

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

**JumpTV Inc.**  
March 31, 2009  
[unaudited]

# JUMPTV INC.

## CONSOLIDATED BALANCE SHEETS

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

	<b>March 31,</b> <b>2009</b> [unaudited] \$	<b>December 31,</b> <b>2008</b> [audited] \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	21,567,868	27,323,021
Accounts receivable, net of allowance for doubtful accounts of \$266,758 and \$290,538, respectively	1,851,373	2,284,242
Taxes receivable	975,747	983,253
Other receivables	404,426	227,711
Inventory	383,220	347,600
Prepaid expenses and deposits	1,301,616	1,830,260
Due from related parties <i>[note 5]</i>	625,679	324,059
<b>Total current assets</b>	<b>27,109,929</b>	<b>33,320,146</b>
Property, plant and equipment, net	6,162,710	6,474,989
Intangible assets, net	5,429,334	5,749,332
Goodwill	6,846,183	6,846,183
Other assets	1,778,891	1,347,032
<b>Total assets</b>	<b>47,327,047</b>	<b>53,737,682</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable	3,239,331	4,465,388
Accrued liabilities	7,502,050	7,595,116
Derivative liability <i>[notes 2 and 11]</i>	1,064,800	—
Due to related parties <i>[note 5]</i>	300,407	56,826
Deferred revenue	2,975,963	3,091,993
<b>Total current liabilities</b>	<b>15,082,551</b>	<b>15,209,323</b>
Long-term deferred revenue	617,156	638,510
Other long-term liabilities	773,632	876,271
<b>Total liabilities</b>	<b>16,473,339</b>	<b>16,724,104</b>
Contingencies <i>[note 7]</i>		
<b>Shareholders' equity</b>		
Share capital	6,774,155	6,762,097
Common shares (par value: none; authorized: unlimited; issued and outstanding: 110,100,289 and 110,084,044, respectively)		
Additional paid-in capital <i>[note 2]</i>	54,246,158	56,500,258
Promissory notes receivable	(209,250)	(209,250)
Accumulated deficit <i>[note 2]</i>	(29,957,355)	(26,039,527)
<b>Total shareholders' equity</b>	<b>30,853,708</b>	<b>37,013,578</b>
<b>Total liabilities and shareholders' equity</b>	<b>47,327,047</b>	<b>53,737,682</b>

See accompanying notes

On behalf of the Board:

\_\_\_\_\_  
"Nancy Li"  
Director

\_\_\_\_\_  
"Roy Reichbach"  
Director

# JUMPTV INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

[unaudited]

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

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Revenue</b>		
Services revenue	6,034,330	874,577
Equipment revenue	539,696	1,075,043
Total Revenue	6,574,026	1,949,620
<b>Cost of Sales</b>		
Services revenue	3,383,879	284,101
Equipment revenue	460,604	861,280
Total Cost of Sales, exclusive of depreciation and amortization shown separately below	3,844,483	1,145,381
	2,729,543	804,239
<b>Costs and Expenses</b>		
Selling, general and administrative, including stock-based compensation <i>[note 8]</i>	7,173,340	1,638,455
Depreciation and amortization	1,014,681	195,063
	8,188,021	1,833,518
<b>Operating loss</b>	(5,458,478)	(1,029,279)
<b>Other income (expense)</b>		
Unrealized loss on derivative <i>[notes 2 and 11]</i>	(476,850)	—
Gain on foreign exchange	44,226	—
Investment income	97,224	815
Equity in loss of affiliate <i>[note 5]</i>	—	(457,682)
	(335,400)	(456,867)
<b>Net and comprehensive loss for the period</b>	(5,793,878)	(1,486,146)
Net loss per weighted average number of shares outstanding - basic and diluted <i>[note 6]</i>	\$(0.05)	\$(0.03)
Weighted average number of shares outstanding - basic and diluted <i>[note 6]</i>	110,089,579	42,680,587

*See accompanying notes*

## JUMPTV INC.

### CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

[unaudited]

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

	Common shares		Additional paid-in capital	Promissory Notes	Accumulated deficit	Total shareholders' equity
	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2008</b>	110,084,044	6,762,097	56,500,258	(209,250)	(26,039,527)	37,013,578
Cumulative effect of change in accounting principle <i>[notes 2 and 11]</i>	—	—	(2,464,000)	—	1,876,050	(587,950)
Issuance of common shares for RSUs	16,245	5,846	—	—	—	5,846
Release of common shares from escrow for services	—	6,212	—	—	—	6,212
Stock-based compensation	—	—	209,900	—	—	209,900
Net loss	—	—	—	—	(5,793,878)	(5,793,878)
<b>Balance, March 31, 2009</b>	110,100,289	6,774,155	54,246,158	(209,250)	(29,957,355)	30,853,708

*See accompanying notes*

# JUMPTV INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

[unaudited]

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

	<u>Three months ended</u>	
	<u>March 31,</u>	
	<b>2009</b>	<b>2008</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Net loss	(5,793,878)	(1,486,146)
Adjustments to reconcile net loss to cash used in operating activities		
Depreciation and amortization	1,014,681	195,063
Equity in loss of affiliate	—	457,682
Stock-based compensation	253,743	—
Unrealized loss on derivative <i>[notes 2 and 11]</i>	476,850	—
Changes in operating assets and liabilities		
Accounts receivable	432,869	1,130,941
Inventory	(35,620)	(655,300)
Prepaid expenses, deposits and other assets	96,785	132,481
Other receivables	(176,715)	—
Taxes receivable	7,506	—
Due from related parties	(301,620)	145,523
Accounts payable	(1,226,057)	398,354
Accrued liabilities	(124,851)	443,408
Deferred revenue	(137,384)	207
Long-term liabilities	(102,639)	—
Due to related parties	243,581	(376,806)
<b>Cash (used in) provided by operating activities</b>	<b>(5,372,749)</b>	<b>385,407</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(382,404)	(999,042)
<b>Cash used in investing activities</b>	<b>(382,404)</b>	<b>(999,042)</b>
<b>FINANCING ACTIVITIES</b>		
Capital contributions	—	600,000
<b>Cash provided by financing activities</b>	<b>—</b>	<b>600,000</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(5,755,153)</b>	<b>(13,635)</b>
Cash and cash equivalents, beginning of period	27,323,021	608,464
<b>Cash and cash equivalents, end of period</b>	<b>21,567,868</b>	<b>594,829</b>

*See accompanying notes*

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]  
Information as at March 31, 2009 and for the three months ended  
March 31, 2009 and 2008 is unaudited

### 1. Nature of Operations

**These interim unaudited consolidated financial statements for the three months ended March 31, 2009 and 2008, and as at March 31, 2009 and December 31, 2008 reflect the assets, liabilities and results of operations of NeuLion Inc. ["NeuLion"], the legal subsidiary, prior to the reverse takeover and the consolidated assets, liabilities and results of operations of JumpTV and NeuLion subsequent to the reverse takeover. These consolidated financial statements are issued under the name of the legal acquirer (JumpTV or the Acquired Business), but are deemed to be a continuation of the accounting acquirer (NeuLion).**

JumpTV's [the "Company"] primary business is working with content partners to develop end-to-end solutions for multimedia IPTV services.

### 2. Basis of Presentation and Significant Accounting Policies

The Company's accounting policies are consistent with those presented in our annual consolidated financial statements as at December 31, 2008, except for EITF No. 07-5 described below. These interim unaudited consolidated financial statements do not include all note disclosures required by U.S. generally accepted accounting principles ["GAAP"] for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements, including the notes thereto, in the 2008 annual financial statements.

The preparation of these financial statements is in conformity with U.S. GAAP, which requires management to make certain estimates that affect the reported amounts in the interim unaudited consolidated financial statements, and the disclosures made in the accompanying notes. Despite the Company's intention to establish accurate estimates and use reasonable assumptions, actual results may differ from these estimates.

Note 12 reconciles the Company's interim unaudited consolidated financial statements from U.S. GAAP to Canadian GAAP. All significant intercompany transactions and accounts have been eliminated on consolidation.

In the opinion of management, these interim unaudited consolidated financial statements contain all of the adjustments of a normal and recurring nature necessary to present fairly The Company's financial position as at March 31, 2009 and December 31, 2008 and the results of operations and cash flows for the three-month periods ended March 31, 2009 and 2008.

### Recently issued accounting standards

In December 2007, the FASB issued FAS No. 141(R), "Business Combinations" (FAS 141(R)), which replaces FAS No. 141 "Business Combinations" (FAS 141). FAS 141(R) requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction, establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed and requires the acquirer to disclose certain information related to the nature and financial effect of the business combination. FAS 141(R) also establishes principles and requirements for how an acquirer recognizes any noncontrolling interest in the acquiree and the goodwill acquired in a business combination. FAS 141(R) was effective on a prospective basis for business combinations for which the acquisition date is on or after January 1, 2009. For any business combination that takes place subsequent to January 1, 2009, FAS 141(R) may have a material impact on our financial statements.

# JUMPTV INC.

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Effective January 1, 2009, the Company adopted Emerging Issues Task Force (“EITF”) No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity’s Own Stock”. One of the conclusions reached under EITF 07-05 was that an equity-linked financial instrument would not be considered indexed to the entity’s own stock if the strike price is denominated in a currency other than the issuer’s functional currency. The conclusion reached under EITF 07-05 clarified the accounting treatment for these and certain other financial instruments as it related to FASB Statement No. 133, “Accounting for Derivative Instruments and Hedging Activities” (“SFAS 133”). EITF 07-5 specifies that a contract that would otherwise meet the definition of a derivative under SFAS 133, would not be treated as a derivative if it met the following conditions: (a) indexed to its own stock and (b) classified in stockholders’ equity in its statement of financial position.

As a result, the Company’s outstanding Warrants denominated in Canadian dollars detailed below are not considered to be indexed to its own stock because the exercise price is denominated in Canadian dollars and our functional currency is United States dollars and therefore have been treated as derivative financial instruments and recorded at their fair value as a liability. All other outstanding convertible instruments meet this definition and are included in shareholders’ equity.

- 5,500,000 Series A Warrants exercisable at Cdn\$1.25 and expire on October 20, 2010.
- 5,500,000 Series B Warrants exercisable at Cdn\$1.50 and expire on October 20, 2010.

The Warrants have been recorded at their relative fair values at issuance and will continue to be recorded at fair value at each subsequent balance sheet date. Any change in value between reporting periods will be recorded as other income (expense). The Warrants will continue to be reported as a liability until such time as they are exercised or expire. The fair value of the Warrants is estimated using the Black-Scholes-Merton option-pricing model. On January 1, 2009, the grant date fair value of the Warrants of \$2,464,000 was reallocated from additional paid in capital and a derivative liability was recorded in the amount of \$587,950 being the fair value of the warrants on January 1, 2009 with the an adjustment to opening accumulated deficit of \$1,876,050. As of March 31, 2009, the fair value of the Warrants was determined to be \$1,064,800; accordingly, the Company recorded \$476,850 in other expense for the three months ended March 31, 2009 related to the change in the fair value of the Warrants.

In accordance with FASB Statement No. 154, “Accounting Changes and Error Corrections” (“FASB No. 154”), the Company has recorded the cumulative effect of the change in accounting principle on January 1, 2009 of \$1,876,050 to the opening balance of accumulated deficit as detailed above.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133,” or FAS 161 which required enhanced disclosures about an entity’s derivative and hedging activities and was intended to improve the transparency of financial reporting. SFAS No. 161 applies to all derivative instruments, including bifurcated derivative instruments and related hedging items accounted for under SFAS No. 133 and its related interpretations. SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of: (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations and (iii) how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cash flows. The provisions of this standard do not require disclosures for earlier periods presented for comparative purposes at initial adoption. SFAS No. 161 was effective for fiscal years and interim periods beginning after November 15, 2008. The Company adopted this new standard effective January 1, 2009. The required disclosures are included in Note 11 to the consolidated financial statements.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### Advertising

Advertising costs are expensed as incurred and totaled \$180,344 and \$41,502 for the three months ended March 31, 2009 and 2008, respectively.

### Comparative Information

The Company has reclassified certain prior period information to conform with the current period's presentation.

### 3. Business Combination

On October 20, 2008, the Company completed a merger with NeuLion. Under the terms of the merger, JumpTV issued 49,577,427 common shares and 1,840,097 contingent shares, which represented approximately the entire issued and outstanding shares of JumpTV prior to closing, to the securityholders of NeuLion, in exchange for their NeuLion securities.

#### *Proforma*

The results of operations for JumpTV and NeuLion have been included in the Company's consolidated statements of operations since the completion of the merger on October 20, 2008. The following unaudited pro forma financial information presents the combined results of the Company and the merger as if the merger had occurred at the beginning of 2008:

	March 31, 2009 \$ [unaudited actual]	March 31, 2008 \$ [unaudited proforma]
Total revenue	6,574,026	5,556,179
Total cost of sales	(3,844,483)	(4,828,999)
	2,729,543	727,180
Total sales, general and administrative, including stock based compensation	(7,173,340)	(11,293,989)
Stock-based compensation [i]	(253,743)	(792,936)
Impairment of goodwill [ii]	—	(47,882,317)
Impairment of long-lived assets [iii]	—	(173,786)
Depreciation and amortization [iv]	(1,014,681)	(856,722)
Operating loss	(5,458,478)	(11,423,531)
Net loss	(5,793,878)	(59,602,491)
Net loss per weighted average number of shares outstanding – basic and diluted	(0.05)	(1.40)

[i] In accordance with FASB 123R, these amounts represent stock-based compensation for the Company's stock options, restricted share units, stock appreciation rights, warrants and retention warrants.

[ii] As at March 31, 2008, the Acquired Business' 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,

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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performed a goodwill impairment test and, accordingly the Company recorded a non-cash goodwill impairment charge of \$47,882,317.

[iii] The Company determined that the business climate had changed such that the carrying value of the Company's long-lived assets may not be fully recoverable. Accordingly, the Company recorded a non-cash impairment charge of \$173,786.

[iv] In determining the pro forma amounts above, the Company made adjustments to depreciation and amortization as a result of the revised fair values of tangible and intangible assets performed as a result of the acquisition.

### 4. Economic Dependence and Concentration of Credit Risk

For the three months ended March 31, 2009, one customer accounted for 12% of revenue. For the three months ended March 31, 2008, three customers accounted for 81% of revenue as follows: 47%, 18% and 16%.

As at March 31, 2009, one customer accounted for 41% of the accounts receivable. As at December 31, 2008, one customer accounted for 25% of the accounts receivable.

The Company is economically dependent upon TransVideo International, Ltd. ["TransVideo"], a related party [note 5], to provide set top boxes used by Company's customers.

### 5. Related Party Transactions

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

*TransVideo International, Ltd.* ["Transvideo"]

Set top box purchases amounted to \$395,280 and \$633,000 and transcoder licensing fees amounted to \$28,000 and \$15,000 for the three months ended March 31, 2009 and 2008, respectively. Included in cost of sales is the amount incurred from TransVideo of \$369,160 and \$677,700 for the three months ended March 31, 2009 and 2008, respectively.

*Patstar, Inc* ["Patstar"]

Rent expense paid by Patstar of \$891 is included as a recovery in selling, general and administrative expense for the three months ended March 31, 2009.

*KyLinTV, Inc* ["KyLinTV"]

KyLinTV is an IPTV service provider that is controlled by Chairman of the Board of Directors of the Company. The Company also provides KyLinTV with administrative and general corporate support. On June 1, 2008, the Company entered into an agreement with KyLinTV to build and deliver the setup and back office operation of an IPTV service.

## JUMPTV INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The Company recognized revenue from related parties for each of the periods ended March 31 as follows:

	March 31, 2009 \$	March 31, 2008 \$
New York Islanders Hockey Club, LP ["New York Islanders"]	60,000	60,000
Renaissance Property Associates, LLC ["Renaissance"]	30,000	30,000
The Smile Train, Inc. ["Smile Train"]	—	39,000
Hawaii IPTV, LLC ["Hawaii"]	16,471	9,393
KyLinTV, Inc. ["KyLin"]	401,485	—
	507,956	138,393

The Company also provides KyLinTV with administrative and general corporate support. For each of the periods presented, the amounts paid for these services provided by NeuLion for the three months ended March 31, 2009 and 2008 were \$150,615 and \$386,148, respectively. Additionally, during the three months ended March 31, 2009, the Company purchased set top boxes from KyLin in the amount of \$54,090.

As at March 31, 2009 and December 31, 2008, the amounts due from (to) related parties are as follows:

	March 31, 2009 \$	December 31, 2008 \$
New York Islanders	61,921	29,189
Renaissance	71	(1,146)
Smile Train	27,000	27,000
Hawaii	1,070	17,527
TransVideo	(300,407)	(55,680)
KyLinTV	534,726	250,343
Patstar	891	—
	325,272	267,233

#### **Investment in affiliate – KyLinTV**

The Company records its investment in KyLinTV using the equity method.

From January 1, 2008 through March 31, 2009, the Company's equity interest in the affiliate was 17.1%. As previously discussed, the Company also provides KyLinTV with administrative and general corporate support. Management has determined that as a result of the 17.1% equity interest combined with the services that NeuLion provides KyLinTV, the Company continues to have significant influence on the operating activities of KyLinTV, therefore the Company continues to account for KyLinTV using the equity method of accounting for investment.

The Company's proportionate share of the equity loss from KyLinTV has been accounted for as a charge on the Company's consolidated statements of operations and comprehensive loss. Due to KyLinTV's accumulated losses, the investment has been reduced to zero as at December 31, 2008. No further charges will be recorded as the Company has no obligation to fund the losses of KyLinTV.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The results of operations and financial position of the Company's equity basis investment in KyLinTV are summarized below for the three months ended March 31:

	March 31, 2009 \$	March 31, 2008 \$
<hr/>		
Condensed income statement information:		
Net sales	1,955,083	1,272,710
Net loss	(1,480,781)	(1,910,781)
<hr/>		
	March 31, 2009 \$	December 31, 2008 \$
<hr/>		
Condensed balance sheet information:		
Current assets	1,261,557	927,427
Non-current assets	2,042,614	2,411,319
Total assets	3,304,171	3,338,746
Current liabilities	11,510,116	10,063,909
Non-current liabilities	—	—
Equity (deficiency)	(18,205,945)	(6,725,163)
Total liabilities and equity	3,304,171	3,338,746

### 6. Loss per Share

Basic loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding for the period. Diluted loss per share is computed by dividing net loss for the period by the weighted average number of shares outstanding and, if dilutive, potential common shares using the treasury stock method.

For the three months ended March 31, 2009 and 2008, the Company had potential common shares which, due to the losses incurred, were considered anti-dilutive equity instruments. Accordingly, the effect of stock options for each of the periods has not been reflected in computing diluted loss per share for the three months ended March 31, 2009 and 2008.

The following table summarizes the potential common shares that were outstanding as at March 31, 2009 and 2008 but were not included in the computation of diluted loss per share as their effect would have been anti-dilutive.

	March 31, 2009 #	March 31, 2008 #
Stock options	8,952,995	5,559,044
Restricted share plan units	42,977	—
Stock appreciation rights	1,843,741	—
Warrants	16,197,500	—
Retention warrants	1,088,531	—
Contingent performance consideration	3,680,194	—

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 7. Contingencies

During the ordinary course of business activities, the Company may be contingently liable for litigation and a party to claims. Management believes that adequate provisions have been made in the accounts where required. Although the extent of potential costs and losses, if any is uncertain, management believes that the ultimate resolution of such contingencies will not have an adverse effect on the consolidated financial position or results of operations of the Company.

### 8. Stock Option and Stock-Based Compensation Plans

The following table shows the breakdown total stock-based compensation expense included in the interim consolidated statement of operations:

	March 31, 2009 \$	March 31, 2008 \$
Stock options and warrants	194,702	—
Restricted share plan units	5,846	—
Stock appreciation rights	31,785	—
Retention warrants	15,198	—
Escrowed shares	6,212	—
	253,743	—

On March 31, 2009, the Company granted 100,000 stock options to an employee of the Company with an exercise price of \$0.35 that vested immediately and expire on June 29, 2009.

### 9. Segmented Information

The Company operates as one reportable segment – to provide full end-to-end enterprise-level IPTV and other professional services. Substantially all of the Company's revenues and long-lived assets are in the United States.

### 10. Income Taxes

On January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), which clarifies the accounting for uncertainty recognized in income taxes recognized in a company's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*. The adoption of FIN 48 did not impact our consolidated financial conditions, results of operations or cash flows. There were no accrued interest and penalties associated with uncertain tax positions as of March 31, 2009.

As of December 31, 2008, the Company had unrecognized tax benefits of \$28.0 million. There has been no significant change in unrecognized tax benefits through March 31, 2009. Due to the existence of valuation allowances, future changes in our unrecognized tax benefits will not impact our effective tax rate. The Company does not expect their unrecognized tax benefits to change significantly over the next twelve months.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 11. Derivative Instruments

The Company's only derivative instruments are 11,000,000 Warrants which are denominated in a currency other than the Company's functional currency.

- 5,500,000 Series A Warrants exercisable at Cdn\$1.25 and expire on October 20, 2010.
- 5,500,000 Series B Warrants exercisable at Cdn\$1.50 and expire on October 20, 2010.

The Warrants have been recorded at their relative fair values at issuance and will continue to be recorded at fair value at each subsequent balance sheet date. Any change in value between reporting periods will be recorded as other income (expense). The Warrants will continue to be reported as a liability until such time as they are exercised or expire. The fair value of the Warrants is estimated using the Black-Scholes-Merton option-pricing model.

As of January 1, 2009, the grant date fair value of the Warrants in the amount of \$2,464,000 was reallocated from additional paid in capital and a derivative liability was recorded in the amount of \$587,950 being the fair value of the warrants on January 1, 2009 offset by an adjustment to accumulated deficit of \$1,876,050.

As of March 31, 2009, the fair value of the Warrants was determined to be \$1,064,800; accordingly, the Company recorded \$476,850 in other expense for the three months ended March 31, 2009 related to the change in the fair value of the Warrants. There is no cash flow impact for these derivatives until the Warrants are exercised. If the Warrants are exercised, the Company will receive the proceeds from the exercise at the current exchange rate at the time of exercise.

### 12. Reconciliation of U.S. GAAP to Canadian GAAP

The consolidated financial statements of the Company are prepared in U.S. dollars in accordance with United States GAAP. The following adjustments and disclosures would be required in order to present these consolidated financial statements in accordance with Canadian GAAP:

#### Income Statement Items using Canadian GAAP

	March 31, 2009 \$	March 31, 2008 \$
NET LOSS USING UNITED STATES GAAP	(5,793,878)	(1,486,146)
Add:		
Adjustment for stock based compensation on SARS[i]	31,785	—
Adjustment for unrealized loss on derivative [ii]	476,850	—
NET LOSS USING CANADIAN GAAP	(5,285,243)	(1,486,146)
NET AND COMPREHENSIVE LOSS PER SHARE USING CANADIAN GAAP - basic and diluted	\$(0.05)	\$(0.03)

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 March 31, 2009 and 2008 is unaudited

### Balance Sheet Items using Canadian GAAP

	<u>March 31, 2009</u>		<u>December 31, 2008</u>	
	U.S. GAAP \$	Canadian GAAP \$	U.S. GAAP \$	Canadian GAAP \$
Accrued liabilities [i]	7,502,050	7,453,666	7,595,116	7,579,517
Derivative liability [ii]	1,064,800	—	—	—
Total current liabilities [i] and [ii]	15,082,551	13,969,367	15,209,323	15,192,724
Total liabilities [i] and [ii]	16,473,339	15,360,155	16,724,104	16,707,505
Accumulated deficit [i] and [ii]	(29,957,355)	(29,432,121)	(26,039,527)	(26,022,928)
Total shareholders' equity [i] and [ii]	30,853,708	31,378,942	37,013,578	37,030,177

### Cash Flows Items using Canadian GAAP

	<u>March 31, 2009</u>		<u>March 31, 2008</u>	
	U.S. GAAP \$	Canadian GAAP \$	U.S. GAAP \$	Canadian GAAP \$
Net loss [i] and [ii]	(5,793,878)	(5,285,243)	(1,486,146)	(1,486,146)
Stock-based compensation [i]	253,743	221,958	—	—
Unrealized loss on derivative [ii]	476,850	—	—	—

Areas of material difference between Canadian GAAP and U.S. GAAP and their impact on the consolidated financial statements are as follows:

#### [i] Stock Appreciation Rights ["SARS"]

On January 1, 2007, the Company adopted, on a modified prospective basis, CICA Handbook Section 3870, *Stock-Based Compensation and Other Stock Based Payments*, for new awards granted on or after this date under the Company's stock appreciation rights plan.

Under U.S. GAAP, the Company recognizes a liability and compensation expense for the fair value of the SARS on each reporting date.

Under Canadian GAAP, the Company recognizes a liability and compensation expense for the "in the money" value of the SARS on each reporting date.

#### [ii] Derivative Liability

CICA Handbook Section 3861, *Financial Instruments – Disclosure and Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The revisions change the accounting for certain financial instruments that have liability and equity characteristics.

Under U.S. GAAP, the Company recognizes a derivative liability on the consolidated balance sheets for the fair value of all convertible instruments with an exercise price denominated in a currency other than the Company's

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]  
Information as at March 31, 2009 and for the three months ended  
March 31, 2009 and 2008 is unaudited

functional currency. The Company fair values this liability on each reporting date with the corresponding entry to unrealized gain (loss) on derivative on the consolidated statement of operations.

Under Canadian GAAP, the Company fair values these convertible instruments on the grant date and includes them within additional paid in capital on the consolidated balance sheets. The Company does not recognize any changes in fair value.

[iii] In addition, recent Canadian GAAP accounting pronouncements that may impact the Company's financial position and results of operations and disclosure requirements are as follows:

### *CICA Handbook Section 1535 – Capital Disclosures*

The Company manages the following accounts in regards to capital management:

	March 31, 2009 \$	December 31, 2008 \$
<b>Shareholders' equity</b>		
Share capital	6,774,155	6,762,097
Additional paid in capital	54,246,158	56,500,258
Promissory note receivable	(209,250)	(209,250)
Accumulated deficit	(29,957,355)	(26,039,527)
	<u>30,853,708</u>	<u>37,013,578</u>

(the figures in the table above are in accordance with U.S. GAAP)

The Company's outstanding share capital is comprised of common shares. At March 31, 2009, an unlimited number of common shares were authorized and 110,100,289 (December 2008 – 110,084,044) common shares were issued and outstanding. Approximately 60% of the common shares are held by insiders, and the remaining shares are widely held. Further information on the Company's outstanding share capital is provided in note 8 of these consolidated financial statements.

At March 31, 2009, a total of 8,952,995 stock options were outstanding, 42,977 restricted share units, 16,197,500 warrants, 1,088,531 retention warrants and 1,843,741 SARs, which convertible securities cumulatively represented 27% of the Company's issued and outstanding share capital. Pursuant to guidelines set by the Company's respective equity plans, stock option grants are limited to the greater of 12.5% of the issued and outstanding common shares outstanding and 4,000,000, restricted share unit grants have been fully granted, retention warrants are limited to 2,500,000 and SARs grants are limited to the greater of 5% of the issued and outstanding common shares and 4,150,000. The Company is in compliance with these guidelines.

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its revenue growth, general and administrative expenses, working capital and capital expenditures.

In order to maintain or adjust its capital structure, the Company may issue new shares and/or purchase shares for cancellation pursuant to normal course issuer bids.

To finance its activities, the Company has relied on revenue growth and capital contributions.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]  
Information as at March 31, 2009 and for the three months ended  
March 31, 2009 and 2008 is unaudited

The Company's policy is to maintain a minimal level of debt. At this time the Company has not utilized debt facilities as part of its capital management program nor has it paid dividends to its shareholders.

The capital management objectives for the period ended March 31, 2009 remained the same as those of the previous fiscal period.

The Company is not subject to any externally imposed capital requirements.

### *CICA Handbook Sections 3862 and 3863 – Financial Instruments – Disclosures and Presentation*

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/from related party, 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, 2009	December 31, 2008
	\$	\$
Financial Assets		
Held-for-Trading		
Cash and cash equivalents	21,567,868	27,323,021
Loans and Receivables		
Accounts receivable	1,851,373	2,284,242
Other receivables	404,426	227,711
Due from related parties	625,679	324,059
Financial Liabilities		
Other Financial Liabilities		
Accounts payable	3,239,331	4,465,388
Accrued liabilities	7,502,050	7,595,116
Due to related parties	300,407	56,826

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.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]  
Information as at March 31, 2009 and for the three months ended  
March 31, 2009 and 2008 is unaudited

### 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. or 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 banks' applicable 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 risk. The Company has adopted policies and procedures designed to limit this risk. 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, 2009 \$	December 31, 2008 \$
Current	1,181,875	1,697,271
31-60 days	402,425	287,070
61-90 days	132,648	105,525
Over 90 days	401,183	484,914
Less: Allowance for doubtful accounts	(266,758)	(290,538)
Total accounts receivable, net	1,851,373	2,284,242

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.

# JUMPTV INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Expressed in U.S. dollars, unless otherwise noted]  
Information as at March 31, 2009 and for the three months ended  
March 31, 2009 and 2008 is unaudited

### ***Recent Accounting Pronouncements***

In February 2008, the CICA issued new Handbook Section 3064, *Goodwill and Intangible Assets*, which replaces Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new standard addresses when an internally developed intangible asset meets the criteria for recognition as an asset. The section also issued amendments to Section 1000, *Financial Statement Concepts*. These changes are effective for fiscal years beginning on or after October 1, 2008, with earlier adoption permitted, and have been adopted by the Company effective January 1, 2009. The objectives of the changes are to reinforce a principle-based approach to the recognition of costs as assets and to clarify the application of the concept of matching revenues and expenses in Section 1000. Collectively, these changes bring Canadian practice closer to International Financial Reporting Standards ["IFRS"] by eliminating the practice of recognizing as assets a variety of start-up, pre-production and similar costs that do not meet the definition and recognition criteria of an asset. There was no material effect on the Company's interim consolidated financial statements as a result of adopting CICA Handbook Section 3064.

In February 2008, the CICA Accounting Standards Board confirmed that the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises, effective for the interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. As the Company is in the process of filing a US registration statement to become an SEC issuer, the Company expects to continue to use US GAAP until the implementation date in the United States – currently estimated as no sooner than 2014.