DHX Media Ltd.

Consolidated Financial Statements
March 31, 2008 and 2007 (unaudited) and June 30, 2007
(expressed in Canadian dollars)

May 14, 2008

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements, Management's Discussion and Analysis ("MD&A") and supplemental information of DHX Media Ltd. (the "Company") are the responsibility of management and have been approved by the Audit Committee of the Board of Directors ("The Board"). The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim consolidated financial statements and MD&A. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's interim consolidated financial statements and recommends their approval by the Board of Directors.

The Audit Committee is appointed by the Board and all of its members are independent directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the financial statements to the Board of Directors for approval.

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The unaudited interim consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

These unaudited interim financial statements have not been reviewed by the external auditors of the Company.

(signed) "*Michael Donovan*"
Chief Executive Officer
Halifax, Nova Scotia

(signed) "*Dana Landry*"
Chief Financial Officer

DHX Media Ltd.

Consolidated Balance Sheet

As at March 31, 2008 (Unaudited) and June 30, 2007

(expressed in Canadian dollars)

	March 31, 2008 $	June 30, 2007 $
Assets		
Current assets		
Cash	**10,664,116**	3,433,924
Short-term investments	**1,757,450**	1,869,245
Amounts receivable (note 4)	**61,917,601**	33,030,124
Prepaid expenses and deposits	**1,098,448**	371,499
Current portion of investment in film and television programs (note 5)	**26,535,069**	30,502,718
	101,972,684	69,207,510
Investment in film and television programs (note 5)	**22,201,658**	16,522,625
Restricted cash	**448,674**	475,376
Investment in production companies (note 6)	**694,465**	1,210,362
Property, plant, and equipment	**6,737,682**	5,856,774
Long-term investment, at cost (note 3(a))	**2,090,363**	-
Intangible assets	**4,826,992**	2,574,942
Goodwill	**12,638,010**	7,157,541
	151,610,528	103,005,130
Liabilities		
Current liabilities		
Bank indebtedness (note 7)	**1,765,000**	500,000
Accounts payable and accrued liabilities	**11,928,735**	7,132,866
Deferred revenue	**18,269,615**	13,324,560
Interim production financing (note 8)	**49,575,438**	33,119,013
Current portion of long-term debt (note 9)	**565,162**	256,104
Current portion of other long-term liabilities (note 10)	**1,470,000**	480,000
Note payable (note 11)	**-**	400,000
	83,573,950	55,212,543
Long-term debt (note 9)	**3,179,967**	2,901,350
Other long-term liabilities (note 10)	**-**	992,025
Future income taxes	**4,310,380**	1,873,000
Non-controlling interest	**566,470**	564,611
	91,630,767	61,543,529
Shareholders' Equity		
Share capital and contributed surplus (note 12)	**59,178,285**	42,047,061
Retained earnings (deficit)	**801,476**	(585,460)
	59,979,761	41,461,601
	151,610,528	103,005,130

DHX Media Ltd.

Consolidated Statements of Income and Comprehensive Income and Retained Earnings (Deficit)

For the periods ended March 31, 2008 and 2007

(Unaudited)

(expressed in Canadian dollars)

	For the three-month period ended March 31, 2008 $	For the three-month period ended March 31, 2007 $	For the nine-month period ended March 31, 2008 $	For the nine-month period ended March 31, 2007 $
Revenues	**20,392,285**	5,366,329	**40,877,860**	15,270,926
Direct production costs and amortization of film and television programs produced	**14,551,344**	3,253,332	**28,256,456**	9,717,635
	5,840,941	2,112,997	**12,621,404**	5,553,291
Operating expenses				
Amortization of acquired library	**542,134**	33,371	**935,540**	227,199
Development expenses	**-**	14,296	**35,259**	65,949
Selling, general and administrative	**3,315,480**	2,056,227	**8,123,110**	5,598,520
	3,857,614	2,103,894	**9,093,909**	5,891,668
Income (loss) before the following	**1,983,327**	9,103	**3,527,495**	(338,377)
Amortization	**553,575**	263,346	**1,183,132**	807,796
Equity (income) loss	**-**	-	**(31,019)**	14,530
Interest expense	**143,134**	79,628	**438,984**	228,022
Interest income	**(118,679)**	(43,381)	**(286,504)**	(124,310)
Loss (income) from strategic investments	**9,899**	(495,559)	**17,707**	(1,463,789)
Non-controlling interest	**(135)**	5,179	**3,259**	16,268
Income before income taxes	**1,395,533**	**199,890**	**2,201,936**	**183,106**
Provision for (recovery of) income taxes				
Large corporation taxes	**25,000**	11,000	**75,000**	41,000
Current income taxes	**44,000**	(21,000)	**(525,000)**	(4,000)
Future income taxes	**451,000**	76,000	**1,265,000**	(20,000)
	520,000	66,000	**815,000**	17,000
Net income and comprehensive income for the period	**875,533**	133,890	**1,386,936**	166,106
Deficit – Beginning of period	**(74,057)**	(1,753,999)	**(585,460)**	(1,786,215)
Retained earnings (deficit) – End of period	**801,476**	(1,620,109)	**801,476**	(1,620,109)
Basic earnings per Common share (note 13)	**0.021**	0.004	**0.037**	0.005
Fully diluted earnings per Common share (note 13)	**0.017**	0.004	**0.031**	0.005

DHX Media Ltd.

Consolidated Statements of Cash Flows

For the periods ended March 31, 2008 and 2007

(Unaudited)

(expressed in Canadian dollars)

	For the three-month period ended March 31, 2008 $	For the three-month period ended March 31, 2007 $	For the nine-month period ended March 31, 2008 $	For the nine-month period ended March 31, 2007 $
Cash provided by (used in)				
Operating activities				
Net income for the period	**875,533**	133,890	**1,386,936**	166,106
Charges (credits) to income not involving cash				
Amortization of film and television programs	**13,083,755**	3,138,063	**26,279,331**	9,590,823
Amortization of acquired library	**542,134**	33,371	**935,540**	227,199
Amortization of property, plant, and equipment	**231,758**	108,725	**493,183**	337,061
Amortization of intangible assets	**321,819**	154,621	**689,950**	470,735
Unrealized loss on short-term investments	**18,900**	-	**96,233**	-
Gain on disposal of short-term investments	**-**	(495,559)	**(37,517)**	(1,463,789)
Stock-based compensation	**157,983**	79,057	**391,870**	243,820
Interest on promissory notes	**2,811**	3,290	**9,166**	11,882
Interest	**26,147**	-	**117,975**	-
Equity (income) loss	**-**	-	**(31,019)**	14,530
Non-controlling interest	**(136)**	5,179	**3,259**	16,268
Future income tax expense (recovery)	**451,000**	(56,000)	**1,265,000**	(155,000)
	15,711,704	3,104,637	**31,599,907**	9,459,635
Investment in film and television programs	**(2,340,955)**	(10,448,542)	**(21,445,985)**	(32,553,327)
Net change in non-cash working capital related to operations (note 14)	**(10,841,708)**	1,815,530	**(10,167,848)**	3,902,206
	2,529,041	(5,528,375)	**(13,926)**	(19,191,486)
Financing activities				
Proceeds from issuance of common shares and warrants, net of issuance costs	**(25,995)**	-	**15,988,195**	(38,184)
Issuance costs adjusted on shares of a subsidiary	**-**	-	**(1,400)**	-
Proceeds from (repayment of) bank indebtedness	**(451,154)**	500,000	**968,000**	500,000
Proceeds from (repayment of) interim production financing	**(1,291,717)**	4,534,118	**1,658,025**	16,927,968
Proceeds from long-term debt	**-**	-	**-**	180,029
Repayment of long-term debt	**(209,204)**	-	**(398,270)**	(271,026)
Repayment of note payable	**-**	(72,798)	**(400,000)**	(1,282,750)
Increase in (repayment of) other long-term liabilities	**(240,000)**	(120,000)	**(480,000)**	962,208
	(2,218,070)	4,841,320	**17,334,550**	16,978,245
Investing activities				
Business acquisitions	**(651,692)**	(83,481)	**(8,290,025)**	(232,191)
Transfers from (acquisitions of) short-term investments	**-**	621,628	**(183,730)**	982,024
Proceeds on disposal of short-term investments	**-**	541,612	**236,809**	1,850,122
Disposition (acquisition) of property, plant, and equipment	**(86,411)**	45,591	**(310,039)**	(433,402)
Net cash advances (to) from investees	**(74,929)**	(100,748)	**546,916**	(806,882)
Long-term investment	**(29,067)**	-	**(2,090,363)**	-
	(842,099)	1,024,602	**(10,090,432)**	1,359,671
Net change in cash during the period	**(531,128)**	337,547	**7,230,192**	(853,570)
Cash – Beginning of period	**11,195,244**	4,920,274	**3,433,924**	6,111,391
Cash – End of period	**10,664,116**	5,257,821	**10,664,116**	5,257,821

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies

DHX Media Ltd. (the “Company”) is a public company whose Common shares were admitted to trading on the Alternate Investment Market (AIM) of the London Stock Exchange and the Toronto Stock Exchange (TSX) on May 19, 2006 (symbol DHX). The Company incorporated on February 12, 2004 under the laws of the Province of Nova Scotia, Canada, and continued on April 25, 2006 under the Canada Business Corporation Act, develops, produces and distributes films and television programs for the domestic and international markets. On March 17, 2006, the Company changed its name from “The Halifax Film Company Limited” to “DHX Media Ltd.” The address of the head office is 1478 Queen Street, Halifax, Nova Scotia, Canada, B3J 2H7.

Basis of presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 1751 “Interim Financial Statements”. Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been omitted or condensed. In the opinion of management, these statements include all adjustments, consisting of normal accruals, considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as indicated in note 2, these unaudited interim financial statements were prepared using the same accounting principles as were used for the consolidated financial statements for the year ended June 30, 2007 and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2007, as set out in the 2007 Annual Financial Statements, available at www.sedar.com.

2 Changes in accounting policies and future accounting standard changes

During the nine-month period ended March 31, 2008, the Company adopted the following accounting standard:

a) Financial instruments

Effective July 1, 2007, the Company adopted the CICA Handbook Section 1530, “Comprehensive Income”, 3251, “Equity”, 3855, “Financial Instruments – Recognition and Measurement”, 3861, and “Financial Instruments – Disclosure and Presentation”. The Company has applied these standards without restatement of prior years. Upon initial application there were no adjustments to the carrying amount of financial assets or financial liabilities.

Section 1530 “Comprehensive Income” introduces comprehensive income, which consists of net income and other comprehensive income (“OCI”). OCI temporarily presents certain unrealized gains and losses resulting from changes in fair value of certain financial instruments outside of net income.

(expressed in Canadian dollars)

2 Change in accounting policies and future accounting standard changes (continued)

a) Financial instruments (continued)

Section 3251 "Equity" describes the changes in reporting and disclosing equity and changes in equity as a result of the new requirements of Section 1530.

Sections 3855 and 3861 "Financial Instruments – Recognition and Measurement" and "Financial Instruments – Disclosure and Presentation" respectively, prescribe when a financial instrument is to be recognized and derecognized from the balance sheet and at what amount these financial instruments should be recognized. It also specifies how financial instrument gains and losses are accounted for. All financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions

The Company has adopted the following classification for financial assets and financial liabilities:

- Cash, restricted cash and short-term investments are classified as held-for-trading. Changes in fair value for the period are recorded in net earnings.
- Bank indebtedness, interim production financing, accounts payable and accrued liabilities, long-term debt, other long-term liabilities and notes payable are classified as other financial liabilities.
- Accounts receivable are classified as loans and receivables.
- Long-term investment is classified as available-for-sale. As there is no active market for this investment, it is measured at cost.

The new standards require all derivative financial instruments to be measured at fair value on the consolidated balance sheet, even when they are part of an effective hedging relationship. An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. If certain conditions are met, an embedded derivative is separated from the host contract and accounted for as a derivative in the consolidated balance sheet, and measured at fair value. Upon adoption, entities have the option to recognize as an asset or liability all embedded derivative instruments that are required to be separated from their host contracts or to select the beginning of a fiscal year ending no later than March 31, 2004 as its transition date for embedded derivatives. The Company has selected February 12, 2004, the date of incorporation, as its transition date for embedded derivatives. The Company does not have any material outstanding contracts or financial instruments with embedded derivatives that require bifurcation.

(expressed in Canadian dollars)

2 Change in accounting policies and future accounting standard changes (continued)

The following is an overview of accounting standards that the Company will be required to adopt in future years:

b) Capital disclosures, financial instruments (presentation and disclosure) and goodwill and intangible assets

The CICA issued four new accounting standards: section 1535, *Capital Disclosures*, section 3862, *Financial Instruments - Disclosures*, section 3863, *Financial Instruments – Presentation*, and section 3064, *Goodwill and Intangible Assets*. Sections 1535, 3862, and 3863 will be effective for fiscal years beginning on or after October 1, 2007 and the Company will adopt them on July 1, 2008. Section 3064 will be effective for fiscal years beginning on or after October 1, 2007 and the Company will adopt it on July 1, 2009. The Company is in the process of evaluating the impact on disclosure and presentation of these new standards.

Section 1535 establishes disclosure requirements about an entity's capital and how it is managed. The purpose will be to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital.

Section 3862 and 3863 will replace section 3861, *Financial Instruments – Disclosure and Presentation*, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections will place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3064 will replace section 3062, *Goodwill and Other Intangible Assets* and section 3450 *Research and Development costs*. The standard establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The provision relating to the definition and initial recognition of intangible assets including internally generated intangible assets, are aligned with IFRS IAS 38 *Intangible Assets*.

3 Acquisitions and long-term investment

During the nine month period ended March 31, 2008, the following acquisitions occurred:

(a) On November 22, 2007 the Company completed a strategic investment in privately-held Tribal Nova Inc. by acquiring a 16.77% interest in the company for consideration of $2,090,363 including capitalized costs of the transaction to date. The Company has accounted for the investment using the cost method.

(b) On December 4, 2007 ("the Effective Date"), the Company acquired all the outstanding shares in Studio B Productions Inc. ("Studio B"), a privately-owned producer of primarily proprietary children's programming for the consideration as follows:

- An initial cash payment of $8,000,000 on the Effective Date;
- Transaction costs of $36,125;

(expressed in Canadian dollars)

3 Acquisitions and long-term investment (continued)

- An earnout amount calculated as 4.5 times the average "EBITDA" (as that term is defined in the agreement) for the years ended October 31, 2007 ("Fiscal 2007") and October 31, 2008 ("Fiscal 2008") up to a maximum of $20,000,000. The earnout amount is subject to Studio B meeting certain financial performance benchmarks for Fiscal 2007 and Fiscal 2008 and would be paid 30% in cash and 70% in shares of DHX Media.

The acquisition was accounted for using the purchase method. As such the results of operations reflect revenue and expenses of the assets of Studio B from the Effective Date. The purchase price has been allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated preliminary fair value at the date of acquisition, and adjusted to March 31, 2008, as follows:

	$
Assets acquired	
Cash	172,792
Accounts receivable, prepaids and deposits	15,351,084
Investment in film and television programs	7,480,271
Intangible assets	2,492,000
Property, plant and equipment	1,006,102
Goodwill	5,075,764
	31,578,013
Less: liabilities assumed	
Bank indebtedness	297,000
Accounts payable and accrued liabilities	4,613,002
Deferred revenue	1,223,702
Interim production financing	14,798,401
Long-term debt	912,783
Future income tax liabilities	1,697,000
	23,541,888
	8,036,125

The Company will finalize the purchase price allocation upon completion of its review of certain working capital balances and a valuation of the intangible assets has been completed. Any future adjustments resulting from its review will be recorded as an adjustment to the purchase allocation.

The purchase agreement includes a contingent payment, based on an earnout amount as described above, consisting of readily available funds and Common shares. The purchase consideration and allocation of the cost of the purchase does not include any amounts related to the earnout amount. The maximum amount of the earnout amount is not determinable as the cash component and number of Common shares that will be issued and the value attributed to these shares will only be determined when the earnout amount conditions are met. When the contingency is resolved, any additional earnout amount due will be attributed to goodwill.

(expressed in Canadian dollars)

3 Acquisitions and long-term investment (continued)

(c) On March 20, 2008 ("the Effective Date"), the Company acquired all the outstanding shares in Bulldog Interactive Fitness Inc. ("Bulldog Interactive" or "Bulldog"), a developer of children's entertainment centres for the consideration as follows:

- Cash payment of $625,000 on the Effective Date;
- Transaction costs of $6,787;
- Working capital advance of $300,000;
- 99,333 shares of the Company valued at $149,993; and
- Earnout amounts payable in cash and Common shares of the company with a maximum potential payout of $1,950,000 and are payable subject to Bulldog Interactive meeting certain financial targets.

The acquisition was accounted for using the purchase method. As such the results of operations reflect revenue and expenses of the assets of Bulldog Interactive from the Effective Date. The purchase price has been allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated preliminary fair value at the date of acquisition as follows:

Assets acquired	
Cash	5,094
Accounts receivable, prepaids and deposits	38,613
Intangible assets	450,000
Property, plant and equipment	57,950
Goodwill	904,705
	1,456,362
Less: liabilities assumed	
Accounts payable and accrued liabilities	148,570
Deferred revenue	85,469
Long-term debt	73,163
Future income tax liabilities	67,380
	374,582
	1,081,780

The Company will finalize the purchase price allocation upon completion of its review of certain working capital balances and a valuation of the intangible assets has been completed. Any future adjustments resulting from its review will be recorded as an adjustment to the purchase allocation.

The purchase agreement includes a contingent payment, based on earnout amounts as described above, consisting of readily available funds and Common shares. The purchase consideration and allocation of the cost of the purchase does not include any amounts related to the earnout amounts. The maximum amount of the earnout amounts is not determinable as the cash component and number of Common shares that will be issued and the value attributed to these shares will only be determined when the earnout amounts conditions are met. When the contingency is resolved, any additional earnout amounts due will be attributed to goodwill.

(expressed in Canadian dollars)

3 Acquisitions and long-term investment (continued)

During the fiscal year ended June 30, 2007, the following acquisitions occurred:

(d) On December 22, 2006, the Company completed the acquisition of the license for the worldwide distribution rights to 520 half-hours of television programming ("Distribution Rights") for $2,200,000. As of March 31, 2008, the Company has paid cash of $980,000 and is scheduled to pay the remainder through six quarterly payments of $120,000 ending March 31, 2009 and one lump sum payment of $500,000 due March 31, 2009. The fair value of the purchase price of the distribution rights of $2,076,961 has been included in investment in film and television programs (note 5) under the category Acquired Participation Rights.

(e) On July 1, 2006 (the "Effective Date"), the Company completed a business acquisition and acquired all of the issued and outstanding shares of Electropolis Studios Incorporated, for cash consideration of $31,852.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statement of operations from the Effective Date.

The following table summarizes the estimated fair value of the net assets acquired as of the Effective Date:

	$
Assets acquired	
Amounts receivable	45,041
Prepaid expenses and deposits	14,787
Future tax asset	48,000
Goodwill	15,513
	123,341
Less: liabilities assumed	
Accounts payable and accrued liabilities	21,313
Long-term debt	70,176
	91,489
	31,852

(f) On February 8, 2007 (the "Effective Date"), the Company acquired all of the issued and outstanding shares of Mighty Jungle Productions Inc. and Mighty Jungle 2 Productions Inc., both television production companies, for cash consideration of $150,000.

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statement of operations from the Effective Date.

(expressed in Canadian dollars)

3 Acquisitions and long-term investment (continued)

The following table summarizes the estimated fair value of the net assets acquired as of the Effective Date:

	$
Assets acquired	
Investment in film and television programs	495,496
	495,496
Less: liabilities assumed	
Bank indebtedness	4,073
Accounts payable and accrued liabilities	12,370
Interim production financing	159,851
Deferred revenue	169,202
	345,496
	150,000

4 Amounts receivable

	March 31, 2008 $	**June 30, 2007 $**
Trade	**20,587,881**	9,981,200
Income taxes receivable	**685,333**	156,694
Goods and services taxes recoverable	**882,251**	490,607
Federal and provincial film tax credits and other government assistance	**39,762,136**	22,401,623
	61,917,601	33,030,124

(expressed in Canadian dollars)

5 Investment in film and television programs

	March 31, 2008 $	June 30, 2007 $
Development costs	**2,002,222**	1,193,506
Theatrical and non-theatrical productions in progress		
Cost, net of government and third party assistance and third party participation	**25,550,727**	32,732,961
Acquired participation rights – theatrical and non-theatrical		
Cost	**5,983,274**	5,701,330
Accumulated amortization	**(2,019,844)**	(1,343,106)
	3,963,430	4,358,224
Non-theatrical productions completed and released		
Cost, net of government and third party assistance and third party participation	**71,609,268**	36,591,439
Accumulated amortization	**(54,388,920)**	(27,850,787)
	17,220,348	8,740,652
	48,736,727	47,025,343
Less: Current portion	**(26,535,069)**	(30,502,718)
	22,201,658	16,522,625

The Company expects that 37% of the costs related to non-theatrical and theatrical productions completed and released will be amortized during the year ending June 30, 2008. The Company expects that 79% of the costs related to non-theatrical productions completed and released will be amortized during the three-year period ending June 30, 2010. The Company expects that over 86% of the costs related to productions completed will be amortized by June 30, 2012.

The Company has estimated the current portion of investment in film and television programs by reference to production delivery schedules, expected revenues in the next twelve months and the related amortization on a production-by-production basis. These estimates are subject to change as ultimate revenues may differ from estimates. No portion of development costs or Acquired Participation Rights has been reflected as current.

(expressed in Canadian dollars)

5 Investment in film and television programs (continued)

During the nine-month period ended March 31, 2008, interest of $1,889,123 (year ended June 30, 2007 - $1,689,321) has been capitalized to investment in film and television.

6 Investment in production companies

Investment in production companies represents the Company's investment in investee companies which it accounts for using the equity method.

	March 31, 2008 $	June 30, 2007 $
The continuity of investment in production companies is as follows:		
Opening balance	**1,210,362**	61,939
Equity income	**31,019**	360,513
Net cash advances to (from) investees	**(546,916)**	787,910
	694,465	1,210,362

The advances to investees are non-interest bearing with no set terms of repayment.

7 Bank indebtedness

As of March 31, 2008, bank indebtedness is $1,765,000 (June 30, 2007 - $500,000). The maximum amount of bank indebtedness for general working capital purposes under the RBC Revolving Credit Facility is $3,500,000 (note 8). A general security agreement over all property of the Company has been pledged as security. The availability of the bank indebtedness portion of the facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants.

(expressed in Canadian dollars)

8 Interim production financing

	March 31, 2008 $	**June 30, 2007 $**
Revolving production credit facility ("RBC Revolving Credit Facility"), bearing interest at bank prime plus 0.75% - 2.00%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately $45,963,438 (year ended June 30, 2007 - $57,627,594), a $1,500,000 guaranteed investment certificate and general security agreements have been pledged as security	**37,282,411**	33,119,013
Demand production bank loans (assumed on acquisition of Studio B note 3(b)), bearing interest at bank prime plus 1.25% - 1.50%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately $17,309,783.	**12,293,027**	**-**
	49,575,438	33,119,013

During the nine-month period ended March 31, 2008, the bank prime rate averaged 6.00% (year ended June 30, 2007 - 6.00%).

On October 26, 2007, the Company closed the RBC Revolving Credit Facility with the Royal Bank of Canada (“Royal Bank”) with a maximum authorized amount of $70,000,000 including bank indebtedness (note 7) reviewable annually from the date of closing. Within the RBC Revolving Credit Facility is a revolving production credit facility with a maximum of $66,500,000 for interim production financing. Substantially all of the Company’s assets and certain of its subsidiaries have been pledged as security for borrowing under the RBC Revolving Credit Facility.

(expressed in Canadian dollars)

9 Long-term debt

	March 31, 2008 $	June 30, 2007 $
Loans payable, bearing interest at Business Development Bank of Canada prime plus 0.5%, maturing in May 2021, repayable in monthly principal installments of $19,880 plus interest. A first mortgage on land and building having a net book value of $4,834,536 and a general assignment of rents.	**2,960,990**	3,139,910
Loan payable	**-**	17,544
Loan payable, Royal Bank, bearing interest at Royal Bank Prime plus 1.25%, repayable in monthly principal installments of $15,834 and $12,259 plus interest, maturing August 15, 2008 and August 31, 2008.	**140,196**	-
Loan payable, bearing interest at 11.5%, compounded annually and payable monthly.	**256,625**	-
Loans payable, bearing interest at 5.5% and 11%, maturing from August 2008 to June 2010.	**315,847**	-
Loans payable, bearing interest at 6.25% per annum, maturing on February 2012 repayable in monthly installments of $334 including principal and interest.	**14,141**	-
Loans payable, bearing interest at Business Development Bank of Canada Floating Base Rate plus 3.30%, maturing on July 2010 repayable in monthly principal installments of $1,365 plus interest.	**57,330**	-
	3,745,129	3,157,454
Less: Current portion	**(565,162)**	(256,104)
	3,179,967	2,901,350

The loans payable, Royal Bank are secured by a general security agreement covering all assets of a wholly owned subsidiary (Studio B). In addition, the loans payable, Royal Bank, are secured by guarantees and postponements of claim equalling $2,000,000 supported by a general security agreement over Studio B. Also, as security, the two former shareholders of the Studio B have granted a second mortgage on the land and building occupied by Studio B and an assignment of rent.

(expressed in Canadian dollars)

9 Long-term debt (continued)

The aggregate amount of principal repayments required for the remainder of fiscal year 2008 and in each of the next four years is as follows:

	$
Year ending June 30, 2008	388,018
2009	718,065
2010	367,736
2011	289,973
2012	241,793

10 Other long-term liabilities

	March 31, 2008 $	June 30, 2007 $
Other long-term liabilities include $1,220,000 related to the acquisition of Distribution Rights as described in note 3 (d) and a $250,000 amount related to a settlement in relation to a feature film.	**1,470,000**	1,472,025
Less: Current portion	**(1,470,000)**	(480,000)
	-	992,025

The aggregate amount of payments required during the year ending June 30, 2008 and 2009 are $360,000 and $1,110,000 respectively. Interest accreted during the nine-month period ended March 31, 2008 was $117,975 (year ended June 30, 2007-$19,817).

11 Note payable

As of March 31, 2008, the Company had no amounts owing (June 30, 2007-$400,000).

(expressed in Canadian dollars)

12 Share capital and contributed surplus

a) Authorized

100,000,000 Preferred variable voting shares, redeemable at the option of the Company at any time at a millionth of a cent per share, no entitlement to dividends, voting

10,000,000 Class A preferred shares, convertible to Common shares at the option of the holder, redeemable at the option of the holder or the Company on or after June 16, 2010, at 1.5 times the issue price, voting

Unlimited Common shares without nominal or par value

(expressed in Canadian dollars)

12 Share capital and contributed surplus (continued)

b) Issued and outstanding

Changes in the Company's issued share capital during the periods were as follows:

	Number	March 31, 2008 Amount $	Number	June 30, 2007 Amount $
Preferred variable voting shares (note 12 (c))	**100,000,000**	**100**	100,000,000	100
Common shares (note 12 (d))				
Opening balance	**32,801,452**	**40,778,665**	32,576,452	40,499,600
Issued for cash consideration	**9,815,000**	**15,939,560**	-	-
Share issuance costs, net of tax effect of $551,350 and $13,700, respectively	**-**	**(1,428,350)**	-	(38,185)
Issued as consideration for acquisition of Decode	**-**	**-**	225,000	317,250
Issued as consideration for acquisition of Bulldog Interactive	**99,333**	**149,993**		
	42,715,785	**55,439,868**	32,801,452	40,778,665
Common share purchase loans receivable				
Opening balance	**-**	**(444,803)**	-	(460,134)
Interest received on notes	**-**	**9,166**	-	15,331
	-	**(435,637)**	-	(444,803)
Warrants (note 12 (f))				
Opening balance	**435,125**	**217,280**	1,213,859	1,131,888
Issued for cash consideration	**4,922,750**	**1,732,808**	-	-
Warrant issuance costs, net of tax effect of $40,650		**(103,395)**	-	-
Broker warrants issued	**736,888**	**439,572**	-	-
Expiration of warrants	**-**	**-**	(778,734)	(914,608)
	6,094,763	**2,286,265**	435,125	217,280
Contributed surplus (note 12 (g))				
Stock options				
Opening balance	**1,921,547**	**1,495,819**	1,021,547	210,879
Compensation expense on options issued during the period	**510,000**	**20,925**	1,175,000	79,461
Compensation expense on existing options	**-**	**370,945**	-	290,871
Options expired or cancelled	**(100,000)**	**-**	(275,000)	-
Warrants expired	-	-	-	914,608
	2,331,547	**1,887,689**	1,921,547	1,495,819
		59,178,285		42,047,061

(expressed in Canadian dollars)

12 Share capital and contributed surplus (continued)

c) Preferred variable voting shares

The Preferred variable voting shares were issued May 12, 2006 to an officer and director.

d) Common shares

On May 19, 2006, in connection with the initial public offering ("IPO") of the Company, the Company issued 8,702,500 Common shares for total proceeds of $20,450,875 less offering costs of $3,483,023 net of tax. Immediately prior to the closing of the aforementioned IPO, the Company completed the acquisition of all outstanding shares of Decode Entertainment Inc. ("Decode").

On December 18, 2006, the Company issued 225,000 Common shares at $1.41 per share for the gross amount of $317,250. The 225,000 Common shares were issued to two directors and a former shareholder of Decode as partial payment for a note payable owing to them in connection with the purchase of their interest in Decode.

On November 13 and 14, 2007, the Company issued a combined 9,815,000 units ("Unit or Units") from the treasury at a price of C$1.80 per Unit for aggregate gross proceeds of C$17,667,000 (the "Offering"). Each Unit consists of one Common share in the capital of the Company and one-half of one Common share purchase warrant. Each whole warrant entitles the holder to purchase one Common share of the Company at a price of C$2.10 per Common share, expiring on November 13, 2010.

On May 26, 2008, the Company issued 99,333 Common shares at $1.51 per share for a gross amount of $149,993. The 99,333 shares were issued to former shareholders of Bulldog in connection with the purchase of Bulldog.

e) Share purchase financing

During the nine-month period ended March 31, 2008, the Company issued no amounts for share purchase financing (year ended June 30, 2007 - nil).

The Company accounts for share purchase financing as a reduction of share capital and the benefit of the financing has been estimated using the Black Scholes option pricing model and the following assumptions: risk-free interest rate - 4.25%; expected life two years; expected volatility 50%; and expected dividend yield 0%.

For the nine-month period ended March 31, 2008, no compensation expense was recognized (year ended June 30, 2007 - nil). Interest of $9,166 (year ended June 30, 2007 – $15,331) received on these loans are being recorded as a capital contribution.

(expressed in Canadian dollars)

12 Share capital and contributed surplus (continued)

f) Warrants

During the nine-month period ended March 31, 2008 5,659,638 warrants were granted and nil expired. In connection with the Offering, the Company issued 4,922,750 Common share purchase warrants valued at $0.35 per warrant for cash consideration. The warrants entitle the shareholders to acquire 4,922,750 Common shares for $2.10 and expire on November 13 and 14, 2010. Also, in connection with the Offering, the Company granted 736,888 Common share warrants valued at $0.60 per warrant to the brokers of the Offering. The warrants entitle the holders to purchase 736,888 Common shares for $1.80 and expire on May 13 and 14, 2009.

	Number of warrants	Weighted average exercise price
Outstanding at June 30, 2007	435,125	2.35
Issued for cash consideration	4,922,750	2.10
Brokers warrants issued	736,888	1.80
Outstanding at March 31, 2008	**6,094,763**	**2.08**

The fair value of the broker issued warrants has been estimated by management using the Black Scholes option pricing model. The weighted average assumptions used in the pricing model to value the warrants are as follows:

	2008	2007
Risk-free interest rate	4.06%	4.25%
Expected option life	1.30 years	1 year
Expected volatility	59%	50%
Expected dividend yield	nil	nil

(expressed in Canadian dollars)

12 Share capital and contributed surplus (continued)

g) Stock options

At March 31, 2008 and June 30, 2007, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding at June 30, 2007	**1,921,547**	**2.20**
Granted to directors, officers and employees	510,000	1.62
Options cancelled	(100,000)	1.58
Outstanding at March 31, 2008	**2,331,547**	**2.11**
Exercisable at June 30, 2007	**186,630**	**2.25**
Exercisable at March 31, 2008	**598,267**	**2.29**

On March 22, 2006, the Board of Directors approved an employee share option plan which provides for the issuance of 1,623,823 Common shares, or 5% of the number of Common shares issued and outstanding on May 19, 2006, immediately following the Company's initial public offering. On the same date, the Company issued options under this plan to purchase 746,547 shares at $2.25 per share, vesting at various times over four years and expiring on March 22, 2011.

During the fiscal year ended June 30, 2007, 275,000 stock options issued at $1.85 per share expired and 900,000 were issued at $2.35 per share, vesting at various times over four years and expiring on October 3, 2011. On May 14, 2007, 275,000 stock options were issued at $1.58 per share, vesting at various times over four years and expiring on May 14, 2012.

During the nine-month period ended March 31, 2008, 510,000 stock options were issued at $1.62 per share, vesting over four years and expiring on September 26, 2012. No stock options expired during this nine-month period and 100,000 stock options at $1.85 per share were cancelled.

As at March 31, 2008, 707,724 options to purchase Common shares were issued by the Company above the maximum number of options issuable by the Company. No exercise of these 707,724 additional options shall occur until approval for their issuance and exercise is obtained from holders of Common

(expressed in Canadian dollars)

12 Share capital and contributed surplus (continued)

g) Stock options (continued)

shares. The Company intends to seek the approval of holders of Common shares to raise the maximum number of options issuable under the employee share option plan.

The weighted average grant date value of stock options granted at March 31, 2008 has been estimated at $0.97 (year ended June 30, 2007 - $0.95) using the Black Scholes option pricing model. The following weighted average assumptions were used in the calculations:

	March 31, 2008	**June 30, 2007**
Risk-free interest rate	4.08%	4.06%
Expected option life	4 years	4 years
Expected volatility	60%	59%
Expected dividend yield	nil	nil

Changes in the assumptions can materially affect the fair value estimate and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the stock options.

During the three and nine-month periods ended March 31, 2008, a total of $157,983 and $391,870 respectively (three and nine-month periods ended March 31, 2007 - $79,057 and $243,820) was recognized as compensation expense.

h) Put options

Pursuant to a financing by Media Fund, the Company granted to the new shareholders of Media Fund a right to have the Company purchase their Common shares in exchange for Common shares of the Company (the “put option”) on a one-for-one basis. The put options are automatically exercised on January 15, 2009, unless the holder rejects the put right. The Company has a buy-out right to acquire all of the Media Fund shares after obtaining a public listing unless more than 25 percent of the shareholders reject the put right.

The Common shares of Media Fund are redeemable by January 15, 2009 since a listing of the Company has occurred. However, as these Common shares of Media Fund are residual equity in Media Fund, these shares have been presented as non-controlling interest.

The put option was issued for no consideration. At March 31, 2008, 425,420 (June 30, 2007 - 425,420) shares in Media Fund carried the put option described above.

(expressed in Canadian dollars)

13 Earnings per Common share

Earnings per Common share is calculated as follows:

	For the three-month period ended March 31, 2008	For the three-month period ended March 31, 2007	For the nine-month period ended March 31, 2008	For the nine-month period ended March 31, 2007
	$	$	$	$
Net income for the period	**875,533**	133,890	**1,386,936**	166,106
Weighted average number of Common shares:				
Basic	**42,619,727**	32,801,452	**37,817,503**	32,663,816
Fully diluted	**52,198,957**	35,972,911	**44,087,851**	35,886,199
Earnings per Common share:				
Basic	**0.021**	0.004	**0.037**	0.005
Fully diluted	**0.017**	0.004	**0.031**	0.005

14 Net change in non-cash working capital balances related to operations

	For the three-month period ended March 31, 2008	For the three-month period ended March 31, 2007	For the nine-month period ended March 31, 2008	For the nine-month period ended March 31, 2007
	$	$	$	$
Increase in amounts receivable	**(10,137,228)**	(2,794,502)	**(13,513,989)**	(3,575,318)
Decrease (increase) in prepaid expenses and deposits	**295,143**	38,373	**(710,738)**	75,018
Decrease (increase) in restricted cash	**33**	367,839	**26,701**	332,742
Increase (decrease) in accounts payable and accrued liabilities	**680,371**	715,790	**394,295**	(4,643,029)
Increase in deferred revenue	**(1,680,027)**	3,488,030	**3,635,883**	11,712,793
	(10,841,708)	1,815,530	**(10,167,848)**	3,902,206
During the period, the Company paid and received the following:				
Interest paid	**863,900**	828,920	**2,320,609**	2,101,541
Interest received	**36,725**	19,452	**317,751**	83,656
Taxes Paid	**15,716**	-	**44,176**	51,156

(expressed in Canadian dollars)

15 Revenues and segmented information

The Company operates production entities and offices in Canada and the United Kingdom. In measuring performance, the Company does not distinguish or group its operations on a geographical or any other basis and, accordingly, has a single reportable segment for disclosure purposes and has the following sources of revenue:

	For the three-month period ended March 31, 2008 $	For the three-month period ended March 31, 2007 $	For the nine-month period ended March 31, 2008 $	For the nine-month period ended March 31, 2007 $
Production revenue	**13,359,204**	3,526,253	**28,512,300**	8,170,362
Distribution revenue	**4,426,681**	1,343,308	**8,312,084**	4,662,958
Producer and service fee revenues	**2,283,791**	-	**2,991,529**	1,100,523
Other	**322,609**	496,768	**1,061,947**	1,337,083
	20,392,285	5,366,329	**40,877,860**	15,270,926

16 Seasonality

Results of operations for any period are dependent on the number and timing of film and television programs delivered which cannot be predicted with certainty. Consequently, the Company’s results from operations may fluctuate materially from period-to-period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition. The Company at times during the initial broadcast of the rights is reliant on the broadcaster financing and budget cycle and at times the license period gets delayed and commences at a later date than originally projected or scheduled.

The Company’s film and television revenues are generally highest in the third and fourth fiscal quarters, driven by contracted deliveries with the primary broadcasters. Distribution revenues are contract and demand driven and can fluctuate significantly from period-to-period.

(expressed in Canadian dollars)

17 Reconciliation of Canadian Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards ("IFRS")

These consolidated financial statements have been prepared in accordance with Canadian GAAP. In certain aspects, GAAP, as applied under IFRS differs from Canadian GAAP.

a) Judgments made by management

IFRS requires disclosure of judgments that have been made by management in the preparation of the financial statements. In this regard, other than estimates which are disclosed under Canadian GAAP, management has made judgments about which development projects, with total costs of $2,002,222 at March 31, 2008 (year ended June 30, 2007 - $1,193,506) are likely to result in productions. Development projects which, during the reporting period, have not been assessed as likely to proceed are written off.

b) Leases

Under IFRS total costs charged to expenses under operating leases must be disclosed. The Company incurred rent expense of $268,606 and $440,908 for the three and nine-month period ended March 31, 2008 (three and nine-month period ended March 31, 2007 - $57,660 and $172,979).

c) Financial instruments

Beginning on July 1, 2007 the Company adopted prospectively new financial instrument handbook sections (note 2 (a)). Under the new Canadian GAAP standards, assets held for trading are measured at fair market value, which is consistent with IFRS.