

JUMPTV

JUMPTV INC.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008

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 12, 2009, should be read in conjunction with the Company's unaudited consolidated financial statements and accompanying notes for the three months ended March 31, 2009 and 2008, which have been prepared in accordance with United States generally accepted accounting principles ("US GAAP"). For additional information and details, readers are referred to the Company's Annual Audited Financial Statements, Annual Information Form ("AIF") and MD&A for 2008 which can be found on www.sedar.com. All dollar amounts are in U.S. dollars ("US\$" or "\$") unless stated otherwise.

On October 20, 2008, JumpTV completed a merger (the "Merger") with NeuLion, Inc. ("NeuLion") described later in this MD&A that was a reverse takeover for accounting purposes. Therefore, this MD&A is for the three months ended March 31, 2009 and 2008 and as at March 31, 2009 and December 31, 2008, reflects the assets, liabilities and results of operations of NeuLion, the accounting acquirer, and only includes the assets, liabilities and results of operations of JumpTV, the legal acquirer, subsequent to the reverse takeover on October 20, 2008 (the "Acquired Business"). This MD&A is issued under the name of the legal acquirer (JumpTV), but is deemed to be a continuation of the accounting acquirer (NeuLion).

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 preceding comparable three-month period. We also provide analysis and commentary that we believe is required to assess the Company's future prospects. Accordingly, certain sections of this report contain forward-looking statements that are based on current plans and expectations. These forward-looking statements are affected by risks and uncertainties that are discussed in the AIF, and 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 detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Factors" section of the AIF.

MERGER AND REVERSE TAKE-OVER

On October 20, 2008, the Company completed the Merger with NeuLion, an end-to-end IPTV service provider of live and on-demand sports, international and religious programming over the Internet to a computer and/or through a set top box (“STB”) to a television. Under the terms of the Merger, JumpTV issued 49,577,427 common shares directly, as well as 1,840,097 common shares subject to a performance escrow relating to a prior acquisition, which represented approximately the entire issued and outstanding common shares of JumpTV prior to closing, to the securityholders of NeuLion in exchange for their NeuLion securities. The common shares of JumpTV are referred to herein as “Shares,” or each individually as a “Share.” Pursuant to the Merger, the Company also issued 5,000,000 warrants, fully vested and exercisable for two years at US\$0.63, and 2,700,000 employee stock options, vesting in equal monthly amounts over 48 months and exercisable for five years at US\$0.60, to employees of NeuLion who became employees of the Company.

On October 20, 2008, AvantaLion LLC, an entity controlled by Charles B. Wang, our Chairman and the spouse of Nancy Li, our CEO and the founder and CEO of NeuLion, purchased 10,000,000 units from JumpTV's treasury at a price of CDN\$1.00 per unit. Each unit (a "Unit") consists of one Share, one-half of one Share purchase warrant exercisable at CDN\$1.25 and one-half of one Share purchase warrant exercisable at CDN\$1.50. The warrants partially comprising the Units are exercisable for a period of two years from the date of issuance. G. Scott Paterson, our Vice Chairman, also purchased 1,000,000 Units on the same terms. The aggregate gross proceeds from the sale of Units (the “Private Placement”) were CAN\$11.0 million or US\$9.2 million.

In accordance with SFAS 141, *Business Combinations*, the Company has determined that NeuLion was the accounting acquirer and accordingly has accounted for the Merger as a reverse takeover. Therefore, the financial statements and this MD&A for the three months ended March 31, 2009 and 2008 reflect the assets, liabilities and results of operations of NeuLion, the accounting acquirer, and only include the assets, liabilities and results of operations of JumpTV, the legal acquirer, subsequent to the reverse takeover on October 20, 2008. This MD&A is issued under the name of the legal acquirer (JumpTV), but is deemed to be a continuation of the accounting acquirer (NeuLion).

OVERVIEW

JumpTV is an IPTV service and technology provider that builds and manages private networks for companies interested in reaching specific target audiences. JumpTV provides an “end-to-end” IPTV service of live and on-demand sports, international television content and family programming. “IPTV” refers to the distribution over an IP network of streamed audio, video and other multimedia content, similar to television programming content, using industry standard streaming protocols.

This end-to-end enterprise technology solution enables the distribution of IPTV content to subscribers and pay-per-view customers for viewing on multiple platforms, including Internet-connected browser-based devices such as personal computers, laptops and mobile devices and standard television sets through Internet-connected STBs.

JumpTV's business model has evolved from its inception in December 2003 as a professional services provider to, in fiscal 2006, an end-to-end provider of the following IPTV services:

- content management — encoding of various digital and analog TV and video formats
- subscriber management — managing subscriber access and control of subscriber accounts
- digital rights management — preserving the integrity of the content and protecting it from unauthorized access
- billing services — enabling customers to view subscription accounts, providing pay-per-view transactional billing, payment, processing and advertising insertion
- delivery — delivering streamed audio, video and other multimedia content anywhere, anytime through JumpTV's IPTV service and infrastructure

This evolution commenced in 2006 and is the one of the reasons for the increase in revenue, cost of sales and expenses over the years.

Through the acquisition of the Acquired Business on October 20, 2008, JumpTV has expanded its portfolio of content from professional sports (the National Hockey League (“NHL”) and the National Football League (“NFL”)), international content (Chinese programming through KyLinTV, Inc. (“KyLinTV”)) and faith based programming (Sky Angel U.S. LLC (“Sky Angel”)) to include college sports, cycling events, soccer events and additional international channels.

JumpTV’s business objective is to enter into agreements with companies seeking private services and to provide complete IPTV services to these companies. JumpTV’s success is dependent upon several factors, including securing contractual relationships, maintaining technological advantage in a rapidly changing industry and efficiently operating the distribution network.

Revenue

JumpTV earns revenue in two areas: services revenue and equipment revenue. Services revenue includes subscription revenue, ecommerce revenue and technology services revenue. Equipment revenue includes the sale of STBs and related shipping. These are described in detail under the Operations section.

Customer relationships

JumpTV has two types of relationships – business-to-consumer (“B2C”) and business-to-business (“B2B”).

The B2C relationships are more individual consumer oriented. The Company has signed distribution agreements with individual channel or content providers in exchange for royalty payments to such providers. The Company then markets the content on one (or more) of the targeted websites that the company has developed which is focused on a specific diaspora community (e.g. Talfazat, LLC for the Middle East community; TV-Desi, Inc. for the South Asian community), as well as on the general JumpTV website for purchase by an end user. The Company often aggregates the content into bundles or packages of similar interest. The Company incurs marketing expenses in promoting the availability of the content. The Company expects to have this group of customer relationships migrate to a B2B relationship over time through partnerships and/or affiliates (partially or wholly owned) that group the content into similar interests.

The B2B relationships have been the focus of the Company in the past and are expected to be the focus in the future. A B2B relationship is focused on providing an end-to-end solution to a customer to enable that customer to provide IPTV to its end users. This type of relationship is different than above in that the B2B customer typically aggregates the content, negotiates the licensing rights and markets directly the availability of the content. This customer avails itself of the full services of the Company in delivery to its end users. This type of relationship is typical in the professional and sports properties and the Sky Angel agreements.

Products

Sports Programming

JumpTV offers live and on-demand sports content. JumpTV has content and distribution agreements with leading professional and collegiate sports properties. Amongst professional sports leagues, JumpTV counts the NFL, the NHL, the American Hockey League (“AHL”), and Universal Sports as clients. JumpTV also owns IPTV rights to distribute in North America live streaming of South American Fédération Internationale de Football Association (“FIFA”) World Cup Qualifier games in 2009. JumpTV also operates a portfolio of sports-oriented web sites, including Jumptv.com, Sportsya.com, Cycling.tv and CollegeSportsDirect.com. On the collegiate landscape, JumpTV is the premier partner for National Collegiate Athletic Association (“NCAA”) colleges and universities, with agreements in place with approximately 170 colleges, universities or related sites.

Ethnic/International and Specialty Programming

JumpTV also offers what is referred to in the industry as “ethnic television,” which JumpTV defines as television 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. JumpTV has license agreements directly with television broadcasters (referred to as “channel partners”) representing approximately 160 channels in 35 countries

that give the Company rights to stream, predominantly on an exclusive world-wide basis and generally for an initial four-year term, the channel partners' live linear television feeds over the public Internet.

Distribution Methods

JumpTV distributes content through two primary distribution methods:

- Internet-connected browser-based devices such as personal computers, laptops and mobile devices; and
- Standard television through JumpTV's Internet-connected STBs.

Both of JumpTV's distribution methods take advantage of an open IPTV network, the public Internet. As a result, content delivered by JumpTV is available globally and is potentially unlimited in breadth.

Industry and Business Trends

There have been no significant changes in industry and business trends from the Company's 2008 annual MD&A.

Operating Performance

Revenue for three months ended March 31, 2009 was \$6.6 million, up 247% from \$1.9 million for the three months ended March 31, 2008. The revenue growth of \$4.7 million was due to an increase in services revenue of \$5.2 million and was offset by a decrease in our equipment revenue of \$0.5 million. In part, the revenue growth is due to the acquisition of the Acquired Business, which contributed \$3.6 million of the growth. The organic increase (excluding the results of the Acquired Business) in services revenue is consistent with the increasing scope of operations. As the number of subscribers increases, there is a cumulative effect of increasing subscriber revenue on a month over month basis. The decrease in equipment revenue is a result of the uneven nature of this revenue stream – customers often place large single orders made to meet minimum order requirements, to manage the lead time between ordering and shipping and to minimize the related shipping costs. The lead time on new orders is approximately 12 weeks from order to receipt. The purchase by customers of STBs is a leading indicator of future subscriptions. On a pro forma basis, as described in Note 3 of the financial statements, revenue increased from \$5.6 million to \$6.6 million due to organic growth.

Our net loss for the three months ended March 31, 2009 was \$5.8 million, or a loss of \$0.05 per fully diluted share, compared with a net loss of \$1.5 million or a loss of \$0.03 per basic and fully diluted share for the three months ended March 31, 2008. The increase in net loss of \$4.3 million was due to the following:

- Increase in organic loss of \$1.3 million
- Net loss in the Acquired Business of \$2.0 million
- Increased non-cash expenses of \$1.0 million (detailed below in the Net Loss to EBITDA reconciliation)

On a proforma basis (as if the merger had occurred on January 1, 2008), our net loss for the three months ended March 31, 2008 was \$59.6 million or a loss of \$1.40 per fully diluted share. The decrease in net loss of \$53.8 million was due to the following:

- Increase in organic loss of \$1.3 million
- Reduction/elimination of impairment of goodwill and long-lived assets of \$48.1 million
- Reduction in net loss in the Acquired Business of \$6.8 million
- Reduction in non-cash expenses of \$0.2 million

The Company reports Non-GAAP Adjusted EBITDA loss because it is a key measure used by management to evaluate the results of the Company and make strategic decisions about the Company. Non-GAAP Adjusted EBITDA loss represents net loss before interest, income taxes, depreciation and amortization, stock-based compensation, impairment of long-lived assets, unrealized loss on derivatives, equity in loss of affiliate, investment income and foreign exchange gain. This measure does not have any standardized meaning prescribed by GAAP and therefore is unlikely to be comparable to the calculation of similar measures used by other companies, and

should not be viewed as an alternative to measures of financial performance or changes in cash flows calculated in accordance with GAAP.

Our non-GAAP Adjusted EBITDA loss was \$4.2 million for the three months ended March 31, 2009 compared with a non-GAAP Adjusted EBITDA loss of \$0.8 million from the three months ended March 31, 2008. The increase in non-GAAP Adjusted EBITDA is due to the cash impact of the items noted above. On a pro forma basis, our non-GAAP Adjusted EBITDA decreased from a loss of \$9.8 million to a loss of \$4.2 million for the three months ended March 31, 2009. This decrease is due to cost reductions in most areas of the Acquired Business offset by the increased organic costs. The reconciliation from net loss to non-GAAP Adjusted EBITDA loss is as follows:

	Three months ended March 31,		Proforma
	2009	2008	2008
	\$	\$	\$
Net loss for the period	(5,793,878)	(1,486,146)	(59,602,491)
Add back:			
Impairment of goodwill	-	-	47,882,317
Impairment of long-lived assets	-	-	173,786
Depreciation and amortization	1,014,681	195,063	856,722
Stock-based compensation	253,743	-	792,936
Unrealized loss on derivative	476,850	-	-
Equity in loss of affiliate	-	457,682	457,682
Investment income and foreign exchange gain	(141,450)	(815)	(334,825)
Non-GAAP Adjusted EBITDA loss	(4,190,054)	(834,216)	(9,773,873)

OPERATIONS

Revenue

JumpTV earns revenue in four broad categories:

- Subscriber revenue consists of recurring revenue based on subscriber usage, bandwidth usage fees for the JumpTV infrastructure and/or technology usage fees based on the number of subscribers (collectively, “subscriber revenue”). The subscriber revenue is typically based on a monthly, quarterly or annual billing cycle to end users through our billing systems and can be either a fixed fee per user or a variable fee measured as a percentage of the end user pricing. Subscriber revenue is recognized over the period of service or usage.
- eCommerce revenue consists of JumpTV services provided to its content providers, which include software applications for merchandising (e.g. sale of merchandise), ticketing for a content provider’s events and management of a content provider’s donor efforts. Included in ecommerce revenue is advertising revenue earned through the insertion of Internet advertising on websites and in streaming video. ecommerce revenue is recognized as the service is performed.
- Technology services revenue consists of the set up and maintenance services JumpTV provides related to our technology such as website (Internet) or console (STBs) design, user interface optimization and streaming configuration. Included in technology services revenue is the licensing of the technology required to convert, compress and transmit the video signals to our content distribution network and ultimately the end users. Set up and transcoder revenue is recognized over the life of the contract.
- Equipment revenue consists of the sale of STBs to content partners and/or end users to enable the end user to receive the content over the Internet and display the signal on a standard television. Equipment revenue is recognized when title of the STB passes to the customer.

Services revenue includes subscriber revenue, ecommerce revenue and technology services revenue. While our revenues have been growing due to the organic growth in our existing business and the Merger, we are uncertain as to how our revenues will be impacted by the current downturn in the global economy.

Cost of Sales

Cost of services revenue

Cost of services revenue primarily consists of:

- Cost of subscriber revenue, which consists of three primary components:
 - Royalty payments
 - Network operating costs
 - Bandwidth usage fees
- Cost of ecommerce revenue, which consists of:
 - Merchandising, donor and ticket sales, which has no associated cost – revenue is booked on a net basis
 - Cost of Advertising revenue is subject to revenue shares with the content provider
- Cost of technology services revenue, which consists of:
 - third party transcoder software purchased
 - maintenance costs for transcoders

Cost of equipment revenue

Cost of equipment revenue consists of the sale of STBs to content partners and/or end users to enable the end user to receive the content over the Internet and display the signal on a television. Cost of equipment revenues primarily consists of purchases from TransVideo of the products and parts for resale to customers. Shipping revenue and costs are included in equipment revenue and cost of equipment revenue, respectively.

Selling, General and Administrative expenses

Selling, general and administrative (“SG&A”) costs include:

- *Wages and benefits* – represents compensation for the Company’s full-time and part-time employees as well as fees for consultants who are used by the Company from time to time;
- *Marketing* – represents expenses for both global and local marketing programs that focus on various target sports properties and ethnic communities. These initiatives include both on-line and off-line marketing expenditures. These expenditures also include search engine marketing and search engine optimization;
- *Professional fees* – represents legal, recruiting and accounting fees; and
- *Other SG&A expenses* – represents expenses for travel expenses, rent, office supplies, corporate IT services, credit card processing fees and other general operating expenses.

Stock-based compensation

We estimate the fair value of our options, warrants, restricted share units and stock appreciation rights (“Convertible Securities”) for financial accounting purposes using the Black-Scholes-Merton model, which requires a number of subjective assumptions, including the expected life of the Convertible Securities, risk-free interest rate, dividend rate, forfeiture rate, future volatility of the price of our Shares and vesting period. Based on the estimated fair value of the Convertible Securities, we expense the estimated fair value over the vesting period of the Convertible Securities. The vesting period is normally over a four year period, vesting in an equal amount each month; however, the Board of Directors has the discretion to grant options with different vesting periods.

Equity Losses of Affiliate

From January 1, 2008 through March 31, 2009, the Company's equity interest in KyLinTV 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.

SELECTED INTERIM INFORMATION

The selected interim consolidated financial information set out below for the eight most recently completed quarters has been derived from the Company's unaudited interim 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.

	2009	2008				2007		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Income Statement Data:								
Revenue	6,574,026	5,807,550	2,699,041	2,987,128	1,949,620	5,284,485	1,280,839	1,110,945
Cost of sales	3,844,483	3,205,272	1,534,807	1,753,689	1,145,381	3,822,315	845,732	814,545
Net loss for the period	(5,793,878)	(7,223,468)	(1,377,667)	(1,549,979)	(1,486,146)	(164,690)	(1,263,525)	(1,478,863)
Basic and diluted loss per share	(0.05)	(0.13)	(0.03)	(0.04)	(0.03)	0.00	(0.03)	(0.03)

Fiscal 2008 included the acquisition of the Acquired Business described above. The Acquired Business has been substantially integrated into the Company's operations. In fiscal 2008 revenue increased to \$13.4 million, which included \$9.5 million in services revenue and \$3.9 million in equipment revenue. Of the \$13.4 million, the Merger described above contributed \$3.3 million in revenue. The balance of the revenue growth ("organic growth") was growth in services revenue, offset by a decline in equipment revenue. Services revenue is primarily recurring revenue – subscriber growth provides a baseline of revenue that continues to grow month over month, albeit with some seasonality impact depending on the sports season. The continuous trend over the past three years has been increasing services revenue from being an end-to-end IPTV service provider. In fiscal 2008 costs continued to scale with the growth in the existing business, and then were accelerated through the Merger. The Company is carefully reviewing the operating structure to reduce costs and achieve profitability. Net loss increased to \$11.6 million due to growth in operations, the additional operating costs acquired in the Merger, and costs related to non-cash stock-based compensation. Losses prior to the Merger were funded by a capital contribution of \$2.6 million by the founder and CEO of the Company. Included in the Merger was cash from the Acquired Business of \$22.9 million which increased the Company's cash balance to \$27.3 million at December 31, 2008.

RESULTS OF OPERATIONS

Comparison of Three Months Ended March 31, 2009 to Three Months Ended March 31, 2008

Our interim consolidated financial statements for our three months ended March 31, 2009 and 2008 have been prepared in accordance with U.S. generally accepted accounting principles. Included in Note 10 of the financial statements is the reconciliation between our consolidated financial statements prepared in accordance with U.S. generally accepted accounting principles and Canadian generally accepted accounting principles.

	2009 \$	2008 \$	Change %
Revenue			
Services revenue	6,034,330	874,577	590%
Equipment revenue	539,696	1,075,043	-50%
Total Revenue	6,574,026	1,949,620	237%
Cost of Sales			
Services revenue	3,383,879	284,101	1091%
Equipment revenue	460,604	861,280	-47%
Total Cost of Sales, exclusive of depreciation shown separately below	3,844,483	1,145,381	236%
	2,729,543	804,239	239%
Costs and expenses			
Selling, general and administrative, including stock based compensation	7,173,340	1,638,455	338%
Depreciation and amortization	1,014,681	195,063	420%
	8,188,021	1,833,518	347%
Operating loss	(5,458,478)	(1,029,279)	430%
Other income (expense)			
Unrealized loss on derivative	(476,850)	-	-
Gain on foreign exchange	44,226	-	-
Investment income	97,224	815	11829%
Equity loss in affiliate	-	(457,682)	-100%
	(335,400)	(456,867)	-27%
Net and comprehensive loss for the period	(5,793,878)	(1,486,146)	290%

Revenue

Services Revenue

Services revenue includes revenue from subscribers, eCommerce and technology services. Services revenue increased from \$0.9 million for the three months ended March 31, 2008 to \$6.0 million for the three months ended March 31, 2009. The increase is a combination of the organic growth in services revenue and the effect of the Merger on October 20, 2008. The organic growth in our services revenue was \$1.5 million. The Acquired Business comprised \$3.6 million of total services revenue for the quarter.

Subscriber revenue increased from \$0.5 million for the three months ended March 31, 2008 to \$4.0 million for the three months ended March 31, 2009. The increase is a combination of the growth in subscribers and the effect of the Merger on October 20, 2008. The organic growth in our subscriber revenue was \$1.1 million. The Acquired Business comprised \$2.4 million of total subscriber revenue for the period.

eCommerce revenue increased from nil for the three months ended March 31, 2008 to \$0.9 million for the three months ended March 31, 2009. The Acquired Business comprised all of eCommerce revenue for the period.

Technology services revenue increased from \$0.4 million for the three months ended March 31, 2008 to \$1.1 million for the three months ended March 31, 2009. The increase is a combination of the growth in technology services revenue and the effect of the Merger on October 20, 2008. The organic growth in our technology services revenue was \$0.3 million. As new customers begin streaming video or develop their user interface, we earn technology services revenue. This revenue is recognized over the life of the contractual relationship. The Acquired Business comprised \$0.4 million of total technology services revenue for the period.

Equipment Revenue

Equipment revenue decreased from \$1.1 million for the three months ended March 31, 2008 to \$0.5 million for the three months ended March 31, 2009. The decrease was primarily related to the decrease in STB's purchased from one customer.

Cost of Sales

Cost of Services Revenue

Cost of sales for services revenue increased from \$0.3 million for the three months ended March 31, 2008 to \$3.4 million for the three months ended March 31, 2009. This increase was a combination of the costs associated with increased revenue and the effect of the Merger on October 20, 2008. The Acquired Business comprised \$2.1 million of total costs of services revenue for the period.

Gross margin on services revenue increased from \$0.6 million or 68% for the three months ended March 31, 2008 to \$2.7 million or 44% for the three months ended March 31, 2009. The increase in gross margin of \$2.1 million is attributable to increased revenue (\$1.2 million) and the Acquired Business (\$0.9 million).

Cost of Equipment Revenue

Cost of sales for equipment revenue decreased from \$0.9 million for the three months ended March 31, 2008 to \$0.5 million for the three months ended March 31, 2009 on lower revenue. Cost of equipment revenue is directly variable with changes in revenue.

Gross margin decreased from 20% for the three months ended March 31, 2008 to 15% for the three months ended March 31, 2009 due to an increase in the proportion of revenue which was sold on a cost recovery basis (shipping and replacement parts).

Selling, General and Administrative Costs

Selling, general and administrative costs increased from \$1.6 million for the three months ended March 31, 2008 to \$7.2 million for the three months ended March 31, 2009. The Acquired Business increased by \$3.8 million the total selling, general and administrative costs for the period. The individual variances are due to the following:

- Wages and benefits increased from \$1.4 million for the three months ended March 31, 2008 to \$5.2 million for the three months ended March 31, 2009. The Acquired Business increased by \$2.4 million the total wages and benefits for the period. The organic increase of \$1.4 million was primarily related to the increase in employees to support the increased revenue and the Merger with the Acquired Business. In conjunction with the Merger, the Company added senior management and provided market level compensation for the CEO.
- Stock-based compensation expense increased from nil for the three months ended March 31, 2008 to \$0.3 million for the three months ended March 31, 2009. This increase was due to the assumption of convertible instruments in conjunction with the Merger and the Company granting convertible instruments to employees subsequent to the Merger.

- Marketing increased from \$0.1 million for the three months ended March 31, 2008 to \$0.2 million for the three months ended March 31, 2009. The Acquired Business increased by \$0.1 million the marketing expenses for the period. The Acquired Business is more of a business-to-consumer focused business and incurs higher marketing expenses including search engine marketing and search engine optimization on the Internet.
- Professional fees increased from a nominal amount for the three months ended March 31, 2008 to \$0.3 million for the three months ended March 31, 2009. The increase was primarily related to fees incurred in connection with public company reporting compliance.
- Other SG&A expenses increased from \$0.1 million for the three months ended March 31, 2008 to \$1.2 million for the three months ended March 31, 2009. The increase was related to increased expenses in all categories associated with increased operations to support the increase in revenue.

Equity Losses of Affiliate

Equity losses of KyLinTV decreased from \$0.5 million for the three months ended March 31, 2008 to zero for the three months ended March 31, 2009. The decrease is as a result of the cumulative losses exceeding the full value of the Company's investment in 2008. Due to KyLinTV's accumulated losses, the investment has been reduced to zero. The Company still owns its equity position in the affiliate, however the Company is not required to fund any additional losses, and as such no further charges will be incurred.

Depreciation and Amortization

Depreciation and amortization increased from \$0.2 million for the three months ended March 31, 2008 to \$1.0 million for the three months ended March 31, 2009. The increase was due to amortization on assets acquired in the Merger (\$0.6 million) and the increased capital assets required to support the increased revenue.

Unrealized Loss on Derivative

Unrealized loss on derivative increased from zero for the three months ended March 31, 2008 to \$0.5 million for the three months ended March 31, 2009. The increase was due to the adoption of Emerging Issues Task Force ("EITF") No. 07-5, "*Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity's Own Stock*", effective January 1, 2009, which required the Company to fair value all convertible instruments denominated in a currency other than the Company's functional currency. On January 1, 2009, the grant date fair value of Warrants denominated in Canadian dollars of \$2.5 million was reallocated from additional paid in capital and a derivative liability was recorded in the amount of \$0.6 million with an adjustment to opening accumulated deficit of \$1.9 million. The difference between the fair value at March 31, 2009 of \$1.1 million and January 1, 2009 of \$0.6 million resulted in an unrealized loss on derivative of \$0.5 million.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2009, our principal sources of liquidity include cash and cash equivalents of \$21.6 million and trade accounts receivable of \$1.9 million. We do not have a credit facility.

At March 31, 2009, approximately 77% of our cash and cash equivalents are held in money market funds and another 18% of our cash and cash equivalents are held in bank accounts with two of the top five Canadian commercial banks. The Company believes these financial institutions to be secure in the current global economy. We believe that we will be able to access the remaining balance of bank deposits outside of Canada as these deposits are with large reputable banks. We have and will continue to make a series of short-term investments in term deposits and commercial paper. Our investment policy is to invest in low risk short-term investments which are highly graded commercial paper and term deposits. We have not had a history of any defaults on this commercial paper, nor do we expect any in the future given the grade and short term to maturity of these investments. All commercial paper on hand at March 31, 2009 have been repaid, and subsequently reinvested.

During 2009, based on our current business plan, internal forecasts and considering the risks that are present in the current global economy, we believe that cash on hand will be sufficient to meet our working capital and operating cash requirements for the next twelve months. The Company is still in the early stage of business. From JumpTV's inception it has incurred substantial net losses. The Company continues to review its operating structure to reduce costs. Cash from operations could be affected by various risks and uncertainties, including, but not limited to, the risks detailed in or incorporated by reference to our AIF in the section titled "Risk Factors".

During the three months ended March 31, 2009, the Company's cash position decreased by \$5.7 million. The Company used \$4.2 million to fund operations, \$1.1 million in working capital changes and \$0.4 million to purchase fixed assets.

Working Capital Requirements

The net working capital at March 31, 2009 was \$12.0 million, a decrease of \$6.1 million from the December 31, 2008 net working capital of \$18.1 million. The decreased working capital is primarily due to funding operations and the fair value of the derivative liability on March 31, 2009.

Current assets at March 31, 2009 were \$27.1 million, a decrease of \$6.2 million from the December 31, 2008 balance of \$33.3 million. The change is primarily due to a decrease in our cash and cash equivalents of \$5.8 million and a decrease in prepaid expenses and deposits of \$0.5 million.

Current liabilities at March 31, 2009 were \$15.1 million, a decrease of \$0.1 million from the December 31, 2008 balance of \$15.2 million.

Cash Flows

JumpTV's business is still in the early stages, with only a few years of operating history. As at March 31, 2009, the Company had cash and cash equivalent balances of \$21.6 million. From JumpTV's inception, it has incurred net losses and has an accumulated deficit of \$30.0 million; management expects these losses to continue in the short term. JumpTV will require expenditures of significant funds for marketing, building its subscriber management systems, programming and website development, maintaining adequate video streaming and database software, pursuing and maintaining channel distribution agreements with its channel partners, fees relating to acquiring and maintaining Internet streaming rights to its content and the construction and maintenance of the JumpTV delivery infrastructure and office facilities. There can be no assurance that JumpTV will ultimately be able to generate sufficient revenue or reduce its costs in the anticipated time frame to become profitable and have sustainable cash flows.

Summary Balance Sheet Data:

	March 31, 2009	December 31, 2008
	\$	\$
Current Assets		
Cash and cash equivalents	21,567,868	27,323,021
Accounts receivable, net	1,851,373	2,284,242
Taxes receivable	975,747	983,253
Other receivable	404,426	227,711
Inventory	383,220	347,600
Prepaid expenses and deposits	1,301,616	1,830,260
Due from related parties	625,679	324,059
Total current assets	27,109,929	33,320,146
Current Liabilities		
Accounts payable	3,239,331	4,465,388
Accrued liabilities	7,502,050	7,595,116
Derivative liability	1,064,800	-
Deferred revenues	2,975,963	3,091,993
Due to related parties	300,407	56,826
Total current liabilities	15,082,551	15,209,323
Working capital ratio	1.80	2.19

Comparative Summarized Cash Flows

	Three months ended	
	March 31, 2009	2008
	\$	\$
Cash flows provided by (used in) operating activities	(5,372,749)	385,407
Cash flows used in investing activities	(382,404)	(999,042)
Cash flows provided by financing activities	-	600,000

Operating Activities

Cash used in operating activities for the three months ended March 31, 2009 was \$5.4 million. Changes in net cash used in operating activities reflect the following:

- net loss of \$5.8 million for the three months ended; less
- non-cash items adjusted to net loss in the amount of \$1.8 million, which relates to stock-based compensation and depreciation and amortization; and
- changes in working capital of \$1.4 million.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2009 was \$0.4 million. These funds were used to purchase fixed assets.

Financing Activities

Cash provided by financing activities was nil for the three months ended March 31, 2009.

In 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.

Off-Balance Sheet Arrangements

The Company did not have any off-balance sheet arrangements as of March 31, 2009.

Financial Instruments

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, other receivables, taxes receivable, other receivables, deposits, accounts payable, accrued liabilities, amounts due to/from related parties, and deferred revenue.

Fair value of financial instruments

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

Risks associated with financial instruments

[i] Currency risk

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

[ii] Interest rate risk

The Company is exposed to interest rate risk on its invested cash 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.

[iii] 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 the sale of STBs, for which 50% of monies are received in advance of shipment.

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.

The Company recognized revenue from related parties for 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	—
	<u>507,956</u>	<u>138,393</u>

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	—
	<u>325,272</u>	<u>267,233</u>

Investment in affiliate – KyLinTV

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

On January 1, 2008, the Company's equity interest in KyLinTV 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 during the three months ended September 30, 2008. No further charges will be recorded as the Company has no obligation to fund the losses of KyLinTV.

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 \$
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 \$
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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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.

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 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 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, we 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 adoption of this new standard required the disclosure related to derivative and hedging activities in the Company's consolidated financial statements. The required disclosures are included in Note 11 to the consolidated financial statements.

OUTSTANDING SHARE DATA

The Company has total shares outstanding as at May 12, 2009 of 113,785,898. In addition, the Company has 27,961,965 outstanding options, SARs, restricted share units, warrants and retention warrants, which are each exchangeable for one Share upon exercise.

DISCLOSURE CONTROLS AND CONTROLS OVER FINANCIAL REPORTING

Evaluation of disclosure controls and procedures:

The Company maintains appropriate disclosure controls and procedures and internal controls over financial reporting (each as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")) to ensure that information disclosed externally is complete, reliable and timely. The Company's Chief Executive Officer and Chief Financial Officer evaluated, or caused an evaluation under their direct supervision of, the design and operating effectiveness of the Company's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as at March 31, 2009, and have concluded that such DC&P and ICFR were appropriately designed and were operating effectively, except as outlined below. See "Limitation of Scope and Design" below.

There were no changes to our ICFR during our last fiscal quarter ended March 31, 2009 that have materially affected, or are reasonably likely to affect, our ICFR.

Limitation on Scope of Design:

We have limited the scope of design of our internal controls and procedures and internal controls over financial reporting to exclude controls, policies and procedures of NeuLion, Inc. and its subsidiaries, which were acquired as part of a reverse take-over on October 20, 2008. The chart below presents the summary financial information of NeuLion, Inc.

Balance Sheet Data:	March 31, 2009	Income Statement Data:	3 months ended March 31, 2009
	\$		\$
Current assets	3,708,461	Total revenue	3,004,261
Long-term assets	15,862,798	Total cost of sales	1,731,749
Current liabilities	5,026,089	Net loss for the period	(2,828,676)
Long-term liabilities	587,376		

The scope limitation is in accordance with section 3.3(1)(b) of NI 52-109 to which this MD&A relates, which allows an issuer to limit its design of DC&P and ICFR to exclude controls, policies and procedures of a business that the issuer acquired not more than 365 days prior to the end of the fiscal period.