DHX MEDIA LTD.

Q2 2008

FORM 51-102F1

Management Discussion and Analysis
of Financial Condition and Results of Operations
For the Three and Six Months Ended December 31, 2007 and December 31, 2006
(Unaudited)

DHX MEDIA LTD.

Form 51-102F1 Quarterly Report
December 31, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of February 13, 2008, should be read in conjunction with DHX Media Ltd.'s* (the "**Company**" or "**DHX**") *unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2007 and 2006 as well as the Company's annual MD&A and audited consolidated financial statements and accompanying notes for the years ended June 30, 2007 and 2006. The unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2007 and 2006 have been prepared in accordance with Canadian generally accepted accounting principles for preparation of interim financial information and have been reviewed by DHX.*

The Company's auditors, Pricewaterhouse Coopers LLP, have not reviewed the unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2007 and 2006.

DHX is a public company incorporated under the Canadian Business Corporations Act and its shares were listed on the TSX and AIM Exchanges on May 19, 2006 (symbol DHX). Additional information relating to the Company can be found on its website at www.dhxmedia.com or on SEDAR at www.sedar.com.

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. Figures in this MD&A are shown as millions (for example, $100,000 is shown as $0.100 million) and are approximate and have been rounded to the nearest thousand.

This MD&A contains certain forward-looking statements, which reflect DHX management's ("**Management**") 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 other similar words or phrases, have been used to identify these forward-looking statements. These statements reflect Management's current beliefs and are based on information currently available to Management.

Forward-looking statements involve significant risk, uncertainties, and assumptions. Many factors could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based on what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. Many factors could cause the actual results, performance, or achievements 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. An assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Assessment" section of this MD&A. For a more detailed assessment of the risks that could cause actual results to materially differ from current expectations see the "Risk Assessment" section of the Company's Annual MD&A for the years ended June 30, 2007 and 2006 found on SEDAR at www.sedar.com.

The foregoing is not an exhaustive list and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected.

Business of the Company

DHX is a leading independent supplier and distributor of television and film productions. The Company is the result of the combination of The Halifax Film Company Limited ("**Halifax Film**") and Decode Entertainment Inc. ("**Decode**") during Fiscal 2006 and now as of December 4, 2007, DHX has added another strong member to the group of companies, Studio B Productions, Inc. ("**Studio B**") (See "Acquisition and Long-term Investment" section of this MD&A).

The Company produces, distributes, and exploits the rights for television and film programming. DHX's primary focus is on children's and youth productions because of the international sales potential and longer-term and multiple revenue streams that this genre of programming provides. Children's programming travels across cultures more easily than other genres and can therefore be sold into numerous markets, typically has a longer lifespan than other genres, and can be leveraged for merchandising and licensing revenues.

DHX's content library includes over 2,150 half-hours of programming and over 50 individual titles produced over the last ten years. The Company has fourteen children's series currently in first window broadcast on multiple major cable and broadcast networks in North America and internationally, including, *Bo on the Go!, Franny's Feet, The Save-Ums,* and *Naturally Sadie*. The Company's prime-time production slate also includes notable achievements in the comedy genre, including the award-winning Canadian prime-time comedy series *This Hour Has 22 Minutes,* which is produced for the CBC and is now into its 15th season. The Company operates from its offices and production facilities in Halifax, Toronto, and Vancouver, producing content for distribution in domestic and international markets which is marketed via its Toronto and London, UK-based sales group.

Revenue Model

The Company historically earns revenues primarily from four categories: 1) production and 2) distribution of its proprietary productions, 3) producer and service fees from production services for third parties and equity investments, and 4) other revenues which include rental of studios and office facilities, music and royalty revenue, and new media revenue. The Company is able to generate revenue from productions by licensing its initial broadcast rights and pre-licensing of territories for its programs. Production revenues include the initial broadcast license revenues and any pre-sales or distribution advances included in the initial financing of the production of a film and television program. Once a production is completed and delivered, the program is included in the Company's library of film and television programming. Further revenue from exploitation of the program is included in distribution revenue. The Company also generates revenue from production services for third parties and equity investments. These service and corporate overhead fees are earned for producing productions whose copyright is owned by third parties.

Production Revenue

The Company derives production revenues from the grant of initial broadcast rights for the initial showing of commissioned productions and pre-licensing of territories. These fees are typically earned partially upon commissioning of a production, during production, and finally once a completed production is delivered for broadcast, and at some point in time after delivery as a holdback (See "Critical Accounting Policies and Estimates" section of this MD&A for details on revenue recognition).

Distribution Revenue

The Company is able to retain the ownership rights to its proprietary production, which permits the Company to generate further revenues from the distribution of the Company's productions. In addition to generating revenues from the sale of initial broadcast rights, the Company is able to concurrently generate revenues from the sale of broadcast rights in other jurisdictions and on other platforms (such as DVD and video) for specified periods of time. Distribution revenue also includes theatrical and other revenues generated on its feature films.

Producer and Service Fee Revenue

These service and corporate overhead fees are earned for producing productions whose copyright is owned by third parties.

Other Revenue

Other revenue includes rental of studios and office facilities, music and royalty (including merchandising and licensing (**"M&L"**)), and new media revenue.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three and six months ended December 31, 2007 and 2006 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2007 and 2006 and from the audited consolidated financial statements and accompanying notes for the years ended June 30, 2007 and 2006. Both can be found at www.sedar.com. The financial information for the three and six months ended December 31, 2007 in the table includes a full six month's of activity of the Company's Halifax Film and Decode divisions and only 28 days of activity from December 4, 2007, the date of acquisition, to December 31, 2007 for the Studio B division (see–"Acquisition and Long-term Investment" section of this MD&A for further details on the Studio B acquisition). The financial information for the three and six months ended December 31, 2006 is for prior to the acquisition of Studio B. **Each reader should read the following information in conjunction with those statements and the related notes.**

	Three Months Ended December 31,		Six Months Ended December 31,	
	2007	2006	2007	2006
	$	$	$	$
Consolidated Statements of Income and Comprehensive Income Data:				
Revenues	**9,822,873**	6,704,811	**20,485,575**	9,904,597
Direct production costs and amortization of film and television programs produced	**6,349,264**	4,343,781	**13,705,112**	6,464,303
Gross margin	**3,473,609**	2,361,030	**6,780,463**	3,440,294
Selling, general, and administrative	**2,484,704**	1,940,396	**4,807,630**	3,542,294
Income from strategic investments	**50,025**	425,278	**69,525**	968,230
Income before the following	**699,395**	600,432	**1,613,693**	620,750
Interest and other (expenses), net	**(492,444)**	(337,267)	**(807,290)**	(637,534)
Provison for (recovery of) income taxes	**70,000**	29,000	**295,000**	(49,000)
Net income and comprehensive income	**136,951**	234,165	**511,403**	32,216
Basic earnings per common share	**0.00**	0.01	**0.01**	0.00
Fully diluted earnings per common share	**0.00**	0.01	**0.01**	0.00
Weighted average common shares outstanding				
Basic	**38,029,006**	32,615,582	**35,429,512**	32,596,124
Fully Diluted	**44,438,518**	35,969,306	**39,994,132**	35,603,399

	December 31, 2007	June 30, 2007
	$	$
Consolidated Balance Sheet Data:		
Cash, restricted cash, and short-term investments	**13,420,302**	5,778,545
Investment in film and television programs	**60,021,660**	47,025,343
Total assets	**152,564,685**	103,005,130
Total debts	**93,745,249**	61,543,529
Shareholder equity	**58,819,436**	41,461,601

Results for the six months ended December 31, 2007 ("Six Months 2008") compared to the six months ended December 31, 2006 ("Six Months 2007")

Revenues

Revenues for Six Months 2008 were $20.486 million, up from $9.905 million for Six Months 2007, an increase of 107%. The increase was generally due to increases in the Company's production and distribution revenue categories. Management was very pleased with the growth in revenue given that the first six months are typically a slower period for the Company (See "Seasonality" section of this MD&A for further details). The Company benefited somewhat from previous fiscal 2007 deliveries in the amount of $1.975 million in proprietary production revenues where the license periods commenced in Six Months 2008.

Proprietary production revenues for Six Months 2008 of $15.154 million were up 226% over the $4.645 million for Six Months 2007. The increase included a 95% increase to $6.135 million (Six Months 2007-$3.150 million) in proprietary production revenue for the Halifax Film division, a 463% increase to $8.418 million for Six Months 2008 (Six Months 2007-$1.495 million) for the Decode division, and the inclusion of $0.601 million (Six Months 2007-nil) for the Studio B division. The increase in the Halifax Film division related partially to the delivery of the feature film *Shake Hands With The Devil,* in the amount of $1.800 million during Six Months 2008 versus no feature film deliveries for Six Months 2007.

For Six Months 2008 the Company recognized $15.154 million-116.5 half-hours of proprietary film and television program production revenue, an increase of 97% over the 59 half-hours for Six Months 2007, where the programs have been delivered and the license periods have commenced. The breakdown for consolidated and non-consolidated entities for Six Months 2008 and Six Months 2007 was as follows:

		Six Months 2008			Six Months 2007	
Title	Season	$ Million	Half-hours		$ Million	Half-hours
Consolidated Entities						
Super Why (PBS)	Season I	$ 4.303	16.0		$ -	-
Super Why (CBC)	Season I	$ 0.660	N/A	[1]	$ -	-
Planet Sketch	Season II	$ 1.216	13.0		$ -	-
Urban Vermin	Season I	$ 1.338	15.0		$ -	-
Delilah & Julius	Season II	$ 0.851	21.0		$ -	-
Shake Hands with the Devil	Feature Film	$ 1.800	4.0		$ -	-
Show Us Your Shorts TV	Pilot	$ 0.115	2.0		$ -	-
The Mighty Jungle	Season I	$ 0.240	3.0		$ -	-
The Mighty Jungle	Season II	$ 0.260	4.5		$ -	-
The Guard	Season I	$ 0.400	2.0		$ -	-
This Hour Has 22 Minutes	Season XV	$ 2.083	9.0		$ -	-
The Making of Shake Hands with the Devil	Documentary	$ 0.200	1.0		$ -	-
Ricky Sprocket - Showbiz Boy (Teletoon-French)	Season I	$ 0.030	6.0		$ -	-
Class of the Titans	Season II	$ 0.383	4.0		$ -	-
Being Ian	Season IV	$ 0.188	2.0		$ -	-
Naturally Sadie (SRC and Family, respecitvely)	Season III	$ 0.050	N/A	[1]	$ 1.235	13.0
Bo on the Go!	Season I	$ 0.739	6.0		$ 0.080	1.0
Naturally Sadie	Season II	$ -	-		$ 0.260	26.0
The Truth About	Pilot	$ -	-		$ 0.245	1.0
POKO	Season III	$ -	-		$ 0.655	8.0
This Hour Has 22 Minutes	Season XIV	$ -	-		$ 2.170	10.0
Total Consolidated Entities		$ 14.856	108.5		$ 4.645	59.0
Non-consolidated Entities Accounted for Using the Equity Method						
Lunar Jim	Season II	$ 0.298	8.0		$ -	-
Total All Entities		$ 15.154	116.5		$ 4.645	59.0

[1]N/A – Not applicable as deliveries of half-hours have already been counted when title delivered in the first instance.

The Company recorded an additional $0.031 million as an equity pickup for *Lunar Jim* Season II for Six Months 2008, versus no amounts for Six Months 2007.

In addition, as of Six Months 2008 the Company had to date delivered $3.765 million-35 half-hours of proprietary television programs where the license periods had not yet commenced by December 31, 2007, and therefore the revenue recognition criteria have not been met to recognize in Six Months 2008. The additional proprietary television programs were: $1.235 million-13 half-hours of *The Latest Buzz* Season I and $2.530 million-22 half-hours of *The Latest Buzz* Season II. These license periods are scheduled to commence throughout Fiscal 2008 and 2009 and will be recognized in the corresponding quarters, when the license periods have commenced and all revenue recognition criteria have been met.

For Six Months 2008 the Company earned $0.708 million ($0.009 million for *George of the Jungle* Season I, $0.380 million for *Martha Speaks* Season I, and $0.319 million for *Pucca* Season II) for producer and service fee revenues whereas for Six Months 2007 the Company recorded producer and service fees revenue of $1.086 million and $0.015 million for the feature films *Outlander* and *Slevin* respectively.

For Six Months 2008 distribution revenues were up 17% to $3.885 million from $3.320 million for Six Months 2007. For Six Months 2008 the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: $0.423 million for *This Hour Has 22 Minutes* Seasons I to VIII, $0.201 million for *Franny's Feet* Seasons I and II, $0.581 million for *Naturally Sadie* Seasons I to III, $1.163 million for *Urban Vermin* Season I, and $0.117 million for *Planet Sketch* Season II. Six Months 2008 distribution revenues also included $1.058 million Canadian theatrical box office revenues for the feature film *Shake Hands With the Devil*.

For Six Months 2008 music and royalty revenues dropped slightly to $0.251 million (Six Months 2007-$0.382 million) while new media revenues were in line with Six Months 2007 at $0.306 million (Six Months 2007-$0.335 million). These revenue streams have remained strong and are expected to grow moderately for Fiscal 2008.

For Six Months 2008 rental revenues were $0.182 million (Six Months 2007-$0.123 million) from the rental of studio and office facilities to third parties from the Company's Electropolis subsidiary and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Six Months 2008 was $6.780 million an overall 33% of revenue versus $3.440 million or 35% of revenue for Six Months 2007, an increase in absolute margin dollars of $3.340 million. The absolute gross margin dollars for Six Months 2008 were higher than Six Months 2007 as there were significant increases in production revenue.

For Six Months 2008 the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin $4.382 million or 28%, producer and service fee revenue margin $0.289 million or 41%, distribution revenue margin of $1.637 million or 42% ($1.244 million or 32% when you remove $0.393 million for the amortization of acquired libraries), music and royalty revenue margin $0.249 million or 99%, new media revenue margin of $0.041 million or 13%, and rental revenue margin of $0.182 million or 100%. The production revenue stream was a significant contributor to the absolute dollar margin increase for Six Months 2008.

In particular, production, service, and distribution in terms of absolute dollars contributed $4.382 million, $0.289 million, and $1.637 million respectively or 93% of the total margin. Production margin at 28% was in line with Management's expectations. Producer and service fee margin at 41% was at the high end of the range but in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 42% is at the high end of the range of Management's expectations. This was a result of a few key sales on older titles that have a relatively low book value resulting in higher margins for Six Months 2008. Going forward Management would expect the range on distribution margin to be from 30 to 45%. Music and royalty margin at 99% was in line with Management's expectations and is generally already on a net basis as the Company's license arrangements call for the deducting of third party commissions and expenses prior to the receipt of the royalty stream to the Company. Therefore, Management would expect this revenue stream to have a low cost of goods sold going forward with margins in the 70-90% range. New media margins at 13% were in line with Management's expectations. Rental revenue at this time requires no dedicated cost of goods sold associated with the earning of the revenue, so predominately all rental revenues will fall to the bottom line with the exception of nominal administrative charges of up to 5%.

Overall gross margin for Six Months 2008 at 33% was in line with Management's projected margin range and we would expect that future periods' gross margin will be within the 25 to 40% range.

Operating Expenses

Operating expenses for Six Months 2008 were $5.236 million compared to $3.788 million for Six Months 2007, an increase of 38%. The increase for Six Months 2008 is mainly due to a 36% increase in SG&A to $4.808 million up from $3.542 million for Six Months 2007. SG&A costs have increased as a result of the Company's growth and continuing to add key personnel and expanding facilities as a result of increased activities and increased regulatory requirements from being public, plus the addition of 28 days of Studio B as of December 4, 2007. For Six Months 2008, included in Operating Expenses is $0.393 million for amortization of acquired library versus $0.194 million for Six Months 2007 (see "Amortization" section in this MD&A for further details).

Income from Strategic Investments

For Six Months 2008 income from strategic investments activities relating to receipt of distributions of capital and realized capital gains of $0.032 million and $0.038 million respectively, versus $0.968 million related to realized capital gains for Six Months 2007. All investments were strategic in nature and were in the same or similar businesses as the business of the Company.

EBITDA

In Six Months 2008 EBITDA was $2.276 million, a 121% improvement as compared to $1.031 million for Six Months 2007. For Six Months 2008 this was due to the increase in gross margin dollars of $3.341 million, adding back an increase of non-cash stock-based compensation expense of $0.069 million, and offset by the increase in SG&A, net of income from strategic investments of $2.165 million, for a positive total dollar change of $1.245 million.

Amortization

Amortization includes amortization of acquired libraries, plant, property, and equipment ("**PP&E**"), and intangible assets. For Six Months 2008 amortization was $1.023 million (Six Months 2007-$0.738 million). The breakdown for amortization was $0.393 million, $0.262 million, and $0.368 million for amortization of acquired libraries, PP&E, and intangible assets respectively. For Six Months 2008 the amortization of acquired libraries was $0.393 million (Six Months 2007-$0.194 million) which relates to the library acquired as part of the acquisition of Decode. For Six Months 2008 amortization of PP&E was $0.262 million (Six Months 2007-$0.228 million) due to slight changes to PP&E. For Six Months 2008 amortization of intangible assets was $0.368 million (Six Months 2007-$0.316 million) which relates to the intangible assets acquired as part of the acquisitions of Decode and Studio B.

Interest

Interest expense net of interest revenue for Six Months 2008 was $0.128 million versus interest expense of $0.068 million for Six Months 2007. Net interest expense consists of $0.157 million, $0.091 million, $0.021 million, and $0.027 million for interest expense on long-term debt, interest accreted from other long-term liabilities, interest on notes payable related to the Decode acquisition, and interest and bank charges (Six Months 2007-$0.145 million, nil, nil, and $0.004 million) offset by interest revenue in Six Months 2008 of $0.168 million (Six Months 2007-$0.081 million).

Equity Income (Loss), Unrealized Gain (Loss) on Short-term Investments, and Non-Controlling Interest

For Six Months 2008 the Company recorded equity income of $0.031 million (Six Months 2007-$0.015 million loss) for its investment in production companies, an unrealized loss from short-term investments held for trading of $0.077 million (Six Months 2007-nil), and $0.003 million expense for non-controlling interest (Six Months 2007-$0.011 million).

Income Taxes

Income tax expense for Six Months 2008 was $0.295 million (Six Months 2007-$0.049 million income tax recovery) made up from provisions of $0.050 million (Six Months 2007-$0.030 million expense) for large corporation taxes, $0.569 million recovery (Six Months 2007-$0.017 million expense) for current income taxes, and future income tax expense of $0.814 million (Six Months 2007-$0.096 million recovery).

Net Income and Comprehensive Income

Net Income and comprehensive income for Six Months 2008 was $0.511 million, a significant improvement compared to a net income of $0.032 million for Six Months 2007, totalling an improvement of $0.479 million in absolute dollars. For Six Months 2008 the overall improvement of $0.479 million was due to changes over Six Months 2007 of the following amounts: a gross margin increase of $3.340 million, offset by an increase in operating expenses, net of income from strategic investments of $2.348 million, a $0.169 million increase in net interest and other expenses, and further reduced by $0.344 million change in provision for income taxes.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the last eight quarters with the last one being the most recent quarter ended December 31, 2007. In the opinion of Management, this information has been prepared on the same basis as the audited consolidated financial statements for the years ended June 30, 2007 and 2006 as filed on www.sedar.com, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. *The financial information in the table below for Q3 Fiscal 2006, is for the period prior to the acquisition of Decode. The financial information for Q2 Fiscal 2008 in the table includes only 28 days of activity from December 4, 2007, the date of acquisition, to December 31, 2007 for the Studio B division (see–"Acquisition and Long-term Investment" section of this MD&A for further details on the Studio B acquisition). The financial information for Q1 Fiscal 2008 and prior pre-dates the acquisition of Studio B.* The operating results for any quarter should not be relied upon as any indication of results for any future period.

	Fiscal 2008		Fiscal 2007				Fiscal 2006	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	31-Dec	30-Sep	30-Jun	31-Mar	30-Dec	30-Sep	30-Jun	31-Mar
	$	$	$	$	$	$	$	$
				Revised [2]				
Revenue	**9,822,873**	10,662,702	10,699,693	5,366,329	6,704,811	3,199,786	9,225,120	1,889,194
Gross Margin[1]	**3,473,609**	3,306,854	4,180,294	2,112,998	2,361,030	1,079,264	1,643,909	277,318
EBITDA[1]	**1,160,190**	1,116,055	2,837,585	631,386	950,859	80,135	687,578	(77,697)
Net Income (Loss)	**136,951**	374,452	1,034,649	133,890	234,165	(201,949)	416,008	(359,743)
Basic Earnings (Loss) Per Share	**0.00**	0.01	0.03	0.00	0.01	(0.01)	0.02	(0.03)
Diluted Earnings (Loss) Per Share	**0.00**	0.01	0.03	0.00	0.01	(0.01)	0.02	(0.03)

[1]Certain of the comparative Non-GAAP Financial Measures ("**NGFM**") are adjusted for all necessary adjustments, consisting of normal recurring adjustments and any changes in the current definition of NGFM (see "Use of Non-GAAP Financial Measures" section of this MD&A for further details).

[2]Q3 2007 figures were revised to reflect the reversal of revenue previously recorded during the quarter relating to 6.5 half-hours or $0.608 million of revenue and $0.286 million in Gross Margin, EBITDA, and $0.177 million (net of $0.109 million in income tax expense) in Net Income as the license period had not yet commenced and therefore the revenues should not have been recognized.

Results for the three months ended December 31, 2007 ("Q2 2008") compared to the three months ended December 31, 2006 ("Q2 2007")

Revenues

Revenues for Q2 2008 were $9.823 million, up from $6.705 million for Q2 2007, an increase of 47%. The increase was generally due to increases in the Company's production revenue category. Management was very pleased with the growth in revenue given that Q2 is typically a slower quarter for the Company (See "Seasonality" section of this MD&A for further details). The Company benefited somewhat from previous fiscal 2007 deliveries in the amount of $0.350 million in proprietary production revenues where the license periods commenced in Q2 2008.

Proprietary production revenues for Q2 2008 of $6.377 million were up 83% over the $3.478 million for Q2 2007. The increase included a 34% increase to $3.158 million (Q2 2007-$2.363 million) in proprietary production revenue for the Halifax Film division, a 135% increase to $2.618 million for Q2 2008 (Q2 2007-$1.115 million) for the Decode division, and the inclusion of $0.601 million (Q2 2007-nil) for the Studio B division.

For Q2 2008 the Company recognized $6.377 million-55.5 half-hours of proprietary film and television program production revenue, an increase of 21% over the 46 half-hours for Q2 2007, where the programs have been delivered and the license periods have commenced. The breakdown for consolidated entities and non-consolidated entities for Q2 2008 and Q2 2007 was as follows:

		Q2 2008			Q2 2007	
Title	Season	$ Million	Half-hours		$ Million	Half-hours
Consolidated Entities						
Super Why (PBS)	Season I	$ 1.233	5.0		$ -	-
Super Why (CBC)	Season I	$ 0.660	N/A	[1]	$ -	-
Urban Vermin	Season I	$ 0.446	5.0		$ -	-
Delilah & Julius	Season II	$ 0.279	7.0		$ -	-
The Mighty Jungle	Season I	$ 0.240	3.0		$ -	-
The Mighty Jungle	Season II	$ 0.260	4.5		$ -	-
The Guard	Season I	$ 0.400	2.0		$ -	-
This Hour Has 22 Minutes	Season XV	$ 2.083	9.0		$ -	-
The Making of Shake Hands with the Devil	Documentary	$ 0.100	N/A	[1]	$ -	-
Ricky Sprocket - Showbiz Boy (Teletoon-French)	Season I	$ 0.030	6.0		$ -	-
Class of the Titans	Season II	$ 0.383	4.0		$ -	-
Being Ian	Season IV	$ 0.188	2.0		$ -	-
Naturally Sadie	Season III	$ -	-		$ 0.855	9.0
Naturally Sadie	Season II	$ -	-		$ 0.260	26.0
The Truth About	Pilot	$ -	-		$ 0.245	1.0
This Hour Has 22 Minutes	Season XIV	$ -	-		$ 2.118	10.0
Total Consolidated Entities		$ 6.302	47.5		$ 3.478	46.0
Non-consolidated Entities Accounted for Using the Equity Method						
Lunar Jim	Season II	$ 0.075	8.0		$ -	-
Total All Entities		$ 6.377	55.5		$ 3.478	46.0

[1]N/A – Not applicable as deliveries of half-hours have already been counted when title delivered in the first instance.

The Company recorded for Q2 2008 an additional $0.008 million as an equity pickup for *Lunar Jim* Season II. There was no equity pickup for Q2 2007.

In addition, in Q2 2008 the Company delivered $1.380 million-12 half-hours of *The Latest Buzz* Season II, where the license periods had not yet commenced by December 31, 2007, and therefore the revenue recognition criteria have not been met to recognize in Q2 2008. This license period is scheduled to commence in Fiscal 2009 and will be recognized in the corresponding quarter, when the license period has commenced and all revenue recognition criteria have been met.

For Q2 2008 the Company earned $0.708 million for producer and service fee revenues ($0.009 million for *George of the Jungle* Season I, $0.380 million for *Martha Speaks* Season I, and $0.319 million for *Pucca* Season II) whereas for Q2 2007 the Company recorded producer and service fees revenue of $0.780 million for the feature film *Outlander*.

For Q2 2008 distribution revenues were up 21% to $2.472 million from $2.049 million for Q2 2007. For Q2 2008 the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: *Franny's Feet* Seasons I and II, *Naturally Sadie* Seasons I to III, *Urban Vermin* Season I, and *Planet Sketch* Season II. Q2 2008 distribution revenues also included $1.058 million Canadian theatrical box office revenues for the feature film *Shake Hands With the Devil*.

For Q2 2008 music and royalty revenues dropped slightly to $0.092 million (Q2 2007-$0.136 million) while new media revenues were in line with Q2 2007 at $0.114 million (Q2 2007-$0.139 million). These revenue streams have remained strong and are expected to grow moderately for Fiscal 2008.

For Q2 2008 rental revenues were $0.060 million (Q2 2007-$0.123 million) from the rental of studio and office facilities to third parties as a result of the Company's Electropolis subsidiary and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q2 2008 was $3.474 million an overall 35% of revenue versus $2.361 million or 35% of revenue for Q2 2007, an increase in absolute margin dollars of $1.113 million. The absolute gross margin dollars for Q2 2008 were higher than Q2 2007 as there were significant increases in production revenue.

For Q2 2008 the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin $2.111 million or 30%, net producer and service fee revenue margin $0.289 million or 41%, distribution revenue margin of $0.910 million or 37% ($0.606 million or 25% when you remove $0.304 million for the amortization of acquired libraries), music and royalty revenue margin $0.092 million or 100%, new media revenue margin of $0.011 million or 10%, and rental revenue margin of $0.061 million or 100%. The production revenue stream was a significant contributor to the absolute dollar margin increase for Q2 2008.

In particular, production, service, and distribution in terms of absolute dollars contributed $2.111 million, $0.289 million, and $0.910 million respectively or 95% of the total margin. Production margin at 30% was in line with Management's expectations. Producer and service fee margin at 41% was in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 37% is in line with Management's expectations. Going forward Management would expect the range on distribution margin to be from 30 to 45%. Music and royalty margin at 100% was in line with Management's expectations and is generally already on a net basis as the Company's license arrangements call for the deducting of third party commissions and expenses prior to the receipt of the royalty stream to the Company. Therefore, Management would expect this revenue stream to have a low cost of goods sold going forward with margins in the 70-90% range. New media margins at 10% were in line with Management's expectations. Rental revenue at this time requires no dedicated cost of goods sold associated with the earning of the revenue, so predominately all rental revenues will fall to the bottom line with the exception of nominal administrative charges of up to 5%.

Overall gross margin for Q2 2008 at 35% is in line with Management's projected margin and we would expect that future periods' gross margin will be within the 25 to 40% range.

Operating Expenses

Operating expenses for Q2 2008 were $2.824 million compared to $2.186 million for Q2 2007, an increase of 29%. The increase for Q2 2008 is mainly due to a 28% increase in SG&A to $2.485 million up from $1.940 million for Q2 2007. SG&A costs have increased as a result of the Company's growth and continuing to add key personnel and expanding facilities as a result of increased activities and increased regulatory requirements from being public, plus the addition of Studio B since December 4, 2007. For Q2 2008, included in Operating Expenses is $0.304 million for amortization of acquired library versus $0.194 million for Q2 2007 (see "Amortization" section in this MD&A for further details).

Income from Strategic Investments

For Q2 2008 income from strategic investments activities relating to receipt of distributions of capital and realized capital gains of $0.012 million and $0.038 million respectively, versus $0.425 million related to realized capital gains for Q2 2007. All investments were strategic in nature and were in the same or similar businesses as the business of the Company.

EBITDA

In Q2 2008 EBITDA was $1.160 million (including $0.050 million from Income from Strategic Investments), a 22% in total increase as compared to $0.951 million (including $0.425 million from Income from Strategic Investments) for Q2 2007. For Q2 2008 this was due to the increase in gross margin dollars of $1.113 million, adding back an increase of non-cash stock-based compensation expense of $0.016 million, and offset by the increase in SG&A, net of income from strategic investments of $0.920 million, for a positive total dollar change of $0.209 million.

Amortization

Amortization includes amortization of acquired libraries, plant, property, and equipment ("**PP&E**"), and intangible assets. For Q2 2008 amortization was $0.675 million (Q2 2007-$0.467 million). The breakdown for amortization was $0.304 million, $0.161 million, and $0.210 million for amortization of acquired libraries, PP&E, and intangible assets respectively. For Q2 2008 the amortization of acquired libraries was $0.304 million (Q2 2007-$0.194 million) which relates to the library acquired as part of the acquisition of Decode. For Q2 2008 amortization of PP&E was $0.161 million (Q2 2007-$0.115 million) due to slight changes to PP&E. For Q2 2008 amortization of intangible assets was $0.210 million (Q2 2007-$0.158 million) which relates to the intangible assets acquired as part of the acquisitions of Decode and Studio B.

Interest

Interest was a net interest revenue for Q2 2008 of $0.018 million versus net interest expense of $0.047 million for Q2 2007. Interest expense consists of $0.095 million, $0.003 million, $0.011 million, and $0.015 million for interest expense on long-term debt, interest accreted from other long-term liabilities, interest on notes payable related to the Decode acquisition, and interest and bank charges (Q2 2007-$0.072 million, nil, nil, and nil) offset by interest revenue in Q2 2008 of $0.142 million (Q2 2007-$0.025 million).

Equity Income, Unrealized Loss on Short-term Investments, and Non-Controlling Interest

For Q2 2008 the Company recorded equity income of $0.008 million (Q2 2007-$0.015 million loss) for its investment in production companies, an unrealized loss from short-term investments held for trading of $0.149 million (Q2 2007-nil), and $0.002 million income for non-controlling interest (Q2 2007-$0.002 million expense).

Income Taxes

Income tax expense for Q2 2008 was $0.070 million (Q2 2007-$0.029 million income tax expense) made up from provisions of $0.025 million (Q2 2007-$0.010 million expense) for large corporation taxes, $0.216 million recovery (Q2 2007-$0.008 million expense) for current income taxes, and future income tax expense of $0.261 million (Q2 2007-$0.011 million expense).

Net Income and Comprehensive Income

Net Income and comprehensive income for Q2 2008 was $0.137 million, a decrease compared to a net income of $0.234 million for Q2 2007 of $0.097 million in absolute dollars. For Q2 2008 the overall decrease of $0.097 million was due to changes over Q2 2007 of the following amounts: a gross margin increase of $1.113 million, offset by an increase in operating expenses, net of income from strategic investments of $1.014 million, a $0.155 million increase in net interest and other expenses, and further reduced by $0.041 million change in provision for income taxes.

Results for the three months ended September 30, 2007 ("Q1 2008") compared to the three months ended September 30, 2006 ("Q1 2007")

Revenues

Revenues for Q1 2008 were $10.663 million, up from $3.200 million for Q1 2007, an increase of 233%. The increase was generally due to increases in the Company's production revenue category. Management was very pleased with the growth in revenue given that Q1 is typically a slower quarter for the Company (See "Seasonality" section of this MD&A for further details). The Company benefited somewhat from previous fiscal 2007 deliveries in the amount of $1.583 million in proprietary production revenues where the license periods commenced in Q1 2008.

Proprietary production revenues for Q1 2008 of $8.777 million were up 652% over the $1.167 million for Q1 2007. The increase included a 278% increase to $2.977 million (Q1 2007-$0.787 million) in proprietary production revenue for the Halifax Film division and a significant increase to $5.800 million for Q1 2008 (Q1 2007-0.380 million) for the Decode division. The increase in the Halifax Film division related partially to the delivery of the feature film *Shake Hands With The Devil,* in the amount of $1.800 million during Q1 2008 versus no deliveries for Q1 2007.

For Q1 2008 the Company recognized $8.777 million-61 half-hours of proprietary film and television program production revenue, an increase of 369% over the 13 half-hours for Q1 2007, where the programs have been delivered and the license periods have commenced. The breakdown for consolidated entities and non-consolidated entities for Q1 2008 and Q1 2007 was as follows:

		Q1 2008			Q1 2007		
Title	Season	$ Million	Half-hours		$ Million	Half-hours	
Consolidated Entities							
Super Why (PBS)	Season I	$ 3.070	11.0		$ -	-	
Planet Sketch	Season II	$ 1.216	13.0		$ -	-	
Urban Vermin	Season I	$ 0.892	10.0		$ -	-	
Delilah & Julius	Season II	$ 0.572	14.0		$ -	-	
Shake Hands with the Devil	Feature Film	$ 1.800	4.0		$ -	-	
Show Us Your Shorts TV	Pilot	$ 0.115	2.0		$ -	-	
The Making of Shake Hands with the Devil	Documentary	$ 0.100	1.0		$ -	-	
Naturally Sadie (SRC)	Season III	$ 0.050	N/A	[1]	$ 0.380	4.0	
Bo on the Go!	Season I	$ 0.739	6.0		$ 0.080	1.0	
POKO	Season III	$ -	-		$ 0.655	8.0	
This Hour Has 22 Minutes	Season XIV	$ -	-		$ 0.052	N/A	[1]
Total Consolidated Entities		$ 8.554	61.0		$ 1.167	13.0	
Non-consolidated Entities Accounted for Using the Equity Method							
Lunar Jim	Season II	$ 0.223	N/A	[1]	$ -	-	
Total All Entities		$ 8.777	61.0		$ 1.167	13.0	

[1]*N/A – Not applicable as deliveries of half-hours have already been counted when title delivered in the first instance.*

The Company recorded for Q1 2008 an additional $0.023 million as an equity pickup for *Lunar Jim* Season II. There was no equity pickup recorded for Q1 2007.

In addition, as of Q1 2008 the Company had to date delivered $2.735 million-37 half-hours of proprietary television programs, where the license periods had not yet commenced by September 30, 2007, and therefore the revenue recognition criteria have not been met to recognize in Q1 2008. The additional proprietary television programs were: $1.235 million-13 half-hours of *The Latest Buzz* Season I, $1.150 million-10 half-hours of *The Latest Buzz* Season II, and $0.350 million-14 half-hours of *Super Why* (CBC). These license periods are scheduled to commence throughout Fiscal 2008 and 2009 and will be recognized in the corresponding quarters, when the license periods have commenced and all revenue recognition criteria have been met.

For Q1 2008 the Company earned no amounts for net producer and service fee revenues whereas for Q1 2007 the Company recorded net producer and service fees revenue of $0.306 million and $0.015 million for the feature films *Outlander* and *Slevin* respectively.

For Q1 2008 distribution revenues were up 11% to $1.413 million from $1.271 million for Q1 2007. For Q1 2008 the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: *Franny's Feet* Seasons I and II, *Naturally Sadie* Seasons I to III, *Urban Vermin* Season I, and *Planet Sketch* Season II.

For Q1 2008 music and royalty revenues dropped slightly to $0.159 million (Q1 2007-$0.245 million) while new media revenues were in line with Q1 2007 at $0.192 million (Q1 2007-$0.196 million). These revenue streams have remained strong and are expected to grow moderately for Fiscal 2008.

For Q1 2008 rental revenues were $0.122 million (Q1 2007-nil) from the rental of studio and office facilities to third parties as a result of the Company's purchase of Electropolis (See "Acquisition and Long-term Investment" section of this MD&A for further details) and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q1 2008 was $3.307 million an overall 31% of revenue versus $1.079 million or 34% of revenue for Q1 2007, an increase in absolute margin dollars of $2.228 million. The absolute gross margin dollars for Q1 2008 were higher than Q1 2007 as there were significant increases in production revenue.

In particular, production and distribution in terms of absolute dollars contributed $2.271 million and $0.727 million respectively or 91% of the total margin. Production margin at 26% was in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 51% is at the high end of the range of Management's expectations. This was a result of a few key sales on older titles that have a relatively low book value resulting in higher margins for Q1 2008. Going forward Management would expect the range on distribution margin to be from 30 to 45%. Music and royalty margin at 99% was in line with Management's expectations and is generally already on a net basis as the Company's license arrangements call for the deducting of third party commissions and expenses prior to the receipt of the royalty stream to the Company. Therefore, Management would expect this revenue stream to have a low cost of goods sold going forward with margins in the 70-90% range. New media margins at 16% were in line with Management's expectations. Rental revenue at this time requires no dedicated cost of goods sold associated with the earning of the revenue, so predominately all rental revenues will fall to the bottom line with the exception of nominal administrative charges of up to 5%.

Overall gross margin for Q1 2008 at 31% is in line with Management's projected margin and we would expect that future periods' gross margin will be within the 25 to 40% range.

EBITDA

In Q1 2008 EBITDA was $1.116 million, a significant improvement as compared to $0.080 million for Q1 2007. For Q1 2008 this was due to the increase in gross margin dollars of $2.228 million, adding back an increase of non-cash stock-based compensation expense of $0.053 million, and offset by the increase in SG&A, net of income from strategic investments of $1.245 million, for a positive total dollar change of $1.036 million.

Net Income (Loss) and Comprehensive Income (Loss)

Net Income and comprehensive income for Q1 2008 was $0.374 million, a significant improvement compared to a net loss of $0.202 million for Q1 2007, totalling an improvement of $0.576 million in absolute dollars. For Q1 2008 the overall improvement of $0.576 million was due to changes over Q1 2007 of the following amounts: a gross margin increase of $2.228 million, offset by an increase in operating expenses, net of income from strategic investments of $1.335 million, a $0.014 million increase in net interest and other expenses, and further reduced by $0.303 million change in provision for income taxes.

Results for the three months ended June 30, 2007 ("Q4 2007") compared to the three months ended June 30, 2006 ("Q4 2006")

Revenues

Revenues for Q4 2007 were $10.700 million, up from $9.225 million for Q4 2006, an increase of 16%. The increase was due to increases in the Company's distribution and music and royalty revenue categories. Management was pleased with the growth in revenue given that Q4 2007 was only the fourth full quarter of integrating the Decode activities into the results of the Company.

Proprietary production revenues for Q4 2007 of $5.281 million were down 37% over the $8.441 million for Q4 2006. The decline included a 78% decrease to $1.860 million (Q4 2006-$8.441 million) in proprietary production revenue for the Halifax Film division and the inclusion of $3.421 million for Q4 2007 (Q4 2006-nil, as this was prior to the acquisition) for the Decode division. The decline in the Halifax Film division related entirely to no deliveries of feature films during Q4 2007 versus $6.295 million in deliveries for Q4 2006.

For Q4 2007 the Company delivered $5.281 million-40 half-hours of proprietary television programs where the license periods have commenced. The breakdown for consolidated entities and non-consolidated entities for Q4 2007 and Q4 2006 was as follows:

		Q4 2007			Q4 2006	
Title	Season	$ Million	Half-hours		$ Million	Half-hours
Consolidated Entities						
Super Why (PBS)	Season I	$ 1.593	5.0		$ -	-
Naturally Sadie (SRC)	Season III	$ 0.080	N/A	[1]	$ -	-
Urban Vermin	Season I	$ 0.981	11.0		$ -	-
Chop Socky Chooks	Season I	$ 0.767	2.0		$ -	-
Bo on the Go!	Season I	$ 0.957	12.0		$ -	-
This Hour Has 22 Minutes	Season XIV	$ 0.380	2.0		$ -	-
The Truth About	Pilot	$ 0.127	N/A	[1]	$ -	-
North South	Season I	$ -	-		$ 1.358	6.0
Intervention (a.k.a. Funny Farm)	Feature Film	$ -	-		$ 2.408	4.0
It's a Boy Girl Thing	Feature Film	$ -	-		$ 3.887	4.0
POKO	Season III	$ -	-		$ 0.409	5.0
This Hour Has 22 Minutes	Season XIII	$ -	-		$ 0.369	2.0
Total Consolidated Entities		$ 4.885	32.0		$ 8.431	21.0
Non-consolidated Entities Accounted for Using the Equity Method						
Lunar Jim	Season I	$ 0.098			$ 0.010	
Lunar Jim	Season II	$ 0.298	8.0		$ -	-
Total All Entities		$ 5.281	40.0		$ 8.441	21.0

[1]N/A – Not applicable as deliveries of half-hours have already been counted when title delivered in the first instance.

The Company recorded for Q4 2007 from non-consolidated entities an additional $0.347 million and $0.014 million as an equity pickup for *Lunar Jim* Seasons I and II respectively versus an equity loss of $0.294 million for *Lunar Jim* Season I in Q4 2006.

In addition, during Q4 2007 the Company delivered $2.832 million-35.5 half-hours of proprietary television programs, however the license periods had not yet commenced by June 30, 2007, and therefore the revenue recognition criteria have not been met to recognize in Q4 2007. The additional proprietary television programs were: $0.584 million-7 half-hours of *Delilah & Julius* Season II, $1.235 million-13 half-hours of *The Latest Buzz* Season I, $0.230 million-2 half-hours of *The Latest Buzz* Season II, $0.608 million-6.5 half-hours of *Planet Sketch* Season II, and $0.175 million-7 half-hours of *Super Why* (CBC). These license periods are scheduled to commence throughout Fiscal 2008 and early 2009 and will be recognized in the corresponding quarters, when the license periods have commenced and all revenue recognition criteria have been met.

For Q4 2007 distribution revenues were up significantly to $5.093 million from $0.636 million for Q4 2006. For Q4 2007 the Company was successful in placing a multitude of titles from its current production slate and its library in multiple territories throughout the world and the license period commenced for a number of previously delivered programs. Some of the more significant sales were on the following titles: *Angela Anaconda* Seasons I to III, *Delilah & Julius* Season I, *Franny's Feet* Seasons I and II, *Naturally Sadie* Seasons I to III, *Girlstuff-Boystuff* Seasons I and II, *POKO* Seasons I to III, and *Planet Sketch* Season I.

For Q4 2007 music and royalty and new media revenues were up to $0.168 million (Q4 2006-$0.057 million) and dropped to $0.042 million (Q4 2006-$0.212 million) respectively. These revenue streams have remained strong and are expected to grow moderately for Fiscal 2008.

For Q4 2007 rental revenues were $0.116 million (Q4 2006-nil) from the rental of studio and office facilities to third parties as a result of the Company's purchase of Electropolis (See "Acquisition and Long-term Investment" section of this MD&A for further details) and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q4 2007 was $4.180 million an overall 39% of revenue versus $1.644 million or 18% of revenue for Q4 2006, an increase of 119% or $2.536 million in absolute margin dollars. The gross margin for Q4 2007 was higher than Q4 2006 as there were significant increases in two revenue categories: distribution and music and royalties as a result of the fourth full quarter's activities for Decode for Q4 2007 over 43 days activity for Q4 2006 and other organic growth. These revenue streams for Q4 2007 have much higher margins than the Company's historic production revenues when comparing to Q4 2006.

Overall gross margin for Q4 2007 at 39% was higher than Management's projected margin and we would expect that future periods' gross margin will be more in the line with a 25 to 35% range.

EBITDA

In Q4 2007 EBITDA was positive at $2.838 million, a significant improvement as compared to $0.688 million for Q4 2006. For Q4 2007 this was due to the increase in gross margin dollars of $2.536 million, offset by the increase in SG&A, net of income from strategic investments of $0.374 million, and offset by non-cash stock-based compensation expense of $0.011 million, for a positive total dollar change of $2.151 million.

Net Income (Loss)

Net Income for Q4 2007 was $1.035 million, a significant improvement compared to a net income of $0.416 million for Q4 2006, totalling an improvement of $0.619 million in absolute dollars. For Q4 2007 the overall improvement of $0.619 million was due to changes over Q4 2006 of the following amounts: a gross margin increase of $2.536 million, offset by an increase in operating expenses, net of income from strategic investments of $1.094 million, a $0.144 million increase in net interest and other expenses, and further reduced by $0.679 million change in provision for income taxes.

Results for the three months ended March 31, 2007 ("Q3 2007") compared to the three months ended March 31, 2006 ("Q3 2006")

Revenues

Revenues for Q3 2007 were $5.366 million, up from $1.889 million for Q3 2006, an increase of 184%. The increase is due to increases in the Company's production, distribution, music and royalties, and new media revenue categories. Management was pleased with the growth in revenue given that Q3 2007 was only the third quarter of integrating the Decode activities into the results of the Company.

Proprietary production revenues for Q3 2007 of $3.526 million were up 73% over the $2.038 million for Q3 2006. The increase for Q3 2007 is consistent with the Company's strategic goal to increase production revenue generated from home grown productions both in absolute dollars and as a percentage of the total production revenues earned. The growth included a 30% increase to $2.659 million (Q3 2006-$2.038 million) in proprietary production revenue for the Halifax Film division and the inclusion of $0.867 million for Q3 2007 (Q3 2006-nil, as this was prior to the acquisition) for the Decode division.

For Q3 2007 the Company delivered $3.526 million-27 half-hours of proprietary television programs where the license periods have commenced. The breakdown for consolidated entities and non-consolidated entities for Q3 2007 and Q3 2006 was as follows:

		Q3 2007			Q3 2006	
Title	Season	$ Million	Half-hours		$ Million	Half-hours
Consolidated Entities						
Chop Socky Chooks	Season I	$ 0.867	7.0		$ -	-
Bo on the Go!	Season I	$ 0.558	7.0		$ -	-
This Hour Has 22 Minutes	Season XIV	$ 1.952	9.0		$ -	-
This Hour Has 22 Minutes	Season XIII	$ -	-		$ 1.510	9.0
Total Consolidated Entities		$ 3.377	23.0		$ 1.510	9.0
Non-consolidated Entities Accounted for Using the Equity Method						
Lunar Jim	Season I	$ -	-		$ 0.528	8.0
Lunar Jim	Season II	$ 0.149	4.0		$ -	-
Total All Entities		$ 3.526	27.0		$ 2.038	17.0

The Company did not pickup any equity income for *Lunar Jim* Seasons I or II for either Q3 2007 or Q3 2006.

In addition, during Q3 2007 the Company delivered $0.608 million-6.5 half-hours of *Planet Sketch* Season II, however the license period had not yet commenced by March 31, 2007, and therefore the revenue recognition criteria has not been met to recognize in Q3 2007. This license period is scheduled to commence in Fiscal 2008 and will be recognized in the corresponding quarter when the license period has commenced and all revenue recognition criteria have been met.

For Q3 2007 distribution revenues were up significantly to $1.343 million from no amounts for Q3 2006. For Q3 2007 the Company was successful in placing a multitude of titles from its current production slate and its library in multiple territories throughout the world.

For Q3 2007 music and royalty and new media revenues were up to $0.327 million (Q3 2006-nil) and $0.058 million (Q3 2006-nil) respectively. These revenue streams have increased as Q3 2007 includes these revenue streams for the Decode division whereas Q3 2006 did not include the activities of Decode.

For Q3 2007 rental revenues were $0.112 million (Q3 2006-nil) from the rental of studio and office facilities to third parties as a result of the Company's purchase of Electropolis (See "Acquisition and Long-term Investment" section of this MD&A for further details) and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q3 2007 was $2.113 million an overall 39% of revenue versus $0.277 million or 15% of revenue for Q3 2006, an increase of 169% or $1.835 million in absolute margin dollars. The gross margin for Q3 2007 was higher than Q3 2006 as there were significant increases in the following four revenue categories: production, distribution, music and royalties, and new media as a result of the third full quarter's activities for Decode for Q3 2007 over no amounts for Q3 2006 and other organic growth. These revenue streams for Q3 2007 have much higher margins than the Company's historic production revenues when compared to Q3 2006.

EBITDA

In Q3 2007 EBITDA was positive at $0.631 million, a significant improvement as compared to a loss of $0.078 million for Q3 2006. For Q3 2007 this was due to the increase in gross margin dollars of $1.836 million and was offset by the increase in SG&A, net of income from strategic investments of $1.207 million and adding back of non-cash stock-based compensation expense of $0.080 million for a positive total dollar change of $0.709 million.

Net Income

Net Income for Q3 2007 was $0.134 million, a significant improvement compared to a net loss of $0.360 million for Q3 2006, totalling an improvement of $0.494 million in absolute dollars. For Q3 2007 the overall improvement of $0.494 million was due to changes over Q3 2006 of the following amounts: a gross margin increase of $1.835 million, offset by an increase in operating expenses, net of income from strategic investments of $1.253 million, offset by a $0.032 million improvement in net interest and other expenses, and further reduced by $0.056 million change in provision for income taxes.

Liquidity and Capital Resources

	December 31, 2007 $	**June 30, 2007 $**
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash, restricted cash [1] and short-term investment	**13,420**	5,779
Long-term assets	**53,358**	33,798
Working capital	**13,844**	13,995
Long-term liabilities	**8,382**	6,331
Working capital ratio [2]	**1.16**	1.25
Cash Inflows and (Outflows) by Activity:		
Operating activities	**(2,543)**	(20,682)
Investing activities	**(9,248)**	932
Financing activities	**19,553**	17,073
Net cash inflows (outflows)	**7,762**	(2,677)

(1) Restricted cash is the balance of cash on hand in Media Fund (Atlantic) Ltd. The use of this cash is restricted to specified uses related to the production and development of film and television programs.
(2) Working capital ratio is current assets divided by current liabilities.

Changes in Cash

Cash at December 31, 2007 was $11.195 million compared to $2.099 million and $3.434 million as of September 30, 2007 and June 30, 2007 respectively. For December 31, 2007 the cash balance increased $9.096 million when comparing the cash balance to September 30, 2007.

For December 31, 2007 cash flows from operating activities were a use of cash of $1.743 million. Cash flows from operating activities resulted from net income of $0.137 million and adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, stock-based compensation, interest on promissory notes, interest accreted on other long-term liabilities, unrealized loss on short-term investments, net change in non-cash working capital balances related to operations, and future income tax of $5.891 million, $0.304 million, $0.161 million, $0.210 million, $0.121 million, $0.003 million, $0.003 million, $0.149 million, $1.403 million, and $0.261 million respectively. Cash flows were reduced by credits not involving cash of $0.008 million for equity income, $0.002 million for non-controlling interest, $10.338 million for investments in film and television programs, and $0.038 million gain on disposal of short-term investments.

For December 31, 2007 cash flows generated from financing activities were $20.854 million. Cash flows from financing activities resulted from uses of cash of $0.400 million, $0.116 million, and $0.120 million respectively from repayments of note payable, repayments of long-term debt, and repayments of other long-term liabilities. Cash flows from financing activities resulted from $16.014 million from issuance of common shares and warrants, net of issuance costs, $1.419 million from bank indebtedness, and $4.057 million from proceeds of interim production financing.

For December 31, 2007 cash flows generated from investing activities were a use of cash of $10.015 million. Cash flows used in investing activities were $0.165 million for PP&E acquisitions, $7.638 million for business acquisitions, $0.184 million for acquisition of short-term investment, $2.061 million for a long-term investment, $0.204 million net cash to investees and offset by $0.237 million from proceeds on the disposal of short-term investments.

Working Capital

Working capital ("**Working Capital**") represents the Company's current assets less current liabilities. Decreases of Working Capital of $0.151 million as at December 31, 2007 over June 30, 2007 were predominantly driven by increases in accounts payable, bank indebtedness, deferred revenue, interim production financing, and the current portion of other long-term liabilities, and were offset by increases in cash, accounts receivable, current portion of investment in film and television, and prepaid expenses. The working capital ratio remained strong at 1.16 for December 31, 2007.

Based on the Company's current revenue expectations for Fiscal 2008, which are based on contracted and expected production and distribution revenue, the Company believes cash generated from operations and the Company's previously announced offering November 13, 2007 will be sufficient to satisfy Working Capital needs for at least the next twelve months. Management believes the current Working Capital surplus totalling $13.844 million is sufficient to execute its current business plan.

During Q2 2008, the Company closed a revolving credit facility ("RBC Revolving Credit Facility") with the Royal Bank of Canada with a maximum authorized amount of $70.0 million including bank indebtedness and production interim financing (notes 7 and 8 to the consolidated interim financial statements for three and six months ended December 31, 2007). Within the RBC Revolving Credit Facility is a revolving production credit facility with a maximum of $66.5 million 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.

Post the Studio B acquisition, given the RBC debt assumed, one interpretation is that the Company is getting close or is perhaps over the maximum authorized amount. In any event the Company has obtained a waiver of the potential breach and is working closely with RBC to remedy the situation and will report the results as soon as practical.

Contractual Obligations

As of December 31, 2007

Payments Due by Period	**Total**	**Fiscal 2008**	**Fiscal 2009-2011**	**Fiscal 2012-2013**	**After Fiscal 2013**
	$	**$**	**$**	**$**	**$**
Purchase Obligations					
Rights purchase for POKO [(1)]	296,702	296,702	-	-	-
Acquisition of library license rights [(2)]	1,433,852	840,000	593,852	-	-
Feature film settlement[(3)]	250,000	-	250,000	-	-
Capital Lease for Equipment [(4)]	401,478	219,103	182,375	-	-
Long-term debt payments (principal and interest) [(5)]	4,887,618	437,307	943,108	859,612	2,647,591
Total Contractual Obligations	7,269,650	1,793,112	1,969,335	859,612	2,647,591

(1) Pursuant to an agreement whereby the Company acquired the right to develop, produce, distribute, and otherwise exploit future seasons of the television series titled "*POKO*". The amount remaining as at December 31, 2007 was $296,702.

(2) Pursuant to an agreement whereby the Company acquired the distribution rights ("**Distribution Rights**") to 520 half-hours of television programming. The amount remaining as of December 31, 2007 was $1,433,852.

(3) Pursuant to a settlement on a feature film, the Company agreed to pay $75,000 by the earlier of July 31, 2008 or date of receipt of Provincial Tax Credits relating to the film and $175,000 by October 31, 2008.

(4) Pursuant to a capital lease for video editing and other office equipment, the obligations bear interest at 5.5% and 11% and mature from August 2008 tot June 2010.

(5) See note 9 to the unaudited interim consolidated financial statements for December 31, 2007 for details.

Outlook

Coming off Q2 2008 the Company's balance sheet remains strong and Management believes the Company is in a solid position for the remainder of Fiscal 2008. Management continues to focus on its core values and using its strengths to take advantage of present opportunities and to create further value for shareholders. With the proceeds of the Company's November 13, 2007 Unit Offering now at work, Management remains focused on increasing shareholder value through further organic growth and acquisitions. The Company anticipates using the proceeds of the November 13, 2007 Offering to move forward on the acquisition front in Fiscal 2008 and expects to be in a position to report on this in the coming quarters.

In particular, the Company believes it is well on its way to carrying forward its contemplated strategic initiatives, including revenue growth in production and distribution, increasing profitability metrics, expanding the Company's presence in international markets, leveraging the Company's experience to focus on children, youth, and family content and merchandising, and undertaking further potential synergistic acquisitions. In this regard, for Fiscal 2008, the Company remains focused on organic growth and growth through acquisitions and is currently exploring a number of opportunities to expand its revenue platform.

On August 10, 2007, the Company announced a deal relating to the acquisition of Distribution Rights to license the first twelve seasons of *This Hour Has 22 Minutes*, representing 258 half-hours of the distribution rights package, to The Comedy Network in Canada which exhibits DHX's ability to exploit these rights across multiple platforms by leveraging its existing distribution capabilities. For Six Months 2008 the Company has recorded $0.423 million in distribution revenue for this licensing deal. The Company is expecting revenues on this licensing deal for Fiscal 2009 of $1.0 million.

For Fiscal 2008 the Company has to date delivered 116.5 half-hours and is on target to meeting its previously reported goal of over 200 half-hours of contracted proprietary programs, made up of over 15 different episodic television series, which are scheduled for delivery and for the license periods to commence. The Company also has under negotiations with various broadcasters 50-100 half-hours of additional potential proprietary programs which are possible for Fiscal 2008. Given the addition of Studio B and how the Company is trending, Management is expecting that the number of proprietary deliveries where the license periods are projected to commence now to be over 215 half-hours for Fiscal 2008.

For the remainder of 2008, the Company expects these deliveries to represent double-digit production revenue growth, perhaps in the 20-40% range, as some of the Company's previous quarters television deliveries are simply awaiting their license periods to commence. Specifically, for Q3 2008, the Company has over 50 half-hours of contracted proprietary programs which are scheduled for delivery and for the license periods to commence. The Company's historic average production revenue value (once the license period has commenced) per half-hour of television programs is approximately $0.100-$0.175 million and Management expects the average production revenue value per half-hour actually delivered with the license periods commenced for the remainder of Fiscal 2008 to be in this range.

For the second half of Fiscal 2008, given the Studio B acquisition, the Company is expecting between $2.000 to $4.000 million in producer and service fee revenue based on existing service contracts in progress. The Company expects a gross margin range of 15-25% for this producer and service fee revenue.

For the remainder of 2008 the Company is expecting, somewhat based on contracted sales delivered and awaiting their licensing periods to commence (See "Critical Accounting Policies-Revenue Recognition" section of this MD&A for further details), further distribution revenue penetration on a number of additional titles in the current slate and from the library representing expected double-digit growth, perhaps in the range of 20-40% over the distribution totals for the first half of Fiscal 2008. For Fiscal 2008 other revenues, including music and royalty and new media revenues, are expected to have moderate growth.

Further synergies from the recent acquisition of Decode and Studio B are demonstrated through healthier gross margins as shown by the strong margin for Q2 2008 of 35%. For Fiscal 2008, gross margin is expected to be in the 25-40% range. For Fiscal 2008, Management expects the integration of Decode and Studio B to continue to result in further synergies and revenue growth in all categories.

In the last half of Fiscal 2008 and the first half of Fiscal 2009, the Company anticipates some further revenue growth, specifically in the category of music and royalty revenues, as it embarks upon its M&L relationships with PLAYSKOOL, a division of Hasbro Inc., for the Company's preschool property *Franny's Feet* and Alliance Atlantis on another preschool property *Lunar Jim*. The Company is also focused on leveraging other existing proprietary properties for additional M&L revenues.

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. During the initial broadcast of the rights the Company is somewhat reliant on the broadcaster's budget and financing cycles and at times the license period gets delayed and commences at a later date than originally projected.

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. Although with the Company's recent diversification of its revenue mix, particularly in the strengthening of the distribution revenue stream, some of the quarterly lumpiness is improving slightly and becoming more predictable. Distribution revenues are contract and demand driven and can fluctuate significantly from period-to-period.

Acquisitions and Long-term Investment

During Fiscal 2008-year to date, the following acquisitions/investment occurred:

(a) On November 22, 2007, the Company completed a strategic investment in privately-held Tribal Nova Inc. ("**Tribal Nova**") by acquiring a 16.77% interest in the company for cash consideration of CAD $2.061 million, including capitalized investment costs.

Tribal Nova is an established, on-line game developer and operator of gaming and video-on-demand (VOD) broadband channels for children 3 to 12. The partnership will provide another platform over which DHX Media can exploit its content library. DHX will also benefit from its equity participation by introducing Tribal Nova to its children's broadcaster clients around the world for whom an internet presence with a viable business model. Tribal Nova offers broadcasters the ability to create new revenue streams from its subscription service gaming and VOD platforms.

(b) On December 4, 2007, 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 an initial cash payment of CAD $8 million against a total purchase price of 4.5 times the average EBITDA of Studio B's years ending October 31, 2007 ("Fiscal 2007") and October 31, 2008 ("Fiscal 2008"), up to a maximum amount of CAD $20 million. Any further potential consideration payable by DHX Media 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.

DHX will benefit from several new broadcaster relationships, expanded production capabilities and a greater supply of children's programming from which it can generate future distribution revenues. Furthermore, the television series created by Studio B will contribute to DHX's stated strategy of growing a significant library of children's content from which revenues can be generated over multiple platforms. DHX also benefits from Studio B's proven track record of delivering service animation production to established long-term customers.

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management of the Company regularly reviews its estimates and assumptions based on historical experience and various other assumptions that it believes would result in reasonable estimates given the circumstances. Actual results could differ from those estimates under different assumptions. The following is a discussion of accounting policies that require significant Management judgments and estimates. For a discussion of all of the Company's accounting policies, including the items outlined below, refer to note 1 of the audited consolidated financial statements for the years ended June 30, 2007 and 2006 on www.sedar.com.

Revenue Recognition

Production and Distribution Revenue

The Company recognizes revenues from the licensing of film and television programs when: a) the Company has persuasive evidence of a contractual arrangement; b) the production has been completed; c) the contractual delivery arrangements have been satisfied; d) the licensing period has commenced; e) the fee is fixed or determinable; and f) collectibility of proceeds is reasonably assured.

Cash payments received or advances currently due pursuant to a broadcast license or distribution arrangement are recorded as deferred revenue until all of the foregoing conditions of revenue recognition have been met.

Producer and Service Fee Revenue

Revenues from production services for third parties are recognized on a percentage-of-completion basis. Associated production costs are charged against earnings as the revenue is recognized. Percentage-of-completion is based upon the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on production-in-progress.

Variable Interest Entities

The Company follows Accounting Guideline 15 – Consolidation of Variable Interest Entities ("**AcG 15**"). AcG 15 provides criteria for the identification of Variable Interest Entities (**"VIEs"**) and further criteria for determining what entity, if any should consolidate them. AcG 15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the equity investors lack the characteristic of a controlling financial interest. VIEs are subject to consolidation by a company if that company is deemed the primary beneficiary of the VIE. The primary beneficiary is the party that is either exposed to a majority of the expected losses from the VIEs' activities or is entitled to receive

a majority of the VIEs' residual returns or both (For a more detailed discussion of VIEs see note 2 to the Financial Statements for the years ended June 30, 2007 and 2006 on www.sedar.com).

Investment in Film and Television Programs

Investment in film and television programs represents the unamortized costs of film and television programs which have been produced by the Company or for which the Company has acquired distribution rights. Investment in film and television programs also includes acquired film and television libraries. Costs of acquiring and producing film and television programs are capitalized, net of federal and provincial program contributions earned, and amortized using the individual film forecast method, whereby capitalized costs are amortized and ultimate participation costs are accrued in the proportion that current revenue bears to Management's estimate of ultimate revenue expected to be recognized from the exploitation, exhibition, or licensing of the film or television program. For film and television programs produced by the Company, capitalized costs include all direct production and financing costs incurred during production that are expected to benefit future periods. Financing costs are capitalized to the costs of a film or television program until the film or television program is complete. Capitalized production costs do not include administrative and general expenses, the cost of overall deals, or charges for losses on properties sold or abandoned. For episodic television series, until estimates of secondary market revenue can be established, capitalized costs for each episode produced are limited to the amount of revenue contracted for each episode. Costs in excess of this limitation are expensed as incurred on an episode-by-episode basis. Production financing provided by third parties that acquire substantive equity participation is recorded as a reduction of the cost of the production. Film and television programs in progress represent the accumulated costs of productions, which have not been completed by the Company. For films other than episodic television series and acquired libraries, ultimate revenue includes estimates over a period not to exceed ten years following the date of initial release. For episodic television series, ultimate revenue includes estimates of revenue over a period not to exceed ten years from the date of delivery of the first episode or, if still in production, five years from the date of delivery of the most recent episode, if later. For acquired film and television libraries previously released, ultimate revenue includes estimates of revenue over a period not to exceed twenty years from the date of acquisition.

Revenue estimates are prepared on a title-by-title basis and are reviewed periodically based on current market conditions. For film, revenue estimates include net theatrical receipts, sale of videocassettes and DVDs, licensing of television broadcast rights and licensing of other ancillary film rights to third parties. For television programs, revenue estimates include licensed rights to broadcast television programs in development and rights to renew licenses for episodic television programs in subsequent seasons. Ultimate revenue includes estimates of secondary market revenue for produced episodes only when the Company can demonstrate through its experience or industry norms that the number of episodes already produced, plus those for which a firm commitment exists and the Company expects to deliver, can be licensed successfully in the secondary market.

Estimates of future revenue involve measurement uncertainty and it is therefore possible that reductions in the carrying value of investment in film and television programs may be required as a consequence of changes in Management's future revenue estimates.

The valuation of investment in film and television programs is reviewed on a title-by-title basis when an event or change in circumstances indicates that the fair value of a film or television program is less than its unamortized cost. The fair value of the film or television program is determined using Management's estimates of future revenues and costs under a discounted cash flow approach. A write-down is recorded equivalent to the amount by which the unamortized costs exceed the estimated fair value of the film or television program.

Stock-based Compensation

The Company follows the Canadian Institute of Chartered Accountants Handbook Section 3870 ("**CICA 3870**"), "Stock-based Compensation and Other Stock-based Payments". Under the amended standards of this Section, the fair value of all stock options granted to employees are recorded in operations or production costs, as applicable over their vesting periods.

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

Investment in Production Companies

The valuation of equity accounted investments is regularly reviewed by Management to ensure that any decline in market value that is considered other than temporary has been reflected in the related carrying value of the investment. In making that assessment, several factors are considered, including the amount by which the market value exceeds carrying value and investees' expected future cash flows and earnings. The Company recorded in the equity investment income line on the statement of earnings an amount of $0.031 million and $0.008 million for Six Months 2008 and Q2 2008 respectively (Six Months 2007-$0.015 million loss and Q2 2007-$0.015 million loss).

Goodwill

The Company implements the recommendations of the Canadian Institute of Chartered Accounts (''CICA'') Handbook Section 3062, "Goodwill and Other Intangible Assets". Based on this standard, goodwill of the Company is tested for impairment annually on June 30, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. Impairment indicators include the existence of significant restructuring plans, the existence of significant adverse changes in the business climate, and the existence of significant write downs of assets. During the six months ended December 31, 2007, the Company recorded no amounts for impairment of goodwill (Q2 2007-nil).

Provisions

Balance sheet provisions for amounts receivable and legal issues all require estimates and assumptions by Management that could be significant.

In certain instances, the provision for amounts receivable is based on specifically identified accounts where Management believes that collection is doubtful. These accounts are identified based on customer knowledge and past experience. In other instances, the provision for amounts receivable is based on an allowance for Federal and Provincial government tax credits receivable and is based on historic collection, excluding accounts that have been specifically provided for. Historically, Management's estimate of the required provision has been adequate.

Provisions for legal issues are based on Management's best estimate of the probable outcome and resolution of legal matters.

Future Tax Assets and Liability

Management's assessment of the Company's ability to realize future income tax assets is performed on a legal entity basis and is based on existing tax laws and estimates of future taxable income. Where, in the opinion of Management, the value of future income tax assets exceeds the estimate of amounts expected to be realized, a valuation allowance is recorded to reduce the future income tax asset. If the Company's assessment changes in the future, the valuation allowance will increase or decrease accordingly, resulting in corresponding decreases or increases in income, respectively, in that period. The valuation allowance is in no way indicative of the availability of income tax losses or other timing differences to offset future profits earned. Rather, the valuation allowance reduces the future income tax asset to Management's estimate of the future tax asset that will be realized as a reduction of cash income taxes paid in the future.

The above estimates are revised accordingly as new or different circumstances arise. While Management believes the balance sheet provisions are adequate, using different assumptions or estimates could have a significant impact on the Company's results of operations, prospects, or financial condition.

Accounting Policy Changes and Recent Accounting Pronouncements

Financial Instruments, Comprehensive Income, and Hedges

In January 2005, the CICA issued Handbook Sections 3855, ''Financial Instruments — Recognition and Measurement'', 1530, ''Comprehensive Income'', 3251, ''Equity'', and 3865, ''Hedges''. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company adopted these new standards effective July 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;

- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as changes in the currency translation adjustment relating to self-sustaining foreign operations, unrealized gains or losses on available-for-sale investments, and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 ''Hedging Relationships'', and the hedging guidance in Section 1650 ''Foreign Currency Translation'' by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Variability in Variable Interest Entities

In September 2006, the Emerging issues Committee of the CICA issued EIC 163, "Determining the Variability to be Considered in Applying AcG-15". EIC 163 provides additional clarification on how to analyze and consolidate VIEs. Effective July 1, 2007, the Company adopted EIC 163 on a prospective basis. The adoption of this standard did not have an impact on the Company's consolidated financial statements.

Capital Disclosures

In December 2006, the CICA issued Handbook Section 1535, ''Capital Disclosures''. This Section establishes standards for disclosing information about an entity's objectives, policies, and processes for managing capital. This standard is effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company will adopt this new standard effective July 1, 2008.

Financial Instruments — Disclosures and Presentation

In December 2006, the CICA issued Handbook Sections 3862, ''Financial Instruments — Disclosures'' and 3863, ''Financial Instruments — Presentation''. These standards enhance existing disclosures in previously issued Section 3861 ''Financial Instruments — Disclosures and Presentation''. Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis. The Company will adopt these new standards effective July 1, 2008.

Credit Risk

Accounts receivable from the Canadian federal government and other government agencies in connection with production financing represents 65% of total accounts receivable at December 31, 2007 (December 31, 2006-71%). Certain of these amounts are subject to audit by the government agency. Management believes that these amounts are fully collectible. The balance of trade accounts receivable are mainly with Canadian broadcasters and large distribution companies. Management believes that these amounts are fully collectible. An allowance for doubtful accounts, specifically an allowance on Federal and Provincial tax credits receivable, has been recorded based on the Company's collection history.

Interest Rate Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates as its interim production financing and its long-term debt bear interest at floating rates. Management believes this exposure to be minimal. As an example, as of December 31, 2007, even a 1% rate increase would only result in an annualized increase of approximately $0.2-0.4 million in interest expense.

Risk Assessment

The following are the specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, and financial condition. These specific and general risks are as follows: risks related to the nature of the entertainment industry, risks related to television and film industries, risks related to doing business internationally, loss of Canadian status, competition, limited ability to exploit filmed and television content library, protecting and defending against intellectual property claims, fluctuating results of operations, raising additional capital, concentration risk, reliance on key personnel, market share price fluctuations, risks associated with acquisitions and joint ventures, potential for budget overruns and other production risks, management estimates in revenues and earnings, stoppage of incentive programs, financial risks resulting from the Company's capital requirements, government incentive program, change in regulatory environment, litigation, technological change, labour relations, and exchange rates. *For further details see "Risk Factors" contained in the Company's Annual MD&A for the year ended June 30, 2007 and 2006 on www.sedar.com.*

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the entity's disclosure controls and procedures to provide reasonable assurance that all relevant information is gathered and reported to them on a timely basis so that appropriate decisions can be made regarding public disclosures.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures have concluded that, as at December 31, 2007, the entity's disclosure controls and procedures were effective. It should be noted that while the entity's Chief Executive Officer and Chief Financial Officer believed that the disclosure controls and procedures can provide a reasonable level of assurance, and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors and fraud. A control system, no matter how well designed or operated can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

Internal Control over Financial Reporting ("ICFR")

The Company's Chief Executive Officer and Chief Financial Officer are responsible for designing ICFR or causing these controls to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance to Canadian GAAP.

Due to its inherent limitations, ICFR may not prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Chief Executive Officer and Chief Financial Officer conducted an evaluation of control design on ICFR as at December 31, 2007. Based on this evaluation, Management has concluded that the Company's ICFR were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the Multilateral Instrument would have been known to them.

The Company's Board of Directors has implemented a Code of Business Conduct and Ethics and it has been distributed to all directors, officers and employees of the Company.

Changes in ICFR

There were no changes in the Company's ICFR that occurred during the period ended December 31, 2007 that to Management's knowledge have materially affected or are reasonably likely to materially affect the entity's ICFR. However, during the period ended December 31, 2007 the Company acquired Studio B. At this time there is nothing to indicate the entity's ICFR have been materially affected, or are reasonably likely to be materially affected as a result of the acquisition. Management is in the process of evaluating the ICFR for this new subsidiary and will report any material information concerning any changes in ICFR as soon as practical.

Use of Non-GAAP Financial Measures

In addition to the results reported in accordance with Canadian generally accepted accounting principles, determined with reference to the Handbook of the CICA ("**GAAP**"), the Company uses various non-GAAP financial measures, which are not recognized under Canadian GAAP, as supplemental indicators of our operating performance and financial position. These non-GAAP financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a more consistent basis for comparison between periods. The following discussion explains the Company's use of EBITDA and Gross Margin as measures of performance.

"**EBITDA**" means earnings (loss) before interest, taxes, depreciation, amortization, and stock-based compensation expense. Amortization includes amortization of property, plant, and equipment, acquired libraries, and intangible assets. EBITDA represents net income (loss) of the Company before amortization of property, plant, and equipment, acquired libraries, and intangible assets, interest and amortization of deferred financing fees, interest income (expense), non-controlling interest, equity income (loss), development expenses, and stock-based compensation expense. EBITDA is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Management believes EBITDA to be a meaningful indicator of our performance that provides useful information to investors regarding our financial condition and results of operation.

"**Gross Margin**" means revenue less direct production costs and amortization of film and television programs. Gross Margin is not an earnings measure recognized by GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, Gross Margin may not be comparable to similar measures presented by other issuers.

A reconciliation of historical results to EBITDA is presented on the next page.

Reconciliation of Historical Results to EBITDA

EBITDA is not a recognized earnings measure under GAAP and does not have standardized meanings prescribed by GAAP. Therefore EBITDA may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that EBITDA should not be construed as alternatives to net income or loss determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. The following table reconciles income (loss) before income taxes, EBITDA, and Gross Margin, based on the historical unaudited financial statements of the Company for the three month periods ended December 31, 2007 and 2006, September 30, 2007 and 2006, June 30, 2007 and 2006, and March 31, 2007 and 2006, included elsewhere in this MD&A. For further description see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A. The financial information in the table below for Q3 Fiscal 2006 ended March 31, 2006, is for the period prior to the acquisition of Decode. *The financial information for Q2 Fiscal 2008 in the table includes only 28 days of activity from December 4, 2007, the date of acquisition, to December 31, 2007 for the Studio B division (see–"Acquisition and Long-term Investment" section of this MD&A for further details on the Studio B acquisition).* The financial information for Q1 Fiscal 2008 and prior pre-dates the acquisition of Studio B.

	Six Months Ended Q2-08 $	Q2-08 $	Q1-08 $	Q4-07 $	Q3-07 $
Income (loss) before income taxes for the period ……………………….	**806,403**	**206,951**	599,452	1,607,649	199,890
Interest and amortization of deferred financing fees ………………………	**295,850**	**124,336**	171,514	455,758	-
Interest and other expense (income)	**(90,492)**	**6,927**	(97,419)	(265,910)	36,247
Equity loss, loss on abandoned investment, and non-controlling interest	**3,394**	**(1,773)**	5,167	278,402	5,179
Equity income……………………….	**(31,019)**	**(7,755)**	(23,264)	(360,513)	-
Amortization …………………...……	**1,022,963**	**674,985**	347,978	658,124	296,717
Development expenses…………....	**35,259**	**35,259**	-	337,563	14,296
Stock-based compensation expense[1]	**233,887**	**121,260**	112,627	126,512	79,057
EBITDA[2]…………………………….	**2,276,245**	**1,160,190**	**1,116,055**	**2,837,585**	**631,386**
Selling, general and administrative, net of stock-based compensation expense…………………………..…	**4,573,743**	**2,363,444**	2,210,299	1,615,681	1,977,171
Income from strategic investments	**(69,525)**	**(50,025)**	(19,500)	(272,972)	(495,559)
Gross Margin[2] …………………....	**6,780,463**	**3,473,609**	**3,306,854**	**4,180,294**	**2,112,998**

	Six Months Ended Q2-07 $	Q2-07 $	Q1-07 $	Q4-06 $	Q3-06 $
Income (loss) before income taxes for the period ……………………….……..	**(16,784)**	263,165	(279,949)	310,401	(349,743)
Interest and amortization of deferred financing fees ………………….……..	**-**	-	-	141,709	256,986
Interest and other expense (income)	**67,465**	46,523	20,942	(101,826)	(6,942)
Equity loss, loss on abandoned investment, and non-controlling interest	**25,619**	16,886	8,733	76,846	19,462
Equity income……………………….	**-**	-	-	-	-
Amortization ………………...………	**738,278**	467,686	270,592	123,711	2,540
Development expenses…………....	**51,652**	51,652	-	-	-
Stock-based compensation expense[1]	**164,763**	104,946	59,817	136,737	-
EBITDA[2]…………………………….	**1,030,993**	**950,858**	**80,135**	**687,578**	**(77,697)**
Selling, general and administrative, net of stock-based compensation expense……………………………	**3,377,531**	1,835,450	1,542,081	1,143,561	355,015
Income from strategic investments	**(968,230)**	(425,278)	(542,952)	(187,230)	-
Gross Margin[2] …………………....	**3,440,294**	**2,361,030**	**1,079,264**	**1,643,909**	**277,318**

[1]Effective Q2 2007 and onward, the Company began adding back as part of the EBITDA calculation non-cash stock-based compensation expense and has adjusted accordingly for all prior quarters reported herein.

[2]Certain of the comparative Non-GAAP Financial Measures ("**NGFM**") are adjusted for all necessary adjustments, consisting of normal recurring adjustments and any changes in the current definition of NGFM (see "Use of Non-GAAP Financial Measures" section of this MD&A for further details).

DHX MEDIA LTD.

Q2 2008

Supplemental Information
For the Three and Six months ended December 31, 2007

1. Summary of securities issued and options and warrants granted during the three and six months ended December 31, 2007

a. Summary of securities issued

Common Shares	Number of Common Shares	Value $
Balance at June 30, 2007	**32,801,452**	**40,778,665**
Shares issued in connection with private placement in November 2007	9,815,000	15,939,560
Costs for share issuance in connection with privat placement in November 2007		(1,402,356)
Balance at December 31, 2007	**42,616,452**	**55,315,869**

b. Summary of options and warrants

Options	Number of Options	Weighted-average exercise price
Balance at June 30, 2007	**1,921,547**	**$2.20**
Granted to Sir Graham Day, Director	40,000	$1.62
Granted to J. William Ritchie, Director	40,000	$1.62
Granted to Joe Medjuck, Director	40,000	$1.62
Granted to Donald Wright, Director	40,000	$1.62
Granted to Michael Donovan, Director and Officer	40,000	$1.62
Granted to Charles Bishop, Director and Officer	40,000	$1.62
Granted to Dana Landry, CFO	40,000	$1.62
Granted to Steven DeNure, Director and Officer	75,000	$1.62
Granted to Neil Court, Director and Officer	40,000	$1.62
Options cancelled during period	(100,000)	$1.58
Balance at December 31, 2007	**2,216,547**	**$2.13**

Put Options	Number of Put Options	Weighted-average exercise price
Balance at December 31, 2007	**425,420** [1]	**Nil**

[1] Each convert on a one-to-one basis to common shares of the Company (see note 12(h) of the consolidated financial statements for further details).

Warrants	Number of Warrants	Weighted-average exercise price
Balance at June 30, 2007	**435,125**	**$2.35**
Granted in connection with private placement in November 2007	4,922,750	$2.10
Granted to Brokers in connection with private placement in November 2007	736,888	$1.80
Balance at December 31, 2007	**6,094,763**	**$2.08**

c. Summary of securities as at the end of the reporting period

i. Authorized share capital

Unlimited common shares without nominal or par value;

10,000,000 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;

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.

ii. Shares outstanding and recorded value

42,616,452 common shares at a recorded value of $55,315,869;

100,000,000 preferred variable voting shares at a recorded value of $100.

iii. Description of options and warrants

See Note 12 of the unaudited interim consolidated financial statements for the three and six months ended December 31, 2007.

2. Directors and officers as at December 31, 2007

Directors

Sir Graham Day (1) (2)	Lead Director
Michael Donovan (1)	Chairman, Board of Directors
J. William Ritchie (2)	Director
Donald Wright (2)	Director
Joe Medjuck (2)	Director
Charles Bishop (1)	Director
Steven DeNure	Director
Neil Court	Director

Officers

Michael Donovan	CEO
Dana Landry	CFO
Charles Bishop	Secretary and President of Halifax Film Ltd.
Steven DeNure	President of Decode Entertainment Inc.
Neil Court	President of Decode Enterprises
David Regan	Executive VP Corporate Development

(1) Member of the Production Financing Committee.

(2) Member of the Audit Committee, Compensation Committee and the Nominating and Governance Committee.