DHX MEDIA LTD.

Q2 2009

FORM 51-102F1

Management Discussion and Analysis
of Financial Condition and Results of Operations
For the Three and Six Months Ended December 31, 2008 and December 31, 2007
(Unaudited)

DHX MEDIA LTD.

FORM 51-102F1
December 31, 2008

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of February 13, 2009, should be read in conjunction with the 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, 2008 and 2007 as well as the Company's annual MD&A and audited consolidated financial statements for the years ended June 30, 2008 and 2007. The unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2008 and 2007 have been prepared in accordance with Canadian generally accepted accounting principles.*

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, 2008 and 2007.

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 $0.10 million) and are approximate and have been rounded to the nearest ten 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 MD&A for the years ended June 30, 2008 and 2007 posted 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 on December 4, 2007 and July 21, 2008 DHX added another two companies, Studio B Productions Inc. ("**Studio B**") and imX Communications Inc. ("**imX**") respectively (See "Acquisition" and "Acquisitions" sections of this MD&A and the MD&A for the years ended June 30, 2008 and 2007 posted on SEDAR at www.sedar.com). In December 2008, the Company made a decision to dispose of Bulldog Interactive Fitness Inc. ("**Bulldog**") (See "Discontinued Operations" 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, youth, and family (collectively "**Children's and Family**") productions because of the international sales potential and longer-term and multiple revenue streams that this genre of programming provides. Children's and Family 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 2,200 half-hours of programming and over 50 individual titles produced. The Company has 15 children's series currently in first window broadcast on multiple major cable and broadcast networks in North America and internationally, including, *The Mighty Jungle, Bo on the Go!, Franny's Feet, Chop Socky Chooks, Urban Vermin,* 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 currently in its 16th 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, 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 collected 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, 2008 and 2007 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three and six months ended December 31, 2008 and 2007, and from the audited consolidated financial statements for the years ended June 30, 2008 and 2007 and can be found at www.sedar.com or DHX's website at www.dhxmedia.com. **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,	
	2008	2007	2008	2007
	$000 (except per share data)	$000 (except per share data)	$000 (except per share data)	$000 (except per share data)
Consolidated Statements of Income and Comprehensive Income Data:[1]				
Revenues	**21,514**	9,307	**38,385**	19,969
Direct production costs and amortization of film and television programs produced	**14,781**	5,833	**26,658**	13,189
Gross margin	**6,733**	3,474	**11,727**	6,780
Selling, general, and administrative	**3,923**	2,485	**7,262**	4,808
Income before the following and discontinued operations	**2,724**	649	**4,230**	1,544
Loss from strategic investments	**(85)**	(99)	**(13)**	(8)
Costs associated with uncompleted transactions	**(1,144)**	-	**(1,144)**	-
Interest and other (expenses), net	**(635)**	(344)	**(1,258)**	(730)
Provision for income taxes	**245**	70	**590**	295
Net income and comprehensive income before discontinued operations	**615**	137	**1,225**	511
Discontinued operations, net of income taxes	**(943)**	-	**(1,023)**	-
Net income (loss) and comprehensive income (loss)	**(328)**	137	**202**	511
Basic earnings per common share before discontinued operations	**0.01**	0.00	**0.03**	0.01
Fully diluted earnings per common share before discontinued operations	**0.01**	0.00	**0.03**	0.01
Basic earnings (loss) per common share	**(0.01)**	0.00	**0.00**	0.01
Fully diluted earnings (loss) per common share	**(0.01)**	0.00	**0.00**	0.01
Weighted average common shares outstanding				
Basic	**42,834**	38,029	**42,834**	35,430
Fully Diluted	**42,834**	44,175	**42,834**	39,864

	As at December 31,	As at June 30,
	2008	2008
	$000	$000
Consolidated Balance Sheet Data:		
Cash, restricted cash and short-term investments	**12,009**	9,570
Investment in film and television programs	**39,871**	49,981
Total assets	**155,202**	143,974
Total debts	**96,231**	85,781
Shareholder equity	**58,971**	58,193

[1]The financial information for the three months ended December 31, 2008 in the table includes full quarterly results for Halifax Film, Decode, Studio B, and imX. The financial information for the six months ended December 31, 2008 in the table includes full results for Halifax Film, Decode, and Studio B, but only 164 days of activity for imX (see–"Acquisition" and "Acquisitions" sections of this MD&A and the MD&A for the years ended June 30, 2008 and 2007 posted on SEDAR at www.sedar.com or DHX's website at www.dhxmedia.com for further details on the Studio B and imX acquisitions). The three and six months ended December 31, 2007 includes 28 days of activity for Studio B, but no activity for imX .

Results for the six months ended December 31, 2008 (“Six Months 2009”) compared to the six months ended December 31, 2007 (“Six Months 2008”)

Revenues

Revenues for Six Months 2009 were $38.38 million, up from $19.97 million for Six Months 2008, an increase of 92%. The increase was generally due to increases in the Company’s production and production service fee revenue categories. Management was especially pleased with the growth and sees it as validation of the Company’s business model.

Proprietary production revenues for Six Months 2009 of $30.95 million were up 106% over the $15.06 million for Six Months 2008. The increase included a 153% increase to $15.26 million (Six Months 2008-$6.04 million) in proprietary production revenue for the Halifax Film division, a 36% increase to $11.41 million for Six Months 2009 (Six Months 2008-$8.42 million) for the Decode division, and the inclusion of $4.28 million a full six months of activity (Six Months 2008-$0.60 million, for 27 days of activity) for the Studio B division.

For Six Months 2009 the Company recognized $30.95 million-159.5 half-hours of proprietary film and television program production revenue, a 37% increase over the 116.5 half-hours for Six Months 2008, where the programs have been delivered and the license periods have commenced.

The breakdown for deliveries and dollar value subtotals for divisions for consolidated and non-consolidated entities for Six Months 2009 and Six Months 2008 was as follows:

		Six Months 2009		Six Months 2008	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
Decode:					
Chop Socky Chooks	I		9.0		-
Clang Invasion	I		10.0		-
Delilah & Julius	II		-		21.0
The Latest Buzz	II		26.0		-
Naturally Sadie (SRC)	III		-		N/A [1]
Planet Sketch	II		-		13.0
Super Why (CBC)	I		N/A [1]		N/A [1]
Super Why (PBS)	I		20.0		16.0
Urban Vermin	I		-		15.0
Subtotals		$ 11.41	65.0	$ 8.42	65.0
Studio B:					
Class of the Titans	II		-		4.0
Being Ian	III		-		6.0
Being Ian	IV		2.0		-
Kid vs. Kat	I		22.0		-
Ricky Sprocket - Showbiz Boy	I		-		2.0
Subtotals		4.28	24.0	0.60	12.0
Halifax Film:					
Animal Mechanicals	II		8.5		-
Bo on the Go!	I		-		6.0
Bo on the Go!	II		8.0		-
The Guard	I		12.0		2.0
The Guard	II		18.0		-
The Making of Shake Hands with the Devil	Documentary		N/A [1]		1.0
The Mighty Jungle	I		-		3.0
The Mighty Jungle	II		-		4.5
Nathan Fielder's 2008 Election Special	Comedy Special		2.0		-
Shake Hands with the Devil	Feature Film		-		4.0
Show Us Your Shorts TV	Pilot		-		2.0
SOUL	I		12.0		-
This Hour Has 22 Minutes	XV		-		9.0
This Hour Has 22 Minutes	XVI		10.0		-
Subtotals		15.26	70.5	5.74	31.5
Total Consolidated Entities		30.95	159.5	14.76	108.5
Non-consolidated Entities					
Accounted for Using the Equity Method					
Lunar Jim	II		-		8.0
Subtotals		-	-	0.30	8.0
Total All Entities		**$ 30.95**	**159.5**	**$ 15.06**	**116.5**

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

In addition, by December 31, 2008 the Company delivered $2.40 million-18 half-hours of *Latest Buzz* Season III where the license period had not yet commenced by December 31, 2008, and therefore the revenue recognition criteria have not been met to recognize in Six Months 2009. This license period is scheduled to commence in Fiscal 2010 and will be recognized in the corresponding quarter, when the license period has commenced and all revenue recognition criteria have been met.

For Six Months 2009 the Company earned $3.31 million for producer and service fee revenues ($2.16 million for *Waybulloo*, $0.24 million for *Martha Speaks* Season I, $0.29 million for *Martha Speaks* Season II, $0.24 million for *Side Show Christmas* Season I, $0.05 million for *Badly Drawn Roy* Season I, and $0.38 million for *Peanuts* Season I, and small reversals of revenue of $0.04 million for *George of the Jungle* Season I and $0.01 million for *Pucca* Season II) whereas for Six Months 2008 the Company recorded $0.30 million for producer and service fees revenue ($0.01 million for *George of the Jungle* Season I, $0.12 million for *Martha Speaks* Season I, and $0.17 million for *Pucca* Season II).

For Six Months 2009 distribution revenues were down slightly by 8% to $3.56 million from $3.88 million for Six Months 2008. For Six Months 2009 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: *Chop Socky Chooks* Season I, *The Latest Buzz* Seasons I and II, *Bo on the Go!* Seasons I and II, *The Mighty Jungle* Season I, *Animal Mechanicals* Seasons I and II, *Super Why* Season I, and *Kid vs. Kat* Season I.

For Six Months 2009 music and royalty revenues increased 56% to $0.39 million (Six Months 2008-$0.25 million) while new media revenues decreased in Six Months 2009 to $0.06 million (Six Months 2008-$0.30 million). These revenue streams have remained predictable and are in line with Management's expectations.

For Six Months 2009 rental revenues were $0.11 million (Six Months 2008-$0.18 million) from the rental of studio and office facilities to third parties as a result of the Company's Halifax Film Children's Studio (formerly 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 2009 was $11.73 million an increase in absolute dollars of 73% compared to $6.78 million for Six Months 2008. The overall margin at 31% of revenue was a decline in percentage compared to 34% of revenue for Six Months 2008 as the Company has delivered a mix of production and production service revenues with slightly lower margins as compared to Six Months 2008. The absolute gross margin dollars for Six Months 2009 were higher than Six Months 2008 as there were significant increases in production and production service revenue.

For Six Months 2009 the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin of $7.48 million or 24%, net producer and service fee revenue margin of $1.81 million or 55%, distribution revenue margin of $2.00 million or 56% ($1.81 million or 51% when $0.19 million for the amortization of acquired libraries is removed), music and royalty revenue margin of $0.33 million or 85%, new media revenue margin of nil, and rental revenue margin of $0.11 million or 100%. The production, distribution, and production service fee revenue streams were all significant contributors to the absolute dollar margin increase for Six Months 2009.

In particular, production, service, and distribution in terms of absolute dollars contributed $7.48 million, $1.81 million, and $2.00 million respectively or 96% of the total margin. Production margin at 24% was in line with Management's expectations. Producer and service fee margin at 55% was in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 56% exceeds Management's expectations. Going forward Management would expect the range on distribution margin to be from 35 to 50%. Music and royalty margin at 85% 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 low costs going forward with margins in the 70-90% range.

Overall gross margin for Six Months 2009 at 31% is in line with Management's expectations and we would expect that future periods' gross margin will be within the 25 to 35% range.

Operating Expenses

Operating expenses for Six Months 2009 were $7.50 million compared to $5.23 million for Six Months 2008, an increase of 43%. The increase for Six Months 2009 is mainly due to a 51% increase in SG&A to $7.26 million up from $4.80 million for Six Months 2008. SG&A costs have increased as a result of the addition of Studio B and imX and the Company's revenue growth and continuing to add key personnel and expanding facilities as a result of increased activities and increased regulatory requirements from being public. For Six Months 2009, included in Operating Expenses is $0.19 million for amortization of acquired library versus $0.39 million for Six Months 2008 (see "Amortization" section in this MD&A for further details). Operating expenses for the Six Months 2009 as a percentage of revenues at 20% is improving compared to Six Months 2008 at 26%.

Income (Loss) from Strategic Investments

For Six Months 2009 loss from strategic investments activities of $0.01 million (Six Months 2008-$0.01 million) related to distributions of capital of $0.01 million, a realized capital gain of $0.08 million, and offset by an unrealized loss from short-term investments held for trading of $0.10 million, versus $0.03 million for distributions of capital, a realized capital gain of $0.04 million, and offset by $0.08 million related to unrealized loss from short-term investments held for trading for Six Months 2008. All investments were strategic in nature and were in the same or similar businesses as the business of the Company.

EBITDA

In Six Months 2009 EBITDA was $4.85 million (including $0.01 million loss from strategic investments), a 120% in total increase as compared to $2.20 million (including $0.01 million loss from strategic investments) for Six Months 2008. For Six Months 2009 this was due to the increase in gross margin dollars of $4.94 million, adding back an increase of non-cash stock-based compensation expense of $0.16 million, and offset by the increase in SG&A, net of income from strategic investments of $2.45 million, for a positive total dollar change of $2.65 million.

Amortization

Amortization includes amortization of acquired libraries, property, plant, and equipment ("**PP&E**"), and intangible assets. For Six Months 2009 amortization was $1.23 million (Six Months 2008-$1.02 million). The breakdown for amortization was $0.19 million, $0.39 million, and $0.65 million for amortization of acquired libraries, PP&E, and intangible assets respectively. For Six Months 2009 the amortization of acquired libraries was $0.19 million (Six Months 2008-$0.39 million) which relates to the library titles that have a 20 year amortization policy, have minimal ongoing cash costs associated with selling, and are viewed as long-term assets. For Six Months 2009 amortization of PP&E was $0.39 million (Six Months 2008-$0.26 million) due to changes to PP&E. For Six Months 2009 amortization of intangible assets was $0.65 million (Six Months 2008-$0.37 million) which relates to the intangible assets acquired as part of the acquisitions of Decode and Studio B.

Interest

Interest was a net interest expense for Six Months 2009 of $0.20 million versus net interest expense of $0.13 million for Six Months 2008. Interest expense consists of $0.11 million, nil, nil, and $0.11 million for interest expense on long-term debt, interest accreted from other long-term liabilities, interest from a note payable related to the Decode acquisition, and interest and bank charges (Six Months 2008-$0.16 million, $0.09 million, $0.02 million and $0.02 million respectively) and offset by interest revenue of $0.02 million (Six Months 2008-$0.16 million offset of interest revenue).

Costs Associated with Uncompleted Transactions, Equity Income, and Non-Controlling Interest

For Six Months 2009 the Company recorded a charge for the costs associated with uncompleted transactions of $1.14 million (Six Months 2008-nil) related to the cancellation of the Entertainment One transaction (see "Entertainment One Uncompleted Transaction" section of this MD&A), an equity income of nil (Six Months 2008-$0.03 million) for its investment in production companies, and an expense for non-controlling interest of $0.02 million (Six Months 2008-nil).

Income Taxes

Income tax expense for Six Months 2009 was $0.59 million (Six Months 2008-$0.29 million income tax expense) made up of $0.02 million expense (Six Months 2008-$0.05 million expense) for large corporation taxes, $0.02 million (Six Months 2008-$0.57 million recovery) for current income taxes, and future income tax expense of $0.55 million (Six Months 2008-$0.81 million expense).

Net Income and Comprehensive Income Before Discontinued Operations

Net income and comprehensive income before discontinued operations for Six Months 2009 was $1.23 million (Six Months 2008-$0.51 million).

Discontinued Operations

The Company recorded a loss on discontinued operations of $1.02 million for Six Months 2009 (Six Months 2008-nil as it was prior to acquisition). In December 2008, the Company decided to dispose of its Bulldog subsidiary due to a slow down in franchisee opportunities resulting from the global economic slowdown. The Company decided the working capital required in getting to break even and profitability was significant and was sufficiently pushed forward due to the current economic climate. Given the remainder of the Company's subsidiaries are generating positive cash flow, the Company felt it was prudent to not fund losses of Bulldog at this time. The Company is exploring its options for a potential sale or wind up and will report on its final determination in the coming quarters.

Net Income and Comprehensive Income

Net income and comprehensive income for Six Months 2009 was $0.20 million, compared to $0.51 million for Six Months 2008, or a decrease of $0.31 million in absolute dollars or 61%. For Six Months 2009 the overall decrease of $0.31 million was due to changes over Six Months 2008 of the following amounts: a gross margin increase of $4.95 million, offset by an increase in operating expenses, net of income from strategic investments of $2.26 million, a $2.70 million change in net interest and other expenses, and a $0.30 million increase 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, 2008. 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, 2008 and 2007 as filed on www.sedar.com or DHX's website at www.dhxmedia.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 operating results for any quarter should not be relied upon as any indication of results for any future period.

	Fiscal 2009[4]		Fiscal 2008[4]				Fiscal 2007[4]	
	Q2 31-Dec $000 (except per share data)	Q1 30-Sep $000 (except per share data)	Q4[3] 30-Jun $000 (except per share data)	Q3[2] 31-Mar $000 (except per share data)	Q2[2] 31-Dec $000 (except per share data)	Q1 30-Sep $000 (except per share data)	Q4 30-Jun $000 (except per share data)	Q3[2] 31-Mar $000 (except per share data)
Revenue	21,514	16,871	13,583	18,827	9,307	10,663	10,700	5,366
Gross Margin[1]	6,733	4,993	4,619	5,835	3,474	3,307	4,180	2,113
EBITDA and Adjusted EBITDA[1 & 3]	2,928	1,917	1,048	2,674	1,010	1,188	2,838	631
Net Income (Loss) and Comprehensive Income (Loss) before Discontinued Operations	615	610	(2,282)	883	137	374	1,035	134
Net Income (Loss) and Comprehensive Income (Loss)	(328)	530	(2,416)	876	137	374	1,035	134
Basic Earnings (Loss) Per Share Before Discontinued Operations	0.01	0.01	(0.05)	0.02	0.00	0.01	0.03	0.01
Diluted Earnings (Loss) Per Share Before Discontinued Operations	0.01	0.01	(0.05)	0.02	0.00	0.01	0.03	0.00
Basic Earnings (Loss) Per Share	(0.01)	0.00	(0.06)	0.02	0.00	0.01	0.03	0.01
Diluted Earnings (Loss) Per Share	(0.01)	0.00	(0.06)	0.02	0.00	0.01	0.03	0.00

[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 2008 and Q2 2008 figures for revenues and direct service costs were adjusted by $1.56 million and $0.52 million respectively with no effect on Gross Margin, EBITDA, or Net Income as a result of non-material corrections of certain accounting treatment on final audit. Q3 2007 figures were revised to reflect the reversal of revenue previously recorded 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).

[3]The Adjusted EBITDA figure shown for Q4 2008 was adjusted for the $2.78 million impairment of certain investments in film and television programs as management believes this to be a more meaningful indicator of operating performance (see "Reconciliation of Historical Results to EBITDA and Adjusted EBITDA" section under Q4 2008 of this MD&A).

[4] The financial information for Q2 2009 includes full quarterly results for four divisions (Halifax Film, Decode, Studio B, and imX). Q1 2009 includes full quarterly results for three divisions (Halifax film, Decode, and Studio B) and 72 days for imX. Q3 and Q4 2008 include full quarterly results for three divisions (Halifax Film, Decode, and Studio B) with no amounts for imX. Q2 2008 includes full quarterly results for Halifax Film, Decode, and only 28 days of activity for the Studio B division and no amounts for imX. Results for Q1 2008 and prior pre-dates the acquisitions of Studio B and imX.

Results for the three months ended December 31, 2008 ("Q2 2009") compared to the three months ended December 31, 2007 ("Q2 2008")

Revenues

Revenues for Q2 2009 were $21.51 million, up from $9.31 million for Q2 2008, an increase of 131%. The increase was generally due to increases in the Company's production and production service fee revenue categories. Management was especially pleased with the growth and sees this growth as validation of the Company's business model.

Proprietary production revenues for Q2 2009 of $16.84 million were up 168% over the $6.28 million for Q2 2008. The increase included a 262% increase to $11.07 million ($6.19 million related to deliveries for *The Guard* Seasons I and II) (Q2 2008-$3.06 million) in proprietary production revenue for the Halifax Film division, a 44% increase to $3.78 million for Q2 2009 (Q2 2008-$2.62 million) for the Decode division, and the inclusion of $1.99 million a full quarter of activity (Q2 2008-$0.60 million for 28 days of activity) for the Studio B division.

For Q2 2009 the Company recognized $16.84 million-80.0 half-hours of proprietary film and television program production revenue, a 44% increase over the 55.5 half-hours for Q2 2008, where the programs have been delivered and the license periods have commenced.

The breakdown for deliveries and dollar value subtotals for divisions for consolidated and non-consolidated entities for Q2 2009 and Q2 2008 was as follows:

		Q2 2009		Q2 2008	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
Decode:					
Chop Socky Chooks	I		1.0		-
Clang Invasion	I		7.0		-
Delilah & Julius	II		-		7.0
Super Why (PBS)	I		9.0		5.0
Super Why (CBC)	I		N/A [1]		N/A [1]
Urban Vermin	I		-		5.0
Subtotals		$ 3.78	17.0	$ 2.62	17.0
Studio B:					
Being Ian	IV		-		2.0
Class of the Titans	II		-		4.0
Kid vs. Kat	I		11.0		-
Ricky Sprocket - Showbiz Boy (Teletoon-French)	I		-		6.0
Subtotals		1.99	11.0	0.60	12.0
Halifax Film:					
Animal Mechanicals	II		8.0		-
Bo on the Go!	II		1.0		-
The Guard	I		2.0		2.0
The Guard	II		18.0		-
The Making of Shake Hands with the Devil	Documentary		N/A [1]		-
The Mighty Jungle	I		-		3.0
The Mighty Jungle	II		-		4.5
Nathan Fielder's 2008 Election Special	Comedy Special		2.0		-
SOUL	I		12.0		-
This Hour Has 22 Minutes	XV		-		9.0
This Hour Has 22 Minutes	XVI		9.0		-
Subtotals		11.07	52.0	2.98	18.5
Total Consolidated Entities		16.84	80.0	6.20	47.5
Non-consolidated Entities					
Accounted for Using the Equity Method					
Lunar Jim	II	-	-	0.08	8.0
Total All Entities		**$ 16.84**	**80.0**	**$ 6.28**	**55.5**

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

In addition, in Q2 2009 the Company delivered $2.00 million-15 half-hours of *Latest Buzz* Season III where the license period had not yet commenced by December 31, 2008, and therefore the revenue recognition criteria have not been met to recognize in Q2 2009. This license period is scheduled to commence in Fiscal 2010 and will be recognized in the corresponding quarter, when the license period has commenced and all revenue recognition criteria have been met.

For Q2 2009 the Company earned $2.29 million for producer and service fee revenues ($1.83 million for *Waybulloo*, $0.06 million for *Martha Speaks* Season I, $0.25 million for *Martha Speaks* Season II, $0.03 million for *Side Show Christmas* Season I, $0.05 million for *Badly Drawn Roy*, and $0.08 million for *Peanuts* Season I, and a small reversal of revenue of $0.01 million for *George of the Jungle* Season I) whereas for Q2 2008 the Company recorded $0.30 million for producer and service fees revenue ($0.01 million for *George of the Jungle* Season I, $0.12 million for *Martha Speaks* Season I, and $0.17 million for *Pucca* Season II).

For Q2 2009 distribution revenues were down 15% to $2.10 million from $2.47 million for Q2 2008. For Q2 2009 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: *Chop Socky Chooks* Season I, *The Latest Buzz* Seasons I and II, *Bo on the Go!* Seasons I and II, *The Mighty Jungle* Season I, *Animal Mechanicals* Seasons I and II, *Super Why* Season I, and *Kid vs. Kat* Season I.

For Q2 2009 music and royalty revenues increased 111% to $0.19 million (Q2 2008-$0.09 million) while new media revenues decreased in Q2 2009 to $0.03 million (Q2 2008-$0.11 million). These revenue streams have remained predictable and are in line with Management's expectations.

For Q2 2009 rental revenues were $0.06 million (Q2 2008-$0.06 million) from the rental of studio and office facilities to third parties as a result of the Company's Halifax Film Children's Studio (formerly 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 2009 was $6.74 million an increase in absolute dollars of 94% compared to $3.47 million for Q2 2008. The overall margin at 31% of revenue was down compared to 37% of revenue for Q2 2008 as the Company has delivered a mix of production and production service revenues with slightly lower margins as compared to Q2 2008. The absolute gross margin dollars for Q2 2009 were higher than Q2 2008 as there were significant increases in production and production service revenue.

For Q2 2009 the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin of $3.75 million or 22%, net producer and service fee revenue margin of $1.53 million or 67%, distribution revenue margin of $1.21 million or 58% ($1.16 million or 55% when $0.05 million for the amortization of acquired libraries is removed), music and royalty revenue margin of $0.19 million or 100%, new media revenue margin of nil, and rental revenue margin of $0.06 million or 100%. The production, distribution, and production service fee revenue streams were all significant contributors to the absolute dollar margin increase for Q2 2009.

In particular, production, service, and distribution in terms of absolute dollars contributed $3.75 million, $1.53 million, and $1.21 million respectively or 96% of the total margin. Production margin at 22% was in line with Management's expectations. Producer and service fee margin at 67% was in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 58% exceeds Management's expectations. Going forward Management would expect the range on distribution margin to be from 35 to 50%. 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 low costs going forward with margins in the 70-90% range.

Overall gross margin for Q2 2009 at 31% is in line with Management's expectations and we would expect that future periods' gross margin will be within the 25 to 35% range.

Operating Expenses

Operating expenses for Q2 2009 were $4.02 million compared to $2.82 million for Q2 2008, an increase of 43%. The increase for Q2 2009 is mainly due to a 58% increase in SG&A to $3.92 million up from $2.48 million for Q2 2008. SG&A costs have increased as a result of the addition of Studio B and imX and 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. For Q2 2009, included in Operating Expenses is $0.05 million for amortization of acquired library versus $0.30 million for Q2 2008 (see "Amortization" section in this MD&A for further details).

Income (Loss) from Strategic Investments

For Q2 2009 loss from strategic investments activities of $0.08 million (Q2 2008-$0.10 million) related to a realized capital gain of $0.06 million and an unrealized loss from short-term investments held for trading of $0.14 million, versus $0.01 million for distributions of capital, a realized capital gain of $0.04 million, and $0.15 million related to unrealized loss from short-term investments held for trading for Q2 2008. All investments were strategic in nature and were in the same or similar businesses as the business of the Company.

EBITDA

In Q2 2009 EBITDA was $2.93 million (including $0.09 million loss from strategic investments), a 190% in total increase as compared to $1.01 million (including $0.10 million loss from strategic investments) for Q2 2008. For Q2 2009 this was due to the increase in gross margin dollars of $3.26 million, adding back an increase of non-cash stock-based compensation expense of $0.08 million, and offset by the increase in SG&A, net of income from strategic investments of $1.42 million, for a positive total dollar change of $1.92 million.

Amortization

Amortization includes amortization of acquired libraries, property, plant, and equipment ("**PP&E**"), and intangible assets. For Q2 2009 amortization was $0.57 million (Q2 2008-$0.67 million). The breakdown for amortization was $0.05 million, $0.20 million, and $0.32 million for amortization of acquired libraries, PP&E, and intangible assets respectively. For Q2 2009 the amortization of acquired libraries was $0.05 million (Q2 2008-$0.30 million) which relates to the library titles that have a 20 year amortization policy, have minimal ongoing cash costs associated with selling, and are viewed as long-term assets. For Q2 2009 amortization of PP&E was $0.20 million (Q2 2008-$0.16 million) due to slight changes to PP&E. For Q2 2009 amortization of intangible assets was $0.32 million (Q2 2008-$0.21 million) which relates to the intangible assets acquired as part of the acquisitions of Decode, and Studio B.

Interest

Interest was a net interest expense for Q2 2009 of $0.10 million versus net interest income of $0.02 million for Q2 2008. Interest expense consists of $0.04 million, nil, and $0.07 million for interest expense on long-term debt, interest from a note payable related to the Decode acquisition, and interest and bank charges (Q2 2008-$0.10 million, $0.01 million, and $0.01 million) and offset by $0.01 million of interest revenue (Q2 2008-$0.14 million offset of interest revenue).

Costs Associated with Uncompleted Transactions, Equity Income, and Non-Controlling Interest

For Q2 2009 the Company recorded costs associated with uncompleted transactions of $1.14 million (see "Entertainment One Uncompleted Transaction" section of this MD&A) (Q2 2008-nil), an equity income of nil (Q2 2008-$0.01 million) for its investment in production companies and an expense for non-controlling interest of $0.01 million (Q2 2008-nil).

Income Taxes

Income tax expense for Q2 2009 was $0.25 million (Q2 2008-$0.07 million income tax expense) made up of $0.01 million expense (Q2 2008-$0.03 million expense) for large corporation taxes, $0.02 million expense (Q2 2008-$0.22 million recovery) for current income taxes, and future income tax recovery of $0.22 million (Q2 2008-$0.26 million expense).

Net Income and Comprehensive Income Before Discontinued Operations

Net income and comprehensive income before discontinued operations for Q2 2009 was $0.61 million (Q2 2008-$0.14 million).

Discontinued Operations

The Company recorded a loss on discontinued operations of $0.94 million for Q2 2009 (Q2 2008-nil) (see "Discontinued Operations" section under "Results for the six months ended December 31, 2008 ("Six Months 2009") compared to the six months ended December 31, 2007 ("Six Months 2008")" section of this MD&A for further details).

Net Income (Loss) and Comprehensive Income (Loss)

Net income (loss) and comprehensive income (loss) for Q2 2009 was a loss of $0.33 million, compared to an income of $0.14 million for Q2 2008, or a decrease of $0.47 million in absolute dollars or 41%. For Q2 2009 the overall decrease of $0.47 million was due to changes over Q2 2008 of the following amounts: a gross margin increase of $3.27 million, offset by an increase in operating expenses, net of income from strategic investments of $1.18 million, a $2.38 million change in net interest and other expenses, and a $0.18 million increase in provision for income taxes.

Results for the three months ended September 30, 2008 ("Q1 2009") compared to the three months ended September 30, 2007 ("Q1 2008")

Revenues

Revenues for Q1 2009 were $16.87 million, up from $10.66 million for Q1 2008, an increase of 58%. The increase was generally due to increases in the Company's production, distribution, and production service fee revenue categories. Management was pleased with the growth in production and production service revenues and sees this growth as validation of the Company's business model.

Proprietary production revenues for Q1 2009 of $14.11 million were up 65% over the $8.56 million for Q1 2008. The increase included a 41% increase to $4.19 million (Q1 2008-$2.98 million) in proprietary production revenue for the Halifax Film division, a 32% increase to $7.63 million for Q1 2009 (Q1 2008-$5.80 million) for the Decode division, and the inclusion of $2.29 million (Q1 2008-nil) for the Studio B division.

For Q1 2009 the Company recognized $14.11 million-79.5 half-hours of proprietary film and television program production revenue, a 30% increase over the 61 half-hours for Q1 2008, where the programs have been delivered and the license periods have commenced.

The breakdown for deliveries and dollar value subtotals for divisions for consolidated and non-consolidated entities for Q1 2009 and Q1 2008 was as follows:

		Q1 2009		Q1 2008	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
Decode:					
Chop Socky Chooks	I		8.0		-
Clang Invasion	I		3.0		-
Delilah & Julius	II		-		14.0
The Latest Buzz	II		26.0		-
Naturally Sadie	III		-		N/A [1]
Planet Sketch	II		-		13.0
Super Why (PBS)	I		11.0		11.0
Urban Vermin	I		-		10.0
Subtotals		$ 7.63	48.0	$ 5.80	48.0
Studio B:					
Being Ian	V		2.0		-
Kid vs. Kat	I		11.0		-
Subtotals		2.29	13.0	-	-
Halifax Film:					
Animal Mechanicals	II		0.5		-
Bo on the Go!	I		-		6.0
Bo on the Go!	II		7.0		-
The Guard	I		10.0		-
The Making of Shake Hands with the Devil	Documentary		-		1.0
Shake Hands with the Devil	Feature Film		-		4.0
Show Us Your Shorts TV	Pilot		-		2.0
This Hour Has 22 Minutes	XVI		1.0		-
Subtotals		4.19	18.5	2.76	13.0
Total Consolidated Entities		14.11	79.5	8.56	61.0
Non-consolidated Entities					
Accounted for Using the Equity Method					
Lunar Jim	II	-	-	0.22	N/A [1]
Total All Entities		**$ 14.11**	**79.5**	**$ 8.78**	**61.0**

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

In addition, in Q1 2009 the Company delivered $0.40 million-3 half-hours of *Latest Buzz* Season III where the license period had not yet commenced by September 30, 2008, and therefore the revenue recognition criteria have not been met to recognize in Q1 2009.

For Q1 2009 the Company earned $1.02 million for producer and service fee revenues ($0.33 million for *Waybulloo*, $0.18 million for *Martha Speaks* Season I, $0.04 million for *Martha Speaks* Season II, $0.21 million for *Side Show Christmas* Season I, and $0.30 million for *Peanuts* Season I, and small reversals of revenue of $0.03 million for *George of the Jungle* Season I and $0.01 million for *Pucca* Season II) whereas for Q1 2008 the Company did not record any producer and service fees revenue.

For Q1 2009 distribution revenues were up 4% to $1.46 million from $1.41 million for Q1 2008. For Q1 2009 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: *Chop Socky Chooks* Season I, *The Latest Buzz* Season II, *The Mighty Jungle* Season I, and *Kid vs. Kat* Season I.

For Q1 2009 music and royalty revenues increased 25% to $0.20 million (Q1 2008-$0.16 million) while new media revenues decreased in Q1 2009 to $0.03 million (Q1 2008-$0.19 million).

For Q1 2009 rental revenues were $0.05 million (Q1 2008-$0.12 million) from the rental of studio and office facilities to third parties as a result of the Company's Halifax Film Children's Studio (formerly Electropolis) subsidiary and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q1 2009 was $4.99 million an increase in absolute dollars of 51% compared to $3.31 million for Q1 2008. The overall margin at 30% of revenue was a slight decline in percentage compared to 31% of revenue for Q1 2008 as the Company has delivered a mix of production and production service revenues with slightly lower margins as compared to Q1 2008.

EBITDA

In Q1 2009 EBITDA was $1.92 million (including $0.07 million income from strategic investments), a 61% in total increase as compared to $1.19 million (including $0.09 million income from strategic investments) for Q1 2008. For Q1 2009 this was due to the increase in gross margin dollars of $1.68 million, adding back an increase of non-cash stock-based compensation expense of $0.08 million, and offset by the increase in SG&A, net of income from strategic investments of $1.03 million, for a positive total dollar change of $0.73 million.

Net Income and Comprehensive Income Before Discontinued Operations

Net income and comprehensive income before discontinued operations for Q1 2009 was $0.61 million (Q1 2008-$0.37 million).

Discontinued Operations

The Company recorded a loss on discontinued operations of $0.08 million for Q1 2009 (Q1 2008-nil) (see "Discontinued Operations" section under "Results for the six months ended December 31, 2008 ("Six Months 2009") compared to the six months ended December 31, 2007 ("Six Months 2008")" section of this MD&A for further details).

Net Income and Comprehensive Income

Net income and comprehensive income for Q1 2009 was $0.53 million, compared to $0.37 million for Q1 2008, or an increase of $0.16 million in absolute dollars or 43%. For Q1 2009 the overall increase of $0.16 million was due to changes over Q1 2008 of the following amounts: a gross margin increase of $1.81 million, offset by an increase in operating expenses, net of income from strategic investments of $1.30 million, a $0.27 million change in net interest and other expenses, and a $0.08 million increase in provision for income taxes.

Results for the three months ended June 30, 2008 ("Q4 2008") compared to the three months ended June 30, 2007 ("Q4 2007")

Revenues

Revenues for Q4 2008 were $13.59 million, up from $10.70 million for Q4 2007, an increase of 27%. The increase was generally due to increases in the Company's production, distribution, and production service fee revenue categories.

Proprietary production revenues for Q4 2008 of $6.00 million were up 14% over the $5.28 million for Q4 2007. The increase included a 38% decrease to $1.15 million (Q4 2007-$1.86 million) in proprietary production revenue for the Halifax Film division as a scheduling change resulted in a slight delay in delivering the remaining 12 half-hours of *The Guard* Season I (now scheduled

for delivery in Q1 & Q2 2009), a 41% increase to $4.82 million for Q4 2008 (Q4 2007-$3.42 million) for the Decode division, and the inclusion of $0.03 million (Q4 2007-nil) for the Studio B division.

For Q4 2008 the Company recognized $6.00 million-38.5 half-hours of proprietary film and television program production revenue, generally in line with the 40 half-hours for Q4 2007, where the programs have been delivered and the license periods have commenced.

The breakdown for deliveries and dollar value subtotals for divisions for consolidated and non-consolidated entities for Q4 2008 and Q4 2007 was as follows:

		Q4 2008		Q4 2007	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
Decode:					
Chop Socky Chooks	I		8.0		2.0
Clang Invasion	I		7.0		-
Delilah & Julius	II		N/A [1]		-
Naturally Sadie	III		-		N/A [1]
Super Why (CBC)	I		-		5.0
Super Why (PBS)	I		10.0		-
Urban Vermin	I		-		11.0
Subtotals		$ 4.82	25.0	$ 3.42	18.0
Studio B:					
Being Ian	III		N/A [1]		-
Subtotals		0.03	-	-	-
Halifax Film:					
Animal Mechanicals	I		6.0		-
Animal Mechanicals	II		1.5		-
Bo on the Go!	I		-		12.0
Bo on the Go!	II		6.0		-
The Guard	I		N/A [1]		-
This Hour Has 22 Minutes	XIV		-		2.0
The Truth About	Pilot		-		N/A [1]
Subtotals		1.11	13.5	1.46	14.0
Total Consolidated Entities		5.96	38.5	4.88	32.0
Non-consolidated Entities					
Accounted for Using the Equity Method					
Lunar Jim	I		-		N/A [1]
Lunar Jim	II		N/A [1]		8.0
Subtotals		0.04	-	0.40	8.0
Total All Entities		**$ 6.00**	**38.5**	**$ 5.28**	**40.0**

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

In addition, in Q4 2008 the Company delivered $0.46 million-4 half-hours of *Latest Buzz* Season II where the license period had not yet commenced by June 30, 2008, and therefore the revenue recognition criteria have not been met to recognize in Q4 2008.

For Q4 2008 the Company earned $0.70 million for producer and service fee revenues ($0.47 million for *Martha Speaks* Season I, $0.08 million for *Side Show Christmas* Season I, and $0.15 million for *Peanuts* Season I) whereas for Q4 2007 the Company did not record any producer and service fees revenue.

For Q4 2008 distribution revenues were up 20% to $6.12 million from $5.09 million for Q4 2007. For Q4 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, *Bo on the Go!* Season I, and *Planet Sketch* Season II.

For Q4 2008 music and royalty revenues (including royalties earned from Bulldog franchisees) increased 135% to $0.34 million (Q4 2007-$0.17 million) while new media revenues increased in Q4 2008 to $0.28 million (Q4 2007-$0.04 million).

For Q4 2008 rental revenues were $0.15 million (Q4 2007-$0.12 million) from the rental of studio and office facilities to third parties as a result of the Company's Halifax Film Children's Studio (formerly Electropolis) subsidiary and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross margin for Q4 2008 was $4.62 million an increase in absolute dollars of 11% compared to $4.18 million for Q4 2007. The overall margin at 34% of revenue was a decline in percentage compared to 39% of revenue for Q4 2007 as the Company has delivered a mix of production and service revenues with lower margins as compared to Q4 2007. The absolute gross margin dollars for Q4 2008 were higher than Q4 2007 as there were significant increases in production revenue. Overall gross margin for Q4 2008 at 34% is in line with Management's expectations.

Impairment of Certain Investments in Film and Television Programs

During Q4 2008 the Company recorded an impairment of certain investments in film and television programs of $2.78 million. The breakdown was $2.20 million related to an impairment on the feature film *Shake Hands With the Devil* ("**SHWTD**"). The remaining $0.58 million was recorded on a few minor television shows generally older in nature with no one show being more than $0.25 million.

***Adjusted EBITDA* & EBITDA**

In Q4 2008 Adjusted EBITDA was $1.05 million (for Q4 2008 the Adjusted EBITDA calculation includes the adding back of the impairment of $2.78 million as in Management's view this is an exceptional item), a 63% decrease as compared to an EBITDA of $2.84 million (including $0.27 million income from strategic investments) for Q4 2007. For Q4 2008 this was due to the increase in gross margin dollars of $0.50 million, adding back an increase of non-cash stock-based compensation expense of $0.39 million, and offset by the increase in SG&A, net of income from strategic investments of $2.68 million, for a total dollar change of $1.79 million.

Net Income (Loss) and Comprehensive Income (Loss) Before Discontinued Operations

Net income (loss) and comprehensive income (loss) before discontinued operations for Q4 2008 was a loss of $2.28 million (Q4 2007-$1.03 million).

Discontinued Operations

The Company recorded a loss on discontinued operations of $0.14 million for Q4 2008 (Q4 2007-nil) (see "Discontinued Operations" section under "Results for the six months ended December 31, 2008 ("Six Months 2009") compared to the six months ended December 31, 2007 ("Six Months 2008")" section of this MD&A for further details).

Net Income (Loss) and Comprehensive Income (Loss)

Net income (loss) and comprehensive income (loss) for Q4 2008 was a loss of $2.42 million, compared to a net income of $1.03 million for Q4 2007, or a change of $3.45 million in absolute dollars. Net income (loss) and comprehensive income (loss) adjusted for the after-tax effect of the impairment would have resulted in adjusted income of $0.36 million which compared with Q4 2007 would represent an adjusted decrease of 65%. For Q4 2008 the overall decrease of 3.45 million was due to changes over Q4 2007 of the following amounts: a gross margin increase of $0.50 million, offset by an increase in operating expenses, net of income from strategic investments of $5.32 million, and increased by a $0.02 million change in net interest and other expenses and a $1.35 million change in provision for income taxes.

Results for the three months ended March 31, 2008 ("Q3 2008") compared to the three months ended March 31, 2007 ("Q3 2007")

Revenues

Adjusted Revenues for Q3 2008 were $18.83 million (Q3 revenues originally reported were $20.39 million and were adjusted in Q4 2008 for the reversal of production service revenues and a reversal of production service costs both in the amount of $1.56 million with no impact on gross margin or net income), up from $5.37 million for Q3 2007, an increase of 251%. The increase was generally due to increases in the Company's production, distribution, and production service fee revenue categories.

Proprietary production revenues for Q3 2008 of $13.36 million were up 279% over the $3.53 million for Q3 2007. The increase included a 193% increase to $7.80 million (Q3 2007-$2.66 million) in proprietary production revenue for the Halifax Film division, a 397% increase to $4.31 million for Q3 2008 (Q3 2007-$0.87 million) for the Decode division, the inclusion of $1.25 million (Q3 2007-nil) for the Studio B division.

For Q3 2008 the Company recognized $13.36 million-78.5 half-hours of proprietary film and television program production revenue, an increase of 191% over the 27 half-hours for Q3 2007, where the programs have been delivered and the license periods have commenced.

The breakdown for deliveries and dollar value subtotals for divisions for consolidated and non-consolidated entities for Q3 2008 and Q3 2007 was as follows:

		Q3 2008		Q3 2007	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
Decode:					
Chop Socky Chooks	I		-		7.0
Delilah & Julius	II		5.0		-
Latest Buzz	I		13.0		-
Super Why (CBC)	I		N/A [1]		-
Super Why (PBS)	I		10.0		-
Subtotals		$ 4.31	28.0	$ 0.87	7.0
Studio B:					
Being Ian	IV		6.0		-
Class of the Titans	II		6.0		-
Ricky Sprocket - Showbiz Boy (Teletoon-French)	I		2.0		-
Subtotals		1.25	14.0	-	-
Halifax Film:					
Animal Mechanicals	I		4.0		-
Bo on the Go!	I		-		7.0
The Guard	I		12.0		-
The Mighty Jungle	II		8.5		-
This Hour Has 22 Minutes	XIV		-		9.0
This Hour Has 22 Minutes	XV		12.0		-
Subtotals		7.80	36.5	2.51	16.0
Total Consolidated Entities		13.36	78.5	3.38	23.0
Non-consolidated Entities					
Accounted for Using the Equity Method					
Lunar Jim	II	-	-	0.15	4.0
Total All Entities		**$ 13.36**	**78.5**	**$ 3.53**	**27.0**

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

In addition, in Q3 2008 the Company delivered $0.18 million-1 half-hour of *Chop Socky Chooks* Season I and $0.03 million-1 half-hour of *Super Why (CBC)* Season I, where the license periods had not yet commenced by March 31, 2008, and therefore the revenue recognition criteria have not been met to recognize in Q3 2008.

For Q3 2008 the Company earned $0.72 (Q3 revenues originally reported were $2.28 million and were adjusted in Q4 2008 for the reversal of production service revenues and a reversal of production service costs both in the amount of $1.56 million with no impact on gross margin or net income) million for producer and service fee revenues ($0.39 million for *George of the Jungle* Season I, $0.07 million for *Martha Speaks* Season I, $0.03 million for *Side Show Christmas* Season I, $0.01 million for *Peanuts* Season I, and $0.22 million for *Pucca* Season II) whereas for Q3 2007 the Company did not record any producer and service fees revenue.

For Q3 2008 distribution revenues were up 230% to $4.43 million from $1.34 million for Q3 2007. For Q3 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 Q3 2008 music and royalty revenues (including new for Q3 2008 royalties earned from Bulldog franchisees) declined 38% to $0.20 million (Q3 2007-$0.33 million) while new media revenues were generally in line with Q3 2007 at $0.07 million (Q3 2007-$0.06 million).

For Q3 2008 rental revenues were $0.05 million (Q3 2007-$0.11 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 Q3 2008 was $5.84 million an overall 31% of revenue versus $2.11 million or 39% of revenue for Q3 2007, an increase in absolute margin dollars of $3.73 million. The absolute gross margin dollars for Q3 2008 were higher than Q3 2007 as there were significant increases in production revenue.

EBITDA

In Q3 2008 EBITDA was $2.67 million (including $0.01 million from loss from strategic investments), a 324% in total increase as compared to $0.63 million (including $0.50 million from income from strategic investments) for Q3 2007.

Net Income (Loss) and Comprehensive Income (Loss) Before Discontinued Operations

Net income (loss) and comprehensive income (loss) before discontinued operations for Q3 2008 was income of $0.88 million (Q3 2007-$0.13 million).

Discontinued Operations

The Company recorded a loss on discontinued operations of $4,154 for Q3 2008 (Q3 2007-nil) (see "Discontinued Operations" section under "Results for the six months ended December 31, 2008 ("Six Months 2009") compared to the six months ended December 31, 2007 ("Six Months 2008")" section of this MD&A for further details).

Net Income and Comprehensive Income

Net Income and comprehensive income for Q3 2008 was $0.88 million, an improvement compared to a net income of $0.13 million for Q3 2007 of $0.74 million in absolute dollars.

Liquidity and Capital Resources

	December 31 2008 $	June 30, 2008 $
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash, restricted cash [1] and short-term investment	**12,009**	9,609
Long-term assets	**47,682**	47,091
Working capital	**17,107**	16,810
Long-term liabilities	**5,818**	5,708
Working capital ratio [2]	**1.19**	1.21
Cash Inflows and (Outflows) by Activity:		
Operating activities	**(8,130)**	(5,256)
Investing activities	**(2,127)**	(9,030)
Financing activities	**13,384**	19,717
Net cash inflows (outflows)	**3,127**	5,431
Adjusted Operating Activities:[3]	**5,203**	(1,918)

(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.
(3) See "Use of Non-GAAP Financial Measures" section of this MD&A for a definition of Adjusted Operating Activities.

Changes in Cash

Cash at December 31, 2008 was $11.95 million compared to $6.83 million and $8.86 million as of September 30, 2008 and June 30, 2008 respectively. For the three month period ended December 31, 2008 the cash balance increased $5.12 million when comparing the cash balance to September 30, 2008.

For the six month period ended December 31, 2008 cash flows from operating activities were a use of cash of $8.13 million. Cash flows from operating activities resulted from net income of $0.34 million and adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, unrealized loss on short-term investments, stock-based compensation, interest on promissory notes, non-controlling interest, discontinued operations, and future income tax expense of $26.02 million, $0.19 million, $0.39 million, $0.66 million, $0.10 million, $0.39 million, $0.01 million, $0.01 million, $0.64 million, and $0.55 million respectively. Cash flows were reduced by credits not involving cash of $16.06 million for investments in film and television programs, $0.08 million gain on disposal of short-term investments, and $21.29 million net change in non-cash working capital balances related to operations. Cash flows were increased by adding back the non-cash discontinued operations charge of $0.63 million.

For December 31, 2008 cash flows generated from financing activities were $13.38 million. Cash flows from financing activities resulted primarily from cash generated from new borrowings from interim financing of $13.33 million, proceeds from long-term debt of $0.27 million, and proceeds from bank indebtedness of $0.46 million. This was offset by a use of cash of $0.49 million from repayment of long-term debt, $0.18 million from repayment of other long-term liabilities, and discontinued operations of $0.01 million.

For December 31, 2008 cash flows from investing activities were a use of cash of $2.13 million. Cash flows used in investing activities were $0.55 million for PP&E acquisitions, $0.84 million for business acquisitions, $0.95 million net cash advances to investees, and $0.08 million for acquisitions of short-term investments. Cash flows generated in investing activities were proceeds from disposal of short-term investments of $0.29 million.

Working Capital

Working capital ("**Working Capital**") represents the Company's current assets less current liabilities. Working Capital increased by $0.30 million as at December 31, 2008 over June 30, 2008. The working capital ratio remained strong at 1.19 for December 31, 2008.

Management is pleased with cash flow generated from Adjusted Operating Activities at $5.20 million for Six Months 2009 (Year Ended June 30, 2008-a use of $1.92 million) (shown in Liquidity and Capital Resources Chart in this MD&A) and is defined in "Use of Non-GAAP Financial Measures" section of this MD&A. Adjusted Operating Activities is one of the meaningful calculations for Management in assessing operational performance.

Based on the Company's current revenue expectations for Fiscal 2009, which are based on contracted and expected production and distribution revenue, the Company believes cash generated from operations and existing resources will be sufficient to satisfy Working Capital needs for at least the next twelve months. Management believes the current Working Capital surplus totalling $17.11 million is sufficient to execute its current business plan.

Royal Bank Revolving Operating and Production Credit Facility

The Company has a revolving operating credit facility (the "**RBC Revolving Operating Credit Facility**") with the Royal Bank of Canada ("**Royal Bank**"), with a maximum amount of $3.51 million is for general working capital purposes. The availability of the RBC Revolving Operating Credit Facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants. The RBC Revolving Operating Credit Facility has been extended to February 28, 2009.

The Company also has a revolving production credit facility ("**The RBC Revolving Production Credit Facility**") with the Royal Bank with a maximum authorized amount of $71.52 million. The RBC Revolving Production Credit Facility is the aggregate of interim production financing of individual programs financed through the Royal Bank which are subject to individual approved tranches (collectively the "**RBC Individual Approved Tranches**"). The RBC Revolving Credit Production Facility matures at various dates twenty-four months following the first drawdown of funds in respect of each RBC Individual Approved Tranche.

The Company is in the process of negotiating an expanded longer-term operating and production facility.

Contractual Obligations

As of December 31, 2008

Payments Due by Period	**Total**	**Fiscal 2009**	**Fiscal 2010-2011**	**Fiscal 2012-2013**	**After Fiscal 2014**
	$	**$**	**$**	**$**	**$**
Purchase Obligations					
Acquisition of library license rights [1]	1,100,000	1,100,000	-	-	-
Capital Lease for Equipment [2]	1,119,013	607,571	511,442	-	-
Long-term debt payments (principal and interest) and obligations under capital leases [3]	4,510,982	659,557	901,360	817,864	2,132,201
Total Contractual Obligations	6,729,995	2,367,129	1,412,802	817,864	2,132,201

(1) 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, 2008 was $1,100,000.

(2) Pursuant to capital leases for video editing, leaseholds, and other office equipment, the obligations bear interest at 6.38%, 6.9%, and 8.4% and mature from June 2010 to November 2012.

(3) See note 10 to the interim unaudited consolidated financial statements for the six months ended December 31, 2008 for details.

Outlook

The Company's December 31, 2008 balance sheet remains strong and Management believes the Company is in a solid financial position for the remainder of Fiscal 2009. Management is focusing on its core strategy of developing, producing, and distributing the best possible quality Children's and Family programs with goals of increasing cash flows from operations and profitability. An upside to this focus is that Management believes it increases the potential of getting a "hit" show which would have the effect of further increasing revenue and transforming the Company. We continue to use our strengths, selectively, in comedy, drama, and other genres to take advantage of present opportunities and to create further value for shareholders.

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 for all of its divisions, increasing profitability metrics, expanding the Company's presence in international markets, and leveraging the Company's experience to focus on Children's and Family content and to the extent possible in the current economic climate, M&L.

For Six Months 2009, the Company has delivered 159.5 half-hours resulting in $30.95 million of proprietary production revenue and is well on its way to achieving its Fiscal 2009 target of 250 half-hours. For the remainder of 2009, the Company has over 100 half-hours of contracted proprietary programs which are scheduled for delivery and for the license periods to commence (plus 25-50 half-hours potential proprietary programs currently under negotiation with various broadcasters). For the remainder of Fiscal 2009 this is expected to represent approximately 50 scheduled deliveries for Q3 2009 and approximately 100 scheduled deliveries for the second half of 2009 (see "Seasonality" section of this MD&A). The Company's recent historical average production revenue value (once the license period has commenced) per half-hour of television programs has been $0.12-0.18 million and Management expects this to approximate 2009 levels.

We would be remiss to not discuss the global recession and credit crunch which has resulted in a slowdown in advertising dollars for television and for some of our broadcast customers. This has yet to translate into a slowdown of production revenue or a drop in foreign distribution revenues for the Company at this time as we continue to execute on deliveries of programs commissioned prior to the economic slowdown. It is unclear as to whether there will be a lag or even a potential slowdown in production and distribution revenues. Children's programming is off prime time and therefore not as reliant on advertising dollars, and the fact that most of our customer base has a Governmental regulatory mandate to deliver a minimum requirement of children's programming, it is possible (and Management remains cautiously optimistic) that children's programming will not be as hard hit as prime time programming. For the Company, the economic slowdown has only thus far resulted in slightly lower visibility into its pipeline.

As has been seen historically, distribution revenues are uneven and a lack of visibility because of the economic slowdown makes it more difficult to predict distribution revenue for the coming quarters of 2009 and on into 2010. Management will be acutely focused on the outcome of the upcoming 2009 spring MIP (Television Market in Cannes, France) to determine how hard hit any of the Company's international customer base has been as a result of this slow down in advertising. Given this, and to be prudent, Management is now projecting a flat year for distribution revenues for the remainder of 2009 as compared to 2008.

For the remainder of 2009, given the Studio B acquisition, the Company is expecting between $1.00-$2.00 million of animated production service work based on expected service contracts or current contracts in progress with margins consistent with 2008 levels.

For the later half of 2009, the Company anticipates the slowdown in the economy to further affect revenue growth in the category of music and royalty revenues. This is especially pronounced in M&L as there has been a slow down in all its M&L relationships. The Hasbro Inc. launch of toys for the Company's preschool property *Franny's Feet* previously set for spring 2009 has been put on hold. Since the Company has not historically had significant sales in M&L we are not expecting this to have a significant affect on our Fiscal 2009 results. M&L still represents upside for the Company, however as a result of the general economic slowdown, this has potentially been pushed further into the future. For the remainder of 2009 other new media and rental revenue are expected to be consistent with 2008 levels.

For the remainder of 2009, gross margin is expected to be in the 25-35% range and Management is expecting a modest 10% increase in SG&A and most amortization levels over 2008, except amortization of intangibles will increase by 20-30%. For Fiscal 2009, interest income (expense), income from strategic investments, and non-controlling interest are expected to be in line with 2008 levels.

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.

Acquisition

On July 20, 2008 ("the Effective Date"), the Company acquired all the outstanding shares in imX Communications Inc. ("**imX**"), and its library of 20 feature films and 26 half-hours of television drama, documentary and animation entertainment for the consideration as follows: Cash consideration and transaction costs of $873,270, ($855,000 and $18,270 respectively) on the Effective Date and 118,216 shares of the Company valued at $175,000.

Entertainment One Uncompleted Transaction

On December 11, 2008, the Company announced that is had been advised by Entertainment One Ltd. ("**Entertainment One**") of its inability to proceed with the proposed reverse takeover transaction (the "**Proposed Transaction**") contemplated by the Arrangement Agreement dated September 29, 2008 between DHX Media and Entertainment One. DHX Media issued a press release on September 29, 2008 announcing that it had entered into the Arrangement Agreement, which outlined the terms of a proposed reverse-takeover of DHX Media by Entertainment One.

The outside date for completion of the Proposed Transaction was January 31, 2009, pursuant to the Arrangement Agreement. However, Entertainment One advised DHX Media that the Entertainment One senior lenders have confirmed that they would not consent to the Proposed Transaction if it provided DHX shareholders with the option to elect to receive cash as partial consideration for their common shares of DHX, as contemplated by the Arrangement Agreement. The consent of Entertainment One's senior lenders was a condition of closing of the Proposed Transaction pursuant to the terms of the Arrangement Agreement.

The Board of Directors of the Company are considering options for potential damage claims under the Arrangement Agreement.

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, 2008 and 2007 on www.sedar.com or DHX's website at www.dhxmedia.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 3 to the Financial Statements for the years ended June 30, 2008 and 2007 on www.sedar.com or DHX's website at www.dhxmedia.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 and consultants 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. Stock-based Compensation also includes awards of common shares to certain employees of the Company related to the achievement of certain financial benchmarks.

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 no amounts in the equity income line on the statement of income (loss) and comprehensive income (loss) for Six Months 2009 and Q2 2009 (Six Months 2008-$0.03 million and Q2 2008-$0.01 million income).

In the normal course of business, the Company enters into production arrangements with third party production, distribution companies and broadcasters related to the production of television series or feature films. The wholly-owned production

companies in which these production activities are undertaken, are VIEs as they do not have sufficient equity at risk to finance their activities. The Company has variable interests in certain entities but in certain companies, it is not exposed to the majority of the expected losses and, therefore, does not consolidate these companies. The Company accounts for these entities using the equity method (note 9).

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, 2008, the Company recorded no amounts for impairment of goodwill (six months ended December 31, 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.

The Company has also booked provisions against investment in film and television programs. These provisions include specific balances where Management believes the likelihood of ultimate revenues is remote and general allowances. Historically, Management's estimate of the required provision has been adequate (see "Impairment of Certain Investments in Film and Television Programs" section of this MD&A).

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

Financial Instruments and Capital Disclosures

Financial Instruments

On July 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3862, "Financial Instruments - Disclosures", section 3862, "Financial Instruments - Presentation", and section 1535, "Capital Disclosures"

Section 3862 "Financial Instruments - Disclosures" and *Section 3863 "Financial Instruments – Presentation"* have replaced *Section 3861 "Financial Instruments – Presentation and Disclosure"* revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Recommended disclosure from these sections has been included in Note 13 of the unaudited interim consolidated financial statements for the six months period ending December 31, 2008 and 2007.

Capital Disclosures

Section 1535 "Capital Disclosures", establishes disclosure requirements about an entity's capital and how it is managed. The purpose is to enable users of the financial statements to evaluate the entity's objectives, policies and processes for managing capital and provide disclosures including compliance with externally imposed capital requirements. Recommended disclosures from this section of the handbook have been included in note 14 of the unaudited interim consolidated financial statements for the six months period ending December 31, 2008 and 2007.

The Company has applied these standards without restatement of prior years.

Future Accounting Changes

The CICA issued one new accounting standards: Section 3064, *Goodwill and Intangible Assets* will be effective for fiscal years beginning on or after October 1, 2008 and the Company will adopt it on July 1, 2009. The Company is in the process of evaluating the impact on disclosure and presentation of these new standards.

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

Risks

Credit Risk

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represents 70% of total amounts receivable at December 31, 2008 (December 31, 2007 - 70%). 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. Management believes that it is normal course for the industry for some amounts receivable to take considerable time to collect, for instance it is normal course for federal and provincial tax credits receivable, to take up to 24 months to proceed through audit and collection. However, based on management's historical collection experience and based on the fact that management believes no significant balances are outside the normal course of collection, no allowance has been set up.

The Company adjusts amounts receivable from Canadian federal government and other government agencies including federal and provincial tax credits receivables, in connection with production financing, quarterly for any known differences arising from internal or external audit of these balances. An allowance against Federal and Provincial tax credits receivable has been booked based on the Company history of collection of these receivables.

Interest Rate Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates as its interim production financing and certain long-term debt bear interest at floating rates. A 1% fluctuation would have an approximate $0.20-$0.30 million affect on net income.

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, 2008 and 2007 on www.sedar.com or DHX's website at www.dhxmedia.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, 2008, 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, 2008. 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 six month period ended December 31, 2008 that to Management's knowledge have materially affected or are reasonably likely to materially affect the entity's ICFR. However, during the six months ended December 31, 2008 the Company acquired imX and decided to dispose of Bulldog. 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 this acquisition or disposal. Management is in the process of evaluating any possible changes in ICFR 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, Gross Margin, and Adjusted Operating Activities as measures of performance.

"**EBITDA**" and "**Adjusted EBITDA**" means earnings (loss) before interest, taxes, depreciation, amortization, stock-based compensation expense, and for Q4 2008 onward, impairment of certain investments in film and television programs ("Adjusted EBITDA"). Amortization includes amortization of property, plant, and equipment, acquired libraries, and intangible assets. EBITDA and Adjusted 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 and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes EBITDA and Adjusted EBITDA to be meaningful indicators 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.

“**Adjusted Operating Activities**” is a non-GAAP financial measure of cash inflows (outflows) from operating activities adjusted for increases (decreases) in interim production financing as, in Management’s opinion, these are also an integral part of determining cash flows from operations. Adjusted Operating Activities is one of the key cash flow measurement tool used by Management in assessing cash flow performance.

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

Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that EBITDA and Adjusted 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 and discontinued operations, EBITDA and Adjusted EBITDA, and Gross Margin, based on the historical unaudited financial statements of the Company for the three months ended December 31, 2008 and 2007, September 20, 2008 and 2007, June 30, 2008 and 2007, and March 31, 2008 and 2007, included elsewhere in this MD&A. For further description see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A. *The financial information for Q2 2009 includes full quarterly results for four divisions (Halifax Film, Decode, Studio B, and imX), Q1 2009 includes full quarterly results for three divisions (Halifax Film, Decode, and Studio B) but only 72 days for imX. Q3 and Q4 2008 include full quarterly results for three divisions (Halifax Film, Decode, and Studio B) with no amounts for imX. Q2 2008 includes full quarterly results for Halifax Film, Decode, and only 28 days of activity for the Studio B division and no amounts for imX. Results for Q1 2008 and prior pre-dates the acquisitions of Studio B and imX.*

The operating results for any quarter should not be relied upon as any indication of results for any future period.

	Six Months Ended Q2-09 $	Q2-09 $000	Q1-09 $000	Q4-08 $000	Q3-08 $000
Income (loss) before income taxes and discontinued operations for the period	**1,815**	**860**	955	(3,191)	1,396
Interest expense and amortization of deferred financing fees	**215**	**106**	109	117	143
Interest (income) expense[2]	**(17)**	**(5)**	(12)	23	(119)
Costs on uncompleted transactions and non-controlling interest expense (income)	**1,158**	**1,151**	7	(378)	0
Equity income	**-**	**-**	-	(13)	-
Amortization	**1,233**	**573**	660	799	1,096
Impairment in value of certain investment in film and television programs[3]	**-**	**-**	-	2,782	-
Development expenses (income)	**47**	**39**	8	397	-
Stock-based compensation expense	**394**	**204**	190	512	158
EBITDA and Adjusted EBITDA[1 & 3]	**4,845**	**2,928**	**1,917**	**1,048**	**2,674**
Selling, general and administrative, net of stock-based compensation expense	**6,868**	**3,719**	3,149	3,592	3,157
Loss (income) from strategic investments[2]	**13**	**85**	(72)	41	10
Gross Margin[1]	**11,726**	**6,732**	**4,994**	**4,681**	**5,841**

	Six Months Ended Q2-08 $	Q2-08 $000	Q1-08 $000	Q4-07 $000	Q3-07 $000
Income (loss) before income taxes for the period	**806**	**207**	599	1,608	200
Interest expense and amortization of deferred financing fees	**296**	**124**	172	456	-
Interest (income) expense[2]	**(168)**	**(142)**	(26)	(266)	36
Costs on uncompleted transactions and non-controlling interest expense (income)	**3**	**(2)**	5	278	5
Equity income	**(31)**	**(8)**	(23)	(361)	-
Amortization	**1,023**	**675**	348	658	297
Impairment in value of certain investment in film and television programs[3]	**-**	**-**	-	-	-
Development expenses (income)	**35**	**35**	-	338	14
Stock-based compensation expense	**234**	**121**	113	127	79
EBITDA and Adjusted EBITDA[1 & 3]	**2,198**	**1,010**	**1,188**	**2,838**	**631**
Selling, general and administrative, net of stock-based compensation expense	**4,574**	**2,364**	2,210	1,615	1,977
Loss (income) from strategic investments[2]	**8**	**99**	(91)	(273)	(495)
Gross Margin[1]	**6,780**	**3,473**	**3,307**	**4,180**	**2,113**

[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]Effective Q3 2008 and onward, the Company has combined income from strategic short-term investments with unrealized loss on short-term investments that had been previously included as part of the adjustments for interest and other expense (income) and is now included in the total of the category of loss (income) from strategic investments. The Company has adjusted accordingly for all prior quarters reported.

[3]Adjusted EBITDA for Q4 2008 has been adjusted for the $2.78 million impairment of certain investments in film and television programs recorded during the quarter as management believes this to be a more meaningful indicator of operating performance.

DHX MEDIA LTD.

Q2 2009

Supplemental Information
For the Three and Six Months Ended December 31, 2008

1. Summary of securities issued and options and warrants granted during the three and six months ended December 31, 2008

a. Summary of securities issued

Common Shares	Number of Common Shares	Value $
Balance at June 30, 2008	**42,715,785**	**55,487,244**
Shares issued for the purchase of imX Communications Inc.	118,216	175,000
Balance at December 31, 2008	**42,834,001**	**55,662,244**

b. Summary of options and warrants

Options	Number of Options	Weighted-average exercise price
Balance at June 30, 2008	**2,436,547**	**$2.02**
Granted to an Employee	75,000	$0.93
Balance at December 31, 2008	**2,511,547**	**$1.98**

Put Options	Number of Put Options	Weighted-average exercise price
Balance at December 31, 2008	**425,420** [1]	**Nil**

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

Warrants	Number of Warrants	Weighted-average exercise price
Balance at June 30, 2008 and December 31, 2008	**5,661,163**	**$2.06**

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

42,834,001 common shares at a recorded value of $55,662,244;

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 six months ended December 31, 2008.

2. Directors and officers as at December 31, 2008

Directors	
Sir Graham Day (1) (2)	Lead Director of DHX, Chair of Governance Committee
Michael Donovan (1)	Chairman, Board of Directors
J. William Ritchie (2)	Director, Chair of Compensation Committee
Donald Wright (2)	Director, Chair of Audit Committee
Joe Medjuck (2)	Director
Charles Bishop (1)	Director
Steven DeNure	Director
Neil Court	Director
Officers	
Michael Donovan	CEO
Dana Landry	CFO
Charles Bishop	President of Halifax Film Ltd.
Steven DeNure	President of Decode Entertainment Inc.
Neil Court	President of Decode Enterprises
David Regan	Executive VP Corporate Development
Mark Gosine	Secretary

(1) Member of the Production Financing Committee.

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