

Revenue increased from \$356,786 for the three-months ending June 30, 2005 to \$426,988 for the three-months ending June 30, 2006. The increase was primarily due to the increase in subscribers. Volume discounts relating to channel bundling and refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs decreased from \$1,064,074 for the three-months ending June 30, 2005 to \$480,681 for the three-months ending June 30, 2006. This was primarily due to a contract signed with a related party. On May 20, 2005, JumpTV entered into a settlement arrangement with Daniel Sean LLC, a company controlled by Farrel Miller, a former director, Chief Executive Officer and principal shareholder of JumpTV. Pursuant to this agreement, JumpTV paid Daniel Sean LLC an aggregate of \$950,000 in fees for the past provision by Daniel Sean LLC of Internet bandwidth services to JumpTV. The payment also resulted in the underlying bandwidth supply agreement being assigned to JumpTV. The full amount was expensed during the three months ended June 30, 2005. During the three months ended June 30, 2006 there has been an overall increase in direct broadcast operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the periods presented, the Company incurred approximately 20% of revenue in channel licensing costs payable to its channel partners. In addition, the Company included amortization in the amount of \$32,296 of its infrastructure equipment during the period. No such amounts existed during the three months ended June 30, 2005.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$224,049 for the three-months ending June 30, 2005 to \$5,864,555 for the three-months ending June 30, 2006. The increase was due to the following:

- Draws & Commissions increased from Nil for the three-months ended June 30, 2005 to \$261,281 for the three-months ended June 30, 2006. Draws & Commissions were paid to individuals who the Channel and Subscriber Acquisition Group determined were primarily responsible for signing new channel partner agreements.
- Travel increased from \$19,418 for the three-months ended June 30, 2005 to \$524,314 for the three-months ended June 30, 2006. The primary reason for the substantial increase was travel related expenses incurred in connection with the signing of new channel partner agreements.
- Professional fees increased from \$42,040 for the three-months ended June 30, 2005 to \$592,592 for the three-months ended June 30, 2006. The increase was due to the increase in legal fees.
- Rent increased from \$10,504 for the three-months ended June 30, 2005 to \$80,670 for the three-months ended June 30, 2006. This was due to the opening of offices in Toronto and New York in May 2005 and September 2005 respectively.
- Wages and benefits increased from \$19,533 for the three-months ended June 30, 2005 to \$1,393,839 for the three-months ended June 30, 2006, as the number of employees increased from 1 employee at June 30, 2005 to 68 employees at June 30, 2006.
- Subcontracting/Consulting increased from \$79,130 for the three-months ended June 30, 2005 to \$1,971,850 for the three-months ended June 30, 2006. The increase was due to the increase in consultants/subcontractors from 7 at June 30, 2005 to 36 at June 30, 2006 reflecting the ramping up of business. The increase includes payments made to the Chief Executive Officer, former Chief Executive Officer, Chief Operating Officer, Technology Fellow and Vice President of Product Development totaling \$200,248. The balance relates to numerous contractors engaged throughout various divisions of the company including finance, operations, web development and technology build out.

- Marketing expenditure increased from \$21,067 for the three months ended June 30, 2005 to \$287,764 for the three months ended June 30, 2006. The increase was primarily due to certain marketing tests both online and offline.

Loss on Foreign Exchange

For the three-months ended June 30, 2005, JumpTV incurred a foreign exchange loss in the amount of \$734 as compared to a loss of \$16,625 for the three-month period ending June 30, 2006. The change was primarily due to fluctuations in the exchange rate between Canadian and US dollars during the period.

Stock-Based Compensation

Stock compensation expense increased from \$45,758 for the three-months ended June 30, 2005 to \$561,199 for the three-months ended June 30, 2006. The increase was due to compensation costs recognized on the issuance and vesting of stock options, restricted shares and warrants granted by the Board. Included in the expense for the three-months ended June 30, 2006 is \$247,452 relating to the issuance and vesting of restricted shares, \$285,235 relating to the issuance and vesting of stock options and \$28,512 relating to the issuance of warrants.

Interest Income

Interest income increased from \$404 for the three-months ended June 30, 2005 to \$84,985 for the three-months ended June 30, 2006. 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 private placements.

Amortization

Amortization increased from \$5,375 for the three months ended June 30, 2005 to \$25,918 for the three months ended June 30, 2006. The increase was primarily due to purchase of computer equipment.

Provision for Income Taxes

The increase in income taxes from \$5,600 for the three months ended June 30, 2005 to \$12,000 for the three months ended June 30, 2006 relates to US tax obligations regarding the Company's US operations.

Six Months Ended June 30, 2006 and June 30, 2005

	Six Months Ended June 30,		Change
	2006	2005	
Revenue, net	\$ 777,496	\$ 632,773	\$ 144,723
Direct broadcast operating costs	(731,011)	(1,175,879)	444,868
	<u>46,485</u>	<u>(543,106)</u>	589,591
Other costs and expenses			
Selling, general and administrative	9,220,197	356,735	8,863,462
Stock-based compensation	1,327,380	110,303	1,217,077
Amortization	47,851	9,309	38,542
	<u>10,595,428</u>	<u>476,347</u>	<u>10,119,081</u>
Loss before the following	<u>(10,548,943)</u>	<u>(1,019,453)</u>	<u>(9,529,490)</u>
Loss on foreign exchange	8,301	10,601	(2,300)
Interest income	<u>(156,102)</u>	<u>(900)</u>	<u>(155,202)</u>
Loss before income taxes	(10,401,142)	(1,029,154)	(9,371,988)
Provision for income taxes	<u>25,000</u>	<u>5,600</u>	<u>19,400</u>
Net loss for the period	<u>\$ (10,426,142)</u>	<u>\$ (1,034,754)</u>	<u>\$ (9,391,388)</u>
Loss per weighted average number of shares outstanding - basic and diluted	<u>\$ (0.52)</u>	<u>\$ (0.11)</u>	<u>\$ (0.41)</u>
Weighted average number of shares outstanding - basic and diluted	<u>19,871,859</u>	<u>9,064,798</u>	<u>10,807,061</u>

Key Performance Indicators

Monthly ARPU during the six-months ended June 30, 2006 was \$9.80, as compared to \$10.03 during the six-months ended June 30, 2005.

Subscriber Acquisition Costs were \$23.14 during the six-months ended June 30, 2006, as compared to \$1.57 during the six-months ended June 30, 2005. This variance reflects the fact that the Company has historically done very limited marketing.

Average monthly churn was 15.9% during the six-months ended June 30, 2006, as compared with 16.0% during the six-months ended June 30, 2005.

Revenue, net

Revenue increased from \$632,773 for the six-months ending June 30, 2005 to \$777,496 for the six-months ending June 30, 2006. The increase was primarily due to the increase in subscribers. Volume discounts relating to channel bundling and refunds have not had a material effect in the determination of revenue recognized in either period.

Direct Broadcast Operating Costs

Direct broadcast operating costs decreased from \$1,175,879 for the six-months ending June 30, 2005 to \$731,011 for the six-months ending June 30, 2006 mainly due to initial infrastructure setup costs incurred in June 2005 for \$950,000. This was primarily due to a contract signed with a related party. On May 20, 2005, JumpTV entered into a settlement arrangement with Daniel Sean LLC, a company controlled by Farrel Miller, a former director, Chief Executive Officer and principal shareholder of JumpTV. Pursuant to this agreement, JumpTV paid Daniel Sean LLC an aggregate of \$950,000 in fees for the past provision by Daniel Sean LLC of Internet bandwidth services to JumpTV. The payment also resulted in the underlying bandwidth supply agreement being assigned to JumpTV. The full amount was expensed during the three months ended June 30, 2005. Excluding the initial infrastructure costs, there has been an overall increase in operating costs due to an increase in the number of channels being streamed and the increase in the number of subscribers. For the periods presented, the Company incurred approximately 20% of revenue in channel licensing costs payable to its channel partners. In addition, the Company included amortization in the amount of \$50,895 of its infrastructure equipment during the period.

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$356,735 for the six-months ending June 30, 2005 to \$9,220,197 for the six-months ending June 30, 2006. The increase was due to the following:

- Draws & Commissions increased from Nil for the six-months ended June 30, 2005 to \$557,618 for the six-months ended June 30, 2006. Draws & Commissions were paid to individuals who the Channel and Subscriber Acquisition Group determined were primarily responsible for signing new channel partner agreements.
- Travel increased from \$26,514 for the six-months ended June 30, 2005 to \$955,498 for the six-months ended June 30, 2006. The primary reason for the substantial increase was travel related expenses incurred in connection with the signing of new channel partner agreements.
- Professional fees increased from \$57,645 for the six-months ended June 30, 2005 to \$763,229 for the six-months ended June 30, 2006. The increase was due to increased legal fees.
- Rent increased from \$18,754 for the six-months ended June 30, 2005 to \$190,205 for the six-months ended June 30, 2006. This was due to the opening of offices in Toronto and New York in May 2005 and September 2005 respectively.
- Wages and benefits increased from \$65,493 for the six-months ended June 30, 2005 to \$1,859,096 for the six-months ended June 30, 2006, as the number of employees increased used from 1 employee at June 30, 2005 to 68 employees at June 30, 2006.
- Subcontracting/Consulting increased from \$108,706 for the six-months ended June 30, 2005 to \$3,292,147 for the six-months ended June 30, 2006. The increase was due to the increase in consultants/subcontractors used from 7 at June 30, 2005 to 36 at June 30, 2006. The increase includes payments made to the Chief Executive Officer, former Chief Executive Officer, Chief Operating Officer, Technology Fellow and Vice President of Product Development totaling \$357,582. The increase includes a cash settlement of \$162,000 paid to the former Chief Executive Officer to cancel his consulting agreement (in January 2006). The balance relates to numerous contractors engaged throughout various divisions of the company including finance, operations, web development and technology build out.

- Marketing expenditure increased from \$21,678 for the six-months ended June 30, 2005 to \$387,616 for the six-months ended June 30, 2006. The increase was primarily due to certain marketing tests both online and offline.

Loss on Foreign Exchange

For the six-months ended June 30, 2005, JumpTV incurred a foreign exchange loss in the amount of \$10,601 as compared to a loss of \$8,301 for the six-month period ending June 30, 2006. The change was primarily due to fluctuations in the exchange rate between Canadian and US dollars during the period.

Stock-Based Compensation

Stock compensation expense increased from \$110,303 for the six-months ended June 30, 2005 to \$1,327,380 for the six-months ended June 30, 2006. The increase was due to compensation costs recognized on the issuance and vesting of stock options, restricted shares and warrants granted by the Board. Included in the expense for the six-months ended June 30, 2006 is \$768,284 relating to the issuance and vesting of restricted shares, \$524,234 relating to the issuance and vesting of stock options and \$34,862 relating to the issuance of warrants.

Interest Income

Interest income increased from \$900 for the six-months ended June 30, 2005 to \$156,102 for the six-months ended June 30, 2006. The substantial increase was due to increase in funds in the Company's interest bearing cash accounts as a result of the Company's private placements.

Amortization

Amortization increased from \$9,309 for the six months ended June 30, 2005 to \$47,851. The increase was primarily due to the purchase of computer equipment during the period.

Provision for Income Taxes

The increase in income taxes from \$5,600 for the six months ended June 30, 2005 to \$25,000 for the six months ended June 30, 2006 relates to US tax obligations regarding the Company's US operations.

Liquidity and Capital Resources

Since May 2005, JumpTV has funded its operations through previous private placements of equity securities. The funds generated from these private placements were primarily used for working capital purposes. 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 sign channel partners and improve its product, and potential acquisitions.

Cash and cash equivalents at June 30, 2006 was \$5,110,401 compared to \$5,475,052 at December 31, 2005, a decrease of \$364,651.

JumpTV is in the early stage of its operations. The company has incurred substantial losses in the period covered by this discussion and analysis and expects to incur further losses for at least the upcoming fiscal year. Although JumpTV had \$5,110,401 of cash and cash equivalents on its balance sheet as of June 30, 2006, management believes that this amount is insufficient to meet the Company's plans to acquire channels and improve its product. However, should the Company not obtain additional financing, it is the Company's intention to reduce its expenditures relating to acquiring additional channels and to reduce overall expenditures relating to selling, general and administrative costs. The reduction in costs combined with the Company's existing cash and cash equivalents balance will be adequate to fund the working capital requirements of the Company for the foreseeable future. Subsequent to June 30, 2006 on August 10, 2006, the Company, upon closing of its' initial public offering, issued 12,000,000 common shares and raised estimated net proceeds of \$49,075,957 [Cdn\$55,500,000].

The following table summarizes the Company's contractual commitments as at December 31, 2005 which are consistent with the Company's contractual commitments as at June 30, 2006, and the effect those commitments are expected to have on liquidity and cash flow in future period:

Contractual Commitments	Payments Due by Period				Total
	Less than 1 Year	1-3 Years	3-5 Years	After 5 Years	
Office locations	\$ 187,541	\$ 92,213	\$ -	\$ -	\$ 279,754
Co-location leases	367,591	54,932	-	-	422,523
Equipment related leases	115,338	262,097	2,727	1,363	381,525
Total	\$ 670,470	\$ 409,242	\$ 2,727	\$ 1,363	\$ 1,083,802

The Company entered into a demand operating facility with a Canadian chartered bank on March 29, 2006, as amended on June 14, 2006, June 19, 2006, July 4, 2006 and July 13, 2006 providing for two credit facilities, one in the amount of Cdn \$125,000 and \$125,000 to collateralize the Company's obligations under certain credit cards of the Company and the other in the amount of \$300,000 to collateralize the Company's obligations under an agreement entered into with an equipment financing company as described below ["the Equipment Agreement"]. The Equipment Agreement, dated July 27, 2006, provides for an uncommitted lease arrangement allowing the Company to purchase up to \$650,000 worth of equipment which the Company will be obligated to repay by way of monthly payments. As of July 31, 2006, the Company has drawn upon Cdn \$255,743 under this facility through equipment purchases and is obligated to make monthly payments of Cdn \$10,217 in respect of such amount beginning in August 2006.

Comparative Cash Flows

<u>Selected Consolidated Cash Flow Data</u>	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash flows used in operating activities	\$ (4,793,830)	\$ (922,951)	\$ (7,627,986)	\$ (765,761)
Cash flows (used in) provided by investing activities	\$ (806,066)	\$ 19,850	\$ (1,064,481)	\$ (13,501)
Cash flows (used in) provided by financing activities	\$ (263,692)	\$ 959,000	\$ 8,327,816	\$ 1,729,000

Operating Activities

Cash used in operating activities for the six months ended June 30, 2006 was \$7,627,986. Changes in net cash used in operating activities reflect the following:

- net loss for the period of \$10,426,142 for the six months then ended; and
- a negative net change in working capital of \$4,943,194

Investing Activities

Cash used in investing activities for the six months ended June 30, 2006 was \$1,064,481. The primary use of the funds was for the purchases relating to JumpTV's network infrastructure as part of its capital expenditures. Also included in investing activities is the acquisition of HV Media which has been capitalized as an intangible asset.

A summary of the JumpTV's equipment including delivery infrastructure (at cost) are as follows:

Equipment

	June 30, 2006	December 31, 2005
Computer equipment	\$ 371,041	\$ 225,459
Infrastructure equipment	625,954	220,433
Computer software	112,963	23,099
Furniture and fixtures	25,174	18,130
Leasehold improvements	5,367	-
	<u>\$ 1,140,499</u>	<u>\$ 487,121</u>

Intangible asset

	June 30, 2006	December 31, 2005
HV Media asset purchase	<u>464,528</u>	<u>-</u>

Financing Activities

Cash provided by financing activities was \$8,327,816 for the six months ended June 30, 2006. This primarily reflects net proceeds raised from private placements in the amount of \$7,998,646 and net proceeds from the exercise of stock options of \$600,046.

Off Balance Sheet Arrangements

The Company does not have any “off-balance sheet” arrangements as of June 30, 2006 as that term is described in National Instrument 51-102F1.

Related party transactions

Patstar Inc.

On occasion, a company controlled by the Company’s current Chairman and Chief Executive Officer, Patstar Inc., receives reimbursement of expenditures incurred on behalf of JumpTV or by employees of JumpTV. The nature of these reimbursements relates to expenses that Patstar Inc. has incurred on behalf of the Company in the normal course of business. The balance in the amount due to related parties as of June 30, 2006 and December 31, 2005 of \$28,425 and \$138,323, respectively, relates to these reimbursements. In addition, for the six months ended June 30, 2006 and 2005 included in the Company’s selling, general and administrative expense is rent expense of \$47,418 and \$4,081, respectively, that was paid to Patstar Inc. for the use of office space. All reimbursements are recorded at the exchange amount.