DHX Media Ltd.

Consolidated Financial Statements
June 30, 2007 and June 30, 2006
(expressed in Canadian dollars)

September 26, 2007

Management’s Responsibility for Financial Reporting

The accompanying consolidated financial statements of **DHX Media Ltd.** have been prepared by the Company’s management. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and contain estimates based on management’s judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility through its Audit Committee.

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

PricewaterhouseCoopers LLP, appointed as the Company’s auditors by the shareholders, has examined these consolidated financial statements and their report follows.

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

(signed) *“Dana Landry”*
Chief Financial Officer

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
1809 Barrington Street, Suite 600
Halifax, Nova Scotia
Canada B3J 3K8
Telephone +1 (902) 491 7400
Facsimile +1 (902) 422 1166

September 26, 2007

Auditors' Report

To the Shareholders of
DHX Media Ltd.

We have audited the consolidated balance sheets of **DHX Media Ltd.** as at June 30, 2007 and June 30, 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2007 and June 30, 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) *"PricewaterhouseCoopers LLP"*

Chartered Accountants

DHX Media Ltd.

Consolidated Balance Sheet

As at June 30, 2007 and June 30, 2006

(expressed in Canadian dollars)

	2007 $	2006 $
Assets		
Current assets		
Cash	3,433,924	6,111,391
Short-term investments (note 4)	1,869,245	2,658,430
Amounts receivable (note 5)	33,030,124	30,786,367
Prepaid expenses and deposits	371,499	468,927
Current portion of investment in film and television programs (note 6)	30,502,718	11,863,610
	69,207,510	51,888,725
Investment in film and television programs (note 6)	16,522,625	9,386,042
Restricted cash (note 7)	475,376	802,908
Investment in production companies (note 8)	1,210,362	61,939
Property, plant and equipment (note 9)	5,856,774	5,843,757
Intangible assets (note 10)	2,574,942	3,202,016
Goodwill	7,157,541	6,613,053
	103,005,130	77,798,440
Liabilities		
Current liabilities		
Bank indebtedness (note 11)	500,000	–
Accounts payable and accrued liabilities	7,132,866	12,087,411
Income taxes payable	–	203,647
Deferred revenue	13,324,560	2,619,267
Interim production financing (note 12)	33,119,013	16,369,455
Current portion of long-term debt (note 13)	256,104	238,560
Current portion of other long-term liabilities (note 14)	480,000	–
Note payable (note 15)	400,000	2,000,000
	55,212,543	33,518,340
Long-term debt (note 13)	2,901,350	3,012,513
Other long-term liabilities (note 14)	992,025	–
Future income taxes (note 18)	1,873,000	1,128,000
Non-controlling interest	564,611	543,469
	61,543,529	38,202,322
Shareholders' Equity		
Share capital and contributed surplus (note 16)	42,047,061	41,382,333
Deficit	(585,460)	(1,786,215)
	41,461,601	39,596,118
	103,005,130	77,798,440

Commitments and contingencies (note 20)

Approved by the Board of Directors

By: (signed) *"Donald Wright"*
Director

By: (signed) *"Sir Graham Day"*
Director

DHX Media Ltd.

Consolidated Statement of Operations and Deficit

For the years ended June 30, 2007 and June 30, 2006

(expressed in Canadian dollars)

	2007 $	2006 $
Revenues	25,970,619	15,748,409
Direct production costs and amortization of film and television programs produced	16,237,033	12,928,759
	9,733,586	2,819,650
Operating expenses		
Amortization of acquired library	607,620	–
Development expenses	403,512	201,315
Selling, general and administrative	7,340,714	2,627,177
	8,351,846	2,828,492
	1,381,740	(8,842)
Income from strategic investments	1,736,761	187,230
Income before the following	3,118,501	178,388
Amortization	1,085,499	129,686
Equity (income) loss (note 8)	(360,513)	294,481
Interest and amortization of deferred financing fees	455,758	905,511
Interest income	(162,198)	(175,107)
Loss on abandoned acquisition	288,058	–
Non-controlling interest	21,142	12,707
Income (loss) before income taxes	1,790,755	(988,890)
Provision for (recovery of) income taxes (note 18)		
Large corporation taxes	113,000	150,000
Current income taxes	(268,000)	(73,000)
Future income taxes	745,000	(151,000)
	590,000	(74,000)
Net income (loss) for the year	1,200,755	(914,890)
Deficit – Beginning of year	(1,786,215)	(871,325)
Deficit – End of year	(585,460)	(1,786,215)
Basic earnings (loss) per common share (note 21)	0.04	(0.06)
Fully diluted earnings (loss) per common share (note 21)	0.03	(0.06)

DHX Media Ltd.

Consolidated Statements of Cash Flows

For the years ended June 30, 2007 and June 30, 2006

(expressed in Canadian dollars)

	2007 $	2006 $
Cash provided by (used in)		
Operating activities		
Net income (loss) for the year	1,200,755	(914,890)
Charges (credits) to income not involving cash		
Amortization of film and television programs	15,229,034	11,645,345
Amortization of acquired library	607,620	–
Amortization of deferred financing charges	–	168,569
Amortization of property, plant and equipment	458,425	52,202
Amortization of intangible assets	627,074	77,484
Gain on disposal of short-term investments	(1,689,035)	(187,230)
Stock-based compensation	370,332	136,737
Interest on promissory notes	15,331	–
Interest	–	730,906
Equity (income) loss	(360,513)	294,481
Non-controlling interest	21,142	12,707
Future income tax expense (recovery)	745,000	(151,000)
	17,225,165	11,865,311
Investment in film and television programs	(41,116,849)	(17,550,193)
Net change in non-cash working capital balances related to operations (note 22)	3,209,373	1,160,583
	(20,682,311)	(4,524,299)
Financing activities		
Proceeds from issuance of common shares, net of issuance costs	(38,184)	14,542,064
Proceeds from issuance of shares of a subsidiary, net of issuance costs	–	530,762
Proceeds from issuance of preferred shares, net of issuance costs	–	440,000
Proceeds from bank indebtedness	495,927	–
Deferred financing fees and other costs	–	977,684
Proceeds from interim production financing	16,589,707	744,155
Repayment of demand loan	–	(125,000)
Proceeds from long-term debt	127,397	1,375,773
Repayment of long-term debt	(291,192)	(8,500,000)
Increase in other long-term liabilities	1,472,025	–
Repayment of note payable	(1,282,750)	–
	17,072,930	9,985,438
Investing activities		
Business acquisitions	(146,840)	(1,893,218)
Purchase of short-term investments	(683,425)	(1,735,002)
Proceeds on disposal of short-term investments	3,161,645	289,675
Acquisition of property, plant and equipment	(611,556)	(1,926,194)
Net cash advances to investees	(787,910)	(648,064)
	931,914	(5,912,803)
Net change in cash during the year	(2,677,467)	(451,664)
Cash – Beginning of year	6,111,391	6,563,055
Cash – End of year	3,433,924	6,111,391

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies

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

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Principles of consolidation

The consolidated financial statements include the accounts of DHX Media Ltd. and all of its subsidiaries and all variable interest entities (''VIEs'') for which it is the primary beneficiary with provision for minority interests, and its proportionate share of assets, liabilities, revenues and expenses for jointly controlled operations. Investments in entities over which the Company has significant influence are accounted for using the equity method. Intercompany accounts and transactions among consolidated companies have been eliminated upon consolidation.

Revenue recognition

Revenue from the licensing of film and television programs is recognized 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. 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.

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies (continued)

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 and the Company's right to participate in certain future cash flows of film and television programs produced and distributed by other unrelated parties ("Acquired Participation Rights"). Investment in film and television programs also includes acquired film and television libraries or properties that are in production.

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, 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. Acquired participation costs are recognized initially at the amounts paid or the fair value of amounts due to the counterparty.

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.

Ultimate revenue estimates are prepared on a title-by-title basis and are reviewed periodically based on current market conditions. For film, ultimate revenue estimates include box office receipts, sale of videocassettes, and DVDs, licensing of television broadcast rights and licensing of other ancillary film rights to third parties. For television programs, ultimate 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. Ultimate 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.

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies (continued)

Investment in film and television programs (continued)

The valuation of investment in film and television programs (including Acquired Participation Rights), 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 or the acquired participation right 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 or acquired participation right.

Development costs

Development costs include costs of acquiring film rights to books, stage plays or original screenplays and costs to adapt such projects. Such costs are capitalized and, upon commencement of production, are added to investment in film and television programs or film and television programs in progress. Advances or contributions received from third parties to assist in development are deducted from these costs. Projects in development are written off as development expenses at the earlier of the date determined not to be recoverable or when projects under development are abandoned, and three years from the date of the initial investment.

Property, plant and equipment

Property, plant and equipment are carried at cost, including capitalized interest on major projects, less accumulated amortization. Amortization is provided, commencing when the asset is placed into service, over the estimated useful life of the asset, using the following annual rates and methods:

Building	4% by declining-balance
Furniture, fixtures and other equipment	20% by declining-balance
Computer equipment	30% by declining-balance
Post-production equipment	30% by declining-balance
Computer software	2 years straight-line
Website design	2 years straight-line
Leasehold improvements	5 years straight-line and straight-line over lease term

Intangible assets

Intangible assets include amounts of the purchase price allocation upon the acquisition of Decode Entertainment Inc. ("Decode"). Amortization is provided over the estimated useful life of the asset, using the following annual rates and methods:

Production backlog	2 years straight-line
Broadcaster relationships	7 years straight-line
Customer and distributor relationships	10 years straight-line
Non-compete contracts and brand	3 years straight-line

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies (continued)

Government financing and assistance

The Company has access to several government programs, including tax credits, that are designed to assist film and television production and distribution in Canada. Amounts received or receivable in respect of production assistance are recorded as a reduction of the production costs of the applicable production. Government assistance with respect to distribution rights is recorded as a reduction of investment in film and television programs. Government assistance towards current expenses is recorded as a reduction of the applicable expense item.

Impairment of long-lived assets

Indefinite lived assets, including goodwill, are subject to annual impairment tests under GAAP. Any impairment would be recognized as an expense in the period of impairment.

Income taxes

Future income taxes are provided for using the liability method whereby future income taxes are recognized for the expected future income tax consequences of all significant temporary differences between the tax and financial statement bases of assets and liabilities.

Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of the enactment or substantive enactment.

Foreign currency

Assets and liabilities denominated in currencies other than Canadian dollars are translated at exchange rates in effect at the balance sheet date. Revenue and expense items are translated at average rates of exchange for the year. Translation gains or losses are included in the determination of earnings.

Earnings (loss) per share

Earnings (loss) per share basic and fully diluted are computed based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been disclosed since the exercise of the employee stock options, the put options and warrants would be anti-dilutive.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of net identifiable assets acquired. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. Impairment is tested by comparing the fair value of goodwill assigned to a particular reporting unit to its carrying value.

(expressed in Canadian dollars)

1 Nature of the business and significant accounting policies (continued)

Management estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those reported.

Stock-based compensation

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 are credited to share capital.

Financial instruments

The Accounting Standards Board has issued four new standards dealing with financial instruments: (i) Financial Instruments – Recognition and Measurement, Disclosure and Presentation, (ii) Hedges, (iii) Equity and (iv) Comprehensive Income. The key principles under these standards are that all financial instruments, including derivatives, are to be included on a company's balance sheet and measured, initially at their fair values. Subsequent measurement depends on the classification of the instrument and is either at fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. Financial instruments intended to be held-to-maturity should be measured at amortized cost. Existing requirements for hedge accounting are extended to specify how hedge accounting should be performed.

Also, a new location for recognizing unrealized gains and losses of certain financial instruments on the balance sheet entitled other comprehensive income has been introduced. The new standards are effective for the Company beginning July 1, 2007. The standards do not permit restatement of prior years' financial statements, however, the standards have detailed transition provisions. The Company is in the process of evaluating all of the consequences of the new standards; which may have a material impact on the Company's financial statements.

(expressed in Canadian dollars)

2 Variable interest entities

A variable interest entity (''VIE'') is an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or wherein the equity investors lack the characteristic of a controlling financial interest. VIEs are subject to consolidation by the company if the 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 VIE's activities or is entitled to receive a majority of the VIE's residual returns or both.

The Company identified the following VIEs, that it has determined it is not the primary beneficiary.

Production arrangements

In each of May 2003, May 2006 and July 2006, the Company entered into separate production arrangements with third party production and distribution companies related to the production of two separate television series and one feature film. These production companies are VIEs as they do not have sufficient equity at risk to finance its activities. The Company does have variable interests in these entities but it is not exposed to the majority of the expected losses of the entities, and accordingly, the Company has accounted for these entities using the equity method (note 8).

3 Acquisitions

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

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

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

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

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

(expressed in Canadian dollars)

3 Acquisitions (continued)

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

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

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

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

(c) On December 22, 2006, the Company completed the acquisition of the license for the worldwide distribution rights to 520 half-hours of television programming ("Distribution Rights") for $2,200,000. As of June 30, 2007, the Company has paid cash of $500,000 and is scheduled to pay the remainder through ten quarterly payments of $120,000 ending March 31, 2009 and one lump sum payment of $500,000 due March 31, 2009. The fair value of the purchase price of the distribution rights of $2,076,961 has been included in investment in film and television programs (note 6) under the category Acquired Participation Rights.

During the year ended June 30, 2006, the following business acquisitions occurred:

(d) On May 19, 2006, the Company acquired all of the issued and outstanding shares of Decode Entertainment Inc. ("Decode"), a television production company, for the total consideration of $17,892,136 as follows:

- Cash of $4,982,750 (Initial payment of $3,700,000 on May 19, 2006 and a payment of $1,282,750 December 15, 2006);
- $400,000 promissory note payable December 31, 2007, bearing interest at 10% per annum;
- 6,018,011 common shares of the Company valued at $11,888,789 (5,793,011 common shares valued at $11,571,539 issued on May 19, 2006 and 225,000 common shares valued at $317,250 issued on December 18, 2006); and
- Transaction costs of $620,597.

(expressed in Canadian dollars)

3 Acquisitions (continued)

The acquisition has been accounted for using the purchase method and the results of operations are included in the consolidated statement of operations from May 19, 2006, the date of acquisition.

During the year the Company finalized its review of certain fixed assets and working capital balances. This review resulted in a reduction in the value of property, plant and equipment acquired of $140,114, an increase in liabilities assumed of $375,873 and an increase in transaction costs of $12,988 from the initial purchase price allocation, with the difference increasing the goodwill acquired.

The final purchase price has been allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of acquisition as follows:

	$
Assets acquired	
Cash	2,483,957
Amounts receivable	24,700,343
Prepaid expenses and deposits	107,461
Investment in film and television programs	10,902,778
Property, plant and equipment	562,489
Customer and distribution relationships	545,500
Broadcaster relationships	1,910,000
Non-compete contracts and brand	674,000
Production backlog	150,000
Goodwill	7,142,028
	49,178,556
Less: liabilities assumed	
Accounts payable and accrued liabilities	6,290,349
Income taxes payable	204,791
Deferred revenue	2,635,178
Interim production financing	10,504,102
Subordinated debenture	8,500,000
Future income taxes	3,152,000
	31,286,420
	17,892,136

The estimated fair value of the share consideration is based on the estimated fair value of the Company's common shares, as at the date the Company and the shareholders of Decode agreed to the terms of the purchase and sale, less a 15% discount for liquidity as these shares are subject to a lock-in period.

The terms of the purchase and sale agreement with Decode (the "Agreement") included a contingent earnout payment. For the year ended June 30, 2007, Decode did not meet the EBITDA threshold and therefore the Company recorded no amount related to the earnout.

(expressed in Canadian dollars)

3 Acquisitions (continued)

(e) On April 7, 2006 (the "Effective Date"), the Company acquired all of the issued and outstanding shares of Boy Girl Productions Canada Limited, a film production company, for cash consideration of $128,719.

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

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

	$
Assets acquired	
Cash	38,709
Amounts receivable	2,135,538
Investment in film and television programs	144,877
	2,319,124
Less: liabilities assumed	
Accounts payable and accrued liabilities	539,277
Income taxes payable	47,143
Interim production financing	1,603,985
	2,190,405
	128,719

(f) On April 7, 2006 (the "Effective Date"), the Company acquired all of the issued and outstanding shares of Funny Farm Productions Limited, a film production company for cash consideration of $90,073.

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

	$
Assets acquired	
Cash	110,517
Amounts receivable	2,172,257
Investment in film and television programs	98,009
Deposits	5,427
	2,386,210
Less: liabilities assumed	
Accounts payable and accrued liabilities	1,585,373
Income taxes payable	6,764
Interim production financing	704,000
	2,296,137
	90,073

(expressed in Canadian dollars)

4 Short-term investments

	2007 $	2006 $
Guaranteed investment certificate	1,500,000	2,331,075
Other investments, at cost	369,245	327,355
	1,869,245	2,658,430

Guaranteed investment certificate in the amount of $1,500,000 (2006 - $1,500,000 and $273,600) has been pledged as security for the interim production financing in note 12. In 2006, a $530,000 guaranteed investment certificate was pledged as security for the long-term debt detailed in note 13.

The other investments have a market value of $448,500 at June 30, 2007 (2006 -$882,750). The market value of the guaranteed investment certificate approximates the book value.

5 Amounts receivable

	2007 $	2006 $
Trade	9,981,200	8,634,493
Income taxes receivable	156,694	38,618
Goods and services taxes recoverable	490,607	1,162,036
Federal and provincial film tax credits	22,401,623	20,701,220
Due from an officer and director	–	250,000
	33,030,124	30,786,367

(expressed in Canadian dollars)

6 Investment in film and television programs

	2007 $	2006 $
Development costs	1,193,506	681,181
Theatrical and non-theatrical productions in progress		
Cost, net of government and third party assistance and third party participation	32,732,961	8,461,916
Acquired participation rights – theatrical and non-theatrical		
Cost	5,701,330	3,837,215
Accumulated amortization	(1,343,106)	–
	4,358,224	3,837,215
Non-theatrical productions completed and released		
Cost, net of government and third party assistance and third party participation	36,591,439	21,626,579
Accumulated amortization	(27,850,787)	(13,357,239)
	8,740,652	8,269,340
	47,025,343	21,249,652
Less: Current portion	(30,502,718)	(11,863,610)
	16,522,625	9,386,042

The Company expects that 29% of the costs related to non-theatrical and theatrical productions completed and released will be amortized during the year ending June 30, 2008. The Company expects that 56% of the costs related to non-theatrical productions completed and released will be amortized during the three-year period ending June 30, 2010. The Company expects that over 66% of the costs related to productions completed will be amortized by June 30, 2012.

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

During the fiscal year ended June 30, 2007, interest of $1,689,321 (2006 - $314,854) has been capitalized to investment in film and television.

(expressed in Canadian dollars)

6 Investment in film and television programs (continued)

The continuity of investment in film and television programs is as follows:

	2007 $	2006 $
Net opening investment in investment in film and television programs	21,249,652	4,199,140
Productions acquired during the year	495,496	11,145,664
Cost of productions during the year, net of government assistance and third party participation	37,919,943	13,810,163
Increase of acquired participation rights (note 3 (c))	2,076,961	3,749,640
Increase (decrease) in development costs	512,325	(9,610)
Amortization	(15,229,034)	(11,645,345)
	47,025,343	21,249,652

7 Restricted cash

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.

8 Investment in production companies

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

	2007 $	2006 $
The continuity of investment in production companies is as follows:		
Opening balance	61,939	(291,644)
Equity income (loss)	360,513	(294,481)
Net cash advances to investees	787,910	648,064
	1,210,362	61,939

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

(expressed in Canadian dollars)

9 Property, plant and equipment

			2007
	Cost $	Accumulated amortization $	Net $
Land	800,000	–	800,000
Building	4,328,814	170,781	4,158,033
Furniture, fixtures and other equipment	665,485	529,398	136,087
Computer equipment	696,218	504,823	191,395
Post-production equipment	1,255,475	763,431	492,044
Website design	51,525	9,796	41,729
Computer software	324,228	290,510	33,718
Leasehold improvements	67,464	63,696	3,768
	8,189,209	2,332,435	5,856,774

			2006
	Cost $	Accumulated amortization $	Net $
Land	800,000	–	800,000
Building under construction	4,323,177	–	4,323,177
Furniture, fixtures and other equipment	289,773	19,974	269,799
Computer equipment	219,453	25,226	194,227
Post-production equipment	237,171	8,406	228,765
Computer software	26,121	3,086	23,035
Leasehold improvements	8,633	3,879	4,754
	5,904,328	60,571	5,843,757

No interest has been capitalized to building under construction during the year 2007 (2006 - $195,796 at an average rate of 8.15%).

The continuity of property, plant and equipment is as follows:

	2007 $	2006 $
Net opening balance, property, plant and equipment	5,843,757	2,909,484
Acquired in the Decode acquisition	–	702,603
Adjustments to the Decode acquisition	(140,114)	–
Acquisitions of property, plant and equipment	611,556	2,283,872
Amortization	(458,425)	(52,202)
	5,856,774	5,843,757

(expressed in Canadian dollars)

10 Intangible assets

			2007
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Production backlog	150,000	84,267	65,733
Broadcaster relationships	1,910,000	306,572	1,603,428
Customer/distribution relationships	545,500	61,291	484,209
Non-compete contracts and brand	674,000	252,428	421,572
	3,279,500	704,558	2,574,942

			2006
	Cost **$**	**Accumulated amortization** **$**	**Net** **$**
Production backlog	150,000	9,267	140,733
Broadcaster relationships	1,910,000	33,715	1,876,285
Customer/distribution relationships	545,500	6,741	538,759
Non-compete contracts and brand	674,000	27,761	646,239
	3,279,500	77,484	3,202,016

The continuity of intangible assets is as follows:

	2007 **$**	**2006** **$**
Net opening balance, intangible assets	3,202,016	–
Acquired in the Decode acquisition	–	3,279,500
Amortization	(627,074)	(77,484)
	2,574,942	3,202,016

11 Bank indebtedness

The Company has an available revolving operating demand loan to a maximum of $500,000, bearing interest at bank prime plus 0.5% per annum. A general security agreement over all property of the Company has been pledged as security. As of June 30, 2007, the outstanding loan balance is $500,000 (2006 - nil).

(expressed in Canadian dollars)

12 Interim production financing

	2007 $	2006 $
Revolving demand bank loans, bearing interest at bank prime plus 0.75% - 2.00%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately $57,627,594 (year ended June 30, 2006 - $44,618,317), a $1,500,000 guaranteed investment certificate and general security agreements have been pledged as security	33,119,013	16,198,378
Revolving demand loan	–	171,077
	33,119,013	16,369,455

During the fiscal year ended June 30, 2007, the bank prime rate averaged 6.00% (2006 - 5.04%).

13 Long-term debt

	2007 $	2006 $
Loans payable, bearing interest at Business Development Bank of Canada prime plus at 0.5%, maturing in May 2021, repayable in monthly principal instalments of $19,880 plus interest. A first mortgage on land and building having a net book value of $4,958,034 and a general assignment of rents.	3,139,910	3,251,073
Loan payable, repayable in monthly principal instalments of $4,386, non –interest bearing, maturing October 2007.	17,544	–
	3,157,454	3,251,073
Less: Current portion	(256,104)	(238,560)
	2,901,350	3,012,513

The aggregate amount of principal repayments required in each of the next five years is as follows:

		$
Year ending June 30,	2008	256,104
	2009	238,560
	2010	238,560
	2011	238,560
	2012	238,560

(expressed in Canadian dollars)

14 Other long-term liabilities

	2007 $	2006 $
Other long-term liabilities include $1,222,025 related to the acquisition of Distribution Rights as described in note 3 (c) (with a face value of $1,340,000) and a $250,000 amount related to a settlement in relation to a feature film.	1,472,025	–
Less: Current portion	(480,000)	–
	992,025	–

The aggregate amount of payments required during the year ending June 30, 2008 and 2009 are $480,000 and $1,110,000 respectively. The difference between the fair value and the total face value will be accreted to interest expense, amounting to $117,975 during the year ended June 30, 2009.

15 Note payable

As of June 30, 2007, the Company had a $400,000 (June 30, 2006-$2,000,000) promissory note due December 31, 2007 bearing interest at 10% as consideration for the acquisition of Decode.

16 Share capital and contributed surplus

a) Authorized

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

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

Unlimited Common shares without nominal or par value

(expressed in Canadian dollars)

16 Share capital and contributed surplus (continued)

b) Issued and outstanding

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

	2007 Number	2007 Amount $	2006 Number	2006 Amount $
Preferred variable voting shares (note 16 (c))				
Opening balance	100,000,000	100	100,000,000	100
Issued for cash	–	–	–	–
	100,000,000	100	100,000,000	100
Class A preferred shares (note 16 (d))				
Opening balance	–	–	3,893,673	1,603,992
Share issuance costs	–	–	–	(3,198)
Conversion to common shares in connection with IPO	–	–	(3,893,673)	(1,600,794)
	–	–	–	–
Common shares (note 16 (e))				
Opening balance	32,576,452	40,499,600	14,037,268	5,027,566
Issued for cash consideration			8,852,500	20,832,707
Share issuance costs, net of tax effect	–	(38,185)	–	(3,452,988)
Conversion of preferred shares	–	–	3,893,673	8,624,814
Share issuance costs transferred from preferred shares	–	–	–	(2,104,038)
Issued as consideration for acquisition of Decode	225,000	317,250	5,793,011	11,571,539
	32,801,452	40,778,665	32,576,452	40,499,600
Common share purchase loans receivable				
Opening balance	–	(460,134)	–	(175,000)
Loans to an officer during the year net of compensation expense (note 16 (f))	–	–	–	(285,134)
Interest received on notes	–	15,331	–	–
	–	(444,803)	–	(460,134)
Warrants (note 16 (g))				
Opening balance	1,213,859	1,131,888	389,367	720,329
Value of warrants issued in connection with IPO	–	–	824,492	411,559
Expiration of warrants	(778,734)	(914,608)	–	–
	435,125	217,280	1,213,859	1,131,888
Contributed surplus (note 16 (h))				
Stock options				
Opening balance	1,021,547	210,879	275,000	173,000
Issued during the year	1,175,000	79,461	746,547	37,879
Compensation expense on existing options	–	290,871	–	–
Options expired	(275,000)	–	–	–
Warrants expired	–	914,608	–	–
	1,921,547	1,495,819	1,021,547	210,879
		42,047,061		41,382,333

(expressed in Canadian dollars)

16 Share capital and contributed surplus (continued)

c) Preferred variable voting shares

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

d) Class A preferred shares

On May 19, 2006, in connection with the IPO, all the issued and outstanding Class A preferred shares were converted to common shares by the holders on a one-for-one basis.

The Class A preferred share liability comprises:

	2007 $	2006 $
Class A preferred share liability, opening	–	5,178,200
Interest expense recorded	–	730,906
Conversion to common shares	–	(5,909,106)
	–	–

e) Common shares

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

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

f) Share purchase financing

During the fiscal year ended June 30, 2007, the Company issued no amounts for share purchase financing (year ended June 30, 2006 - $387,250, to an officer of the Company bearing interest at bank prime less 1.5% and is secured by the shares of the Company acquired with the loan proceeds).

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

(expressed in Canadian dollars)

16 Share capital and contributed surplus (continued)

f) Share purchase financing (continued)

For the fiscal year ended June 30, 2007, no compensation expense was recognized (year ended June 30, 2006 - $98,858). Interest of $15,331 (2006 – nil) received on these loans are being recorded as a capital contribution.

g) Warrants

During the fiscal year ended June 30, 2007 no warrants were granted and 778,734 expired.

	Number of warrants	Weighted average exercise price
Outstanding at June 30, 2005	389,367	1.85
Granted in connection with the IPO	824,492	2.35
Outstanding at June 30, 2006	1,213,859	2.19
Warrants expired	(778,734)	2.10
Outstanding at June 30, 2007	435,125	2.35

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

	2006
Risk-free interest rate	4.25%
Expected option life	1 year
Expected volatility	50%
Expected dividend yield	nil

h) Stock options

On March 22, 2006, the Board of Directors approved an employee share option plan which provides for the issuance of up to 3,500,000 common shares. On the same date, the Company issued options under this plan to purchase 746,547 shares at $2.25 per share, vesting at various times over four years and expiring on March 22, 2011.

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

(expressed in Canadian dollars)

16 Share capital and contributed surplus (continued)

h) Stock options (continued)

At June 30, 2007 and 2006, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding at June 30, 2005	275,000	1.85
Granted to a director and an employee	746,547	2.25
Outstanding at June 30, 2006	1,021,547	2.14
Granted to employees	1,175,000	2.17
Options Expired	(275,000)	1.85
Outstanding at June 30, 2007	1,921,547	2.20
Exercisable at June 30, 2006	275,000	1.85
Exercisable at June 30, 2007	186,630	2.25

The weighted average grant date value of stock options granted in 2007 has been estimated at $0.95 (2006 - $1.27) using the Black Scholes option pricing model. The following weighted average assumptions were used in the calculations:

	2007	2006
Risk-free interest rate	4.06%	4.25%
Expected option life	4 years	7 years
Expected volatility	59%	50%
Expected dividend yield	nil	nil

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

During the year ended June 30, 2007, a total of $370,332 (2006 - $37,879) was recognized as compensation expense.

(expressed in Canadian dollars)

16 Share capital and contributed surplus (continued)

i) Put options

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

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

The put option was issued for no consideration. At June 30, 2007, 425,420 (2006 - 425,420) shares in Media Fund carried the put option described above.

17 Government financing and assistance

During the year ended June 30, 2007, investment in film and television programs was reduced by $5,924,572 (year ended June 30, 2006 - $1,448,922) related to production financing from government agencies. This financing is related to equity participation by government agencies and is repayable from distribution revenue of the specific productions for which the financing was made. In addition, during the year, investment in film also has been reduced by $7,853,362 (year ended June 30, 2006 - $2,419,155) related to non-repayable contributions from the Canadian Television Fund license fee program. Lastly, during the year, investment in film and television programs has been reduced by $9,319,676 (year ended June 30, 2006 - $3,321,164) in tax credits relating to production activities.

18 Income taxes

Significant components of the Company’s future tax assets and liabilities as at June 30, 2007 and 2006 are as follows:

	2007 $	2006 $
Property, plant and equipment	437,000	4,000
Share issue costs and deferred financing fees	1,237,000	1,711,000
Investment in film and television programs	(3,053,000)	(2,179,000)
Intangible assets	(927,000)	(1,153,000)
Non-capital losses and other	433,000	489,000
Future income taxes	(1,873,000)	(1,128,000)

(expressed in Canadian dollars)

18 Income taxes (continued)

The reconciliation of income taxes computed at the statutory tax rates to income tax expense is as follows:

	2007 $	2006 $
Income tax expense based on combined federal and provincial tax rates of 37.56% (2006 - 38.12%)	673,000	(370,000)
Income tax increased (reduced) by		
Interest accretion on preferred shares	–	279,000
Stock-based compensation	141,000	52,000
Large corporation tax	113,000	150,000
Non-deductible expenses, rate changes and other	(37,000)	42,000
Foreign losses	22,000	30,000
Reversal of a valuation allowance	–	(221,000)
Non-taxable portion of capital gains	(322,000)	(36,000)
Provision for (recovery of) income taxes	590,000	(74,000)

19 Financial instruments

a) Fair value of financial instruments

Management believes that the carrying amounts reported on the financial statements for amounts receivable, accounts payable and accrued liabilities, interim production financing, bank indebtedness, note payable and long-term debt all approximate their fair values due to their immediate or short-term maturities or variable interest rates.

b) Credit risk

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represents 73% of total accounts receivable at June 30, 2007 (June 30, 2006 - 66%). 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 against Federal and Provincial tax credits receivable has been booked based on the Company history of collection of these receivables.

c) 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.

(expressed in Canadian dollars)

19 Financial instruments (continued)

d) Currency risk

The Company's activities involve holding foreign currencies and production costs and revenues denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. At the statement date, the Company revalued its net assets at the prevailing exchange rates.

20 Commitments and contingencies

The Company has entered into various operating leases for operating premises and equipment. The future minimum payments under these operating leases are as follows:

	$
Year ending June 30, 2008	190,599
2009	21,250
2010	6,413

21 Earnings (loss) per common share

Earnings (loss) per common share is calculated as follows:

	2007 **$**	**2006** **$**
Net income (loss) for the year	1,200,755	(914,890)
Weighted average number of common shares:		
Basic	32,698,508	15,076,332
Fully diluted	35,732,836	16,452,346
Earnings (loss) per common share:		
Basic	0.04	(0.06)
Fully diluted	0.03	(0.06)

For 2006, the effect of convertible warrants, stock options and put options has been excluded from the calculations because they are anti-dilutive as a result of the net loss. The weighted average number of potentially dilutive instruments, comprised of shares issuable in respect of convertible warrants, stock options and put options, at June 30, 2007 is 3,034,328. (2006 - 1,376,014).

(expressed in Canadian dollars)

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

	2007 $	2006 $
Decrease (increase) in amounts receivable	(2,198,716)	4,662,135
Decrease (increase) in prepaid expenses and deposits	112,215	(242,401)
Decrease (increase) in restricted cash	327,532	(802,908)
Increase (decrease) in accounts payable and accrued liabilities	(5,268,455)	(1,898,288)
Increase (decrease) in income taxes payable	(299,294)	(27,226)
Increase (decrease) in deferred revenue	10,536,091	(530,729)
	3,209,373	1,160,583

During the year, the Company paid and received the following:

	2007	2006
Interest paid	2,021,936	512,461
Interest received	263,558	173,089
Taxes paid	51,156	65,726

23 Interests in joint ventures

The Company's interest in joint ventures is summarized below:

	2007 $	2006 $
Statement of operations		
Revenues	–	6,314,497
Direct production costs and amortization of film and television programs	–	6,286,658
Income from joint ventures before income taxes	–	27,839
Balance sheet		
Current assets	3,869,979	6,966,195
Current liabilities	(3,854,766)	(6,992,261)
	15,213	(26,066)
Statement of cash flows		
Operating activities	–	(2,244,346)
Financing activities	(249,006)	2,428,054
Increase (decrease) in cash position	(249,006)	183,708

(expressed in Canadian dollars)

24 Revenues and segmented information

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

	2007 $	2006 $
Production revenue	13,354,300	13,676,749
Distribution revenue	9,755,660	438,303
Producer and service fee revenues	1,100,575	1,325,824
Other	1,760,084	307,533
	25,970,619	15,748,409

25 Seasonality

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

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

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

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

a) Judgments made by management

IFRS requires disclosure of judgments that have been made by management in the preparation of the financial statements. In this regard, other than estimates which are disclosed under Canadian GAAP, management has made judgments about which development projects, with total costs of $1,193,506 at June 30, 2007 (2006 - $690,791) are likely to result in productions. Development projects which, during the reporting period, have not been assessed as likely to proceed have been written off.

(expressed in Canadian dollars)

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

b) Leases

Under IFRS total costs charged to expenses under operating leases must be disclosed. The Company incurred rent expense of $262,414 for the year ended June 30, 2007 (2006 - $344,858).

c) Financial instruments

Under IFRS financial assets held for trading are measured at fair market value, whereas under Canadian GAAP these assets are recorded at the lower of cost or market value. Under IFRS any unrealized gains or losses related to the revaluation of financial assets held for trade are recorded in income for the period.

The Company has classified its short-term investments as held for trading. Under IFRS the following adjustments to the financials would be made:

	2007 $	2006 $
Short-term investments under Canadian GAAP	1,869,245	2,658,430
Unrealized gain	79,255	555,395
Short-term investments under IFRS	1,948,500	3,213,825
Future income taxes under Canadian GAAP	1,873,000	1,128,000
Add: Taxation impact of the unrealized gain	15,106	105,858
Future income taxes under IFRS	1,888,106	1,233,858
Shareholders' equity under Canadian GAAP	41,461,601	39,596,118
Add: Unrealized gain	79,255	555,395
Less: Income tax effect	(15,106)	(105,858)
Shareholders' equity under IFRS	41,525,750	40,045,655
Net income (loss) for the year under Canadian GAAP	1,200,755	(914,890)
Add: Unrealized gain	79,255	555,395
Less: Income tax effect	(15,106)	(105,858)
Net income (loss) for the year under IFRS	1,264,904	(465,353)
Basic earnings (loss) per common share under IFRS	0.04	(0.03)
Fully diluted earnings (loss) per common share under IFRS	0.04	(0.03)

(expressed in Canadian dollars)

27 Subsequent events

On September 26, 2007, the Company closed a revolving credit facility with the Royal Bank of Canada ("Royal Bank") with a maximum authorized amount of $70,000,000 reviewable annually from the date of closing. Advances under the revolving credit facility bear interest at either the Royal Bank prime rate plus 75 basis points, Royal Bank's US base rate plus 75 basis points or Banker's Acceptance rate or LIBOR plus 225 basis points. Substantially all of the Company's assets and certain of its subsidiaries have been pledged as security for borrowing under the revolving credit facility. The availability of the revolving credit facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants.