DHX MEDIA LTD.

Q3 2007

FORM 51-102F1

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

DHX MEDIA LTD.

Form 51 – 102F1 Quarterly Report
March 31, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of May 14, 2007, should be read in conjunction with the Company's unaudited interim consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2007 and 2006, as well as the Company's annual MD&A and audited consolidated financial statements and accompanying notes for the years ended June 30, 2006 and 2005. The unaudited interim consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2007 and 2006 have been prepared in accordance with Canadian generally accepted accounting principles for preparation of interim financial information and have been reviewed by* DHX.

The Company's auditors, PricewaterhouseCoopers LLP, have not reviewed the unaudited interim consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2007 and 2006.

The unaudited comparative interim consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2006, are for periods prior to the acquisition of Decode Entertainment Inc. ("Decode") (see "Acquisitions" section of this MD&A for further details on the Decode acquisition).

DHX Media Ltd. (the "**Company**" or "**DHX**") is a public company incorporated under the Canadian Business Corporations Act and its shares are listed on the TSX and AIM Exchanges as of May 19, 2006 (symbol DHX). Additional information relating to the Company can be found 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 that are shown as ",000" (for example, "$100,000") are approximate and have been rounded to the nearest thousand.

This MD&A contains certain forward-looking statements, which reflect Management's expectations regarding the Company's growth, results of operations, performance and business prospects and opportunities.

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," or "potential" or the negative or other variations of these words, or 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 upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, international risk and currency exchange rates, and technology changes. An assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Assessment" section of this MD&A. For a more detailed assessment of the risks that could cause actual results to materially differ from current expectations see the "Risk Assessment" section of the Company's Annual MD&A for the year ended June 30, 2006 found on SEDAR at www.sedar.com.

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

Use of Non-GAAP Financial Measures

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

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

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

A reconciliation of historical results to EBITDA is presented at the end of this MD&A.

Business of the Company

DHX is a leading independent supplier 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")

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

DHX's content library includes over 1,700 half-hours of programming and over 40 individual titles produced over the last nine years. The Company has twelve children's series currently in first window broadcast on multiple major cable and broadcast networks in North America and internationally, including, *Lunar Jim, Franny's Feet, The Save-Ums* and *Naturally Sadie*. The Company's prime-time production slate also includes notable achievements in the comedy genre, including the award-winning Canadian prime-time comedy series *This Hour Has 22 Minutes,* which is produced for the CBC and is now in its 14th season. The Company operates from its offices and production facilities in Halifax and Toronto producing content for distribution in domestic and international markets which is marketed via its Toronto and London, England-based sales group.

Revenue Model

The Company historically earns revenues primarily from four categories: production and then distribution of its proprietary productions, producer and service fees from production services for third parties and other revenues which includes rental of studios and office facilities, investing income, 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. These service and corporate overhead fees are earned for producing of 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 partially earned upon commissioning of a production, during production, once a completed production is delivered for broadcast and at some point in time after delivery as a holdback. (See "Critical Accounting Policies" 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.

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, investing income, music and royalty (including merchandising and licensing) and new media revenue.

Disclosure Controls and Procedures and Internal Controls over Financial Reporting ("ICFR")

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and establishing ICFR (as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings).

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the date of this MD&A, have concluded that the Company's disclosure controls and procedures 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 approved a Code of Business Conduct and Ethics and it has been distributed to all directors, officers and employees of the Company as of the date of this MD&A.

During the first nine months of fiscal 2007, the Company completed a business acquisition (Q4 2006 - the Company completed three business acquisitions) (see "Acquisitions" section of this MD&A). Management is in the process of reviewing the design of ICFR for these new subsidiaries and to date is not aware of any material weaknesses. Through this review process management has implemented and anticipates implementing further changes to enhance the ICFR for these subsidiaries to bring them in line with the overall policies of the Company.

Critical Accounting Policies

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 "Change in Accounting Policy" section of this MD&A.)

Investment in Film and Television Programs

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

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

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

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

Stock-based Compensation

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

The fair value of options is determined using the Black Scholes option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. The resulting fair value of the

options is expensed on a straight-line basis over their vesting periods. Cash consideration received from employees when options are exercised and the value of options accumulated in contributed surplus are credited to share capital.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three and nine months ended March 31, 2007 and 2006 and as at March 31, 2007 and the year ended June 30, 2006 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three and nine months ended March 31, 2007 and 2006 and from the audited consolidated financial statements and accompanying notes for the year ended June 30, 2006. Both can be found at www.sedar.com. **The financial information for the three and nine months ended March 31, 2007 in the table includes a full three and nine month's activity of the Company's Halifax Film division and Decode division, however the comparative period for the three and nine months ended March 31, 2006 only includes the activity of the Company's Halifax Film division and no amounts for the Decode division (See–"Acquisitions" section of this MD&A for further details on the Decode acquisition). Each reader should read the following information in conjunction with those statements and the related notes. Further, all financial information herein prior to May 18, 2006 is for activity of periods prior to the acquisition of Decode.**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Consolidated Statements of Operations Data:				
Revenue……………………………………………………………	**5,974,337**	1,889,194	**15,878,934**	6,474,482
Direct production costs and amortization of film and television programs	**3,575,577**	1,611,876	**10,039,879**	5,347,548
Gross margin	**2,398,760**	277,318	**5,839,055**	1,126,934
Selling, general and administrative……………………………..…	**2,056,226**	355,015	**5,598,520**	1,346,879
Operating income (loss)…………………………..…………..	**527,080**	(80,237)	**603,380**	(427,235)
Interest and other (expenses), net…….………………………	**(41,426)**	(269,506)	**(134,510)**	(872,056)
Net income (loss)…………………..………………………….	**310,654**	(359,743)	**342,870**	(1,330,898)
Basic and fully diluted earnings (loss) per common share………..	**0.01**	(0.03)	**0.01**	(0.09)
Weighted average common shares outstanding				
Basic……………………………………………………..	**32,801,452**	14,076,714	**32,663,816**	14,050,226
Fully Diluted……………………………………………….	**35,972,911**	15,166,501	**35,886,199**	15,166,724

	March 31,	June 30,
	2007	**2006**
	$	**$**
Consolidated Balance Sheet Data:		
Cash, restricted cash and short-term investments………………...	**7,364,027**	9,572,729
Investment in film and television programs………...…………….	**43,662,716**	21,249,652
Total assets……………………………………………………….	**102,807,707**	77,798,440
Total debts………………………………………………………..	**62,333,950**	38,202,322
Shareholder equity………………………………………………...	**40,473,757**	39,596,118

Results for the nine months ended March 31, 2007 ("Nine Months - 2007") compared to the nine months ended March 31, 2006 ("Nine Months - 2006")

Revenues

Revenues for the Nine Months - 2007 were $15.879 million, up from $6.474 million for the Nine Months - 2006, an increase of 145%. The increase is due to increases in the Company's production, distribution, music royalties and new media revenue categories. Management was pleased with the growth in revenue given that Nine Months - 2007 was the first full nine months of integrating the Decode activities into the results of the Company. Management expects this integration to continue for the last

quarter of Fiscal 2007 and to result in further synergies and revenue growth for the remainder of Fiscal 2007 and into Fiscal 2008. The revenue growth for Nine Months - 2007 is also encouraging given that the results included Q1 and Q2 which are typically slower quarters in the Canadian film and television industry as the majority of television deliveries occur in the winter and spring seasons, which for the Company is its third and fourth quarter (See "Seasonality" section of this MD&A for further details).

Proprietary production revenues for Nine Months - 2007 of $8.629 million were up 90% over the $4.535 million for Nine Months - 2006. The increase for Nine Months - 2007 is consistent with the Company's strategic goal to increase production revenue generated from home grown productions both in absolute dollars and as a percentage of the total production revenues earned. The growth included a 25% increase to $5.659 million (Nine Months - 2006-$4.535 million) in proprietary production revenue for the Halifax Film division and the inclusion of $2.970 million for the Nine Months - 2007 (Nine Months – 2006-nil, as this was prior to the acquisition) for the Decode division.

For Nine Months - 2007 the Company delivered $8.629 million-92.5 half-hours of proprietary television programs, an 85% increase in half-hours delivered over Nine Months - 2006. The breakdown for Nine Months - 2007 of the $8.629 million was: $0.260 million-26 half-hours of *Naturally Sadie* Season II to SRC in Canada, $1.235 million-13 half-hours of *Naturally Sadie* Season III, $0.608 million-6.5 half-hours of *Planet Sketch* Season II, $0.867 million-7 half-hours of *Chop Socky Chooks* Season I, $0.245 million-1 half-hour for the pilot of *The Truth About*, $0.655 million-8 half-hours of *POKO* Season III, $4.121 million-19 half-hours of *This Hour Has 22 Minutes* Season XIV, $0.149 million-4 half-hours of *Lunar Jim II (note this amount is included in producer fees in net production service revenue)*, and $0.638 million-8 half hours of *Bo on the Go* Season I. The breakdown for Nine Months - 2006 of the $4.535 million-50 half-hours was: $3.138 million-16 half-hours of *This Hour Has 22 Minutes* Season XIII, $1.397 million-14 half hours of *POKO II* and $0.532 million in producer fees-20 half-hours on *Lunar Jim* Season I (*note this amount is included in producer fees in net production service revenue*).

Net production service revenues for Nine Months - 2007 brought forward to the Company's consolidated statement of operations accounted for using the equity method (see note 6 to the unaudited interim consolidated financial statements for the three and nine months ended March 31, 2007 and 2006) were $1.250 million down 35% from Nine Months - 2006 of $1.927 million. The breakdown for net production service revenues was $1.101 million and $0.149 million from the delivery of production services related to the feature film entitled *Outlander* and producers fees and overheads earned for the television series *Lunar Jim* Season II respectively (Nine Months - 2006-$1.355 million and $44,000 of production service revenues for delivery of services on *Slevin* and *Ambition* respectively and $0.528 million for the television series *Lunar Jim* Season I).

Gross production service revenues for Nine Months - 2007 (see note 6 to the unaudited interim consolidated financial statements for the three and nine months ended March 31, 2007 and 2006) were $31.591 million up 654% from Nine Months - 2006 of $4.189 million. The breakdown for gross production service revenues was $31.427 million, $15,000 and $0.149 million from the delivery of production services related to the feature films entitled *Outlander* and *Slevin* and producers fees and overheads earned for the television series *Lunar Jim* Season II respectively (Nine Months - 2006-$1.355 million and $44,000 of production service revenues for delivery of services on *Slevin* and *Ambition* respectively and $2.790 million for the television series *Lunar Jim* Season I).

For Nine Months - 2007 distribution revenues were up significantly to $4.663 million from $13,000 for Nine Months - 2006. For Nine Months - 2007 the Company was successful in integrating the distribution team from the Decode division into the remainder of the Company and as such was able to place some 20 titles from its current production slate and its library in multiple territories throughout the world. Some of the more significant sales were on the following titles: *Angela Anaconda* seasons I to III, *Delilah & Julius* season I, *Franny's Feet* season I and II, *Naturally Sadie* season I to III, *The SaveUms* season I and II, *Girlstuff-Boystuff* seasons I and II, *Poko* season I to III, and *Planet Sketch* season I. The Company anticipates further revenue growth in distribution revenue for Q4 2007.

For Nine Months - 2007 music and royalty and new media revenues were up to $0.710 million (Nine Months - 2006-nil) and $0.392 million (Nine Months - 2006-nil) respectively. These revenue streams have increased as Nine Months - 2007 includes these revenue steams for the Decode division whereas Nine Months - 2006 included no activities for Decode. The Company anticipates further revenue growth, specifically in the category of music and royalty revenues, as it embarks upon its merchandising and licensing ("M&L") relationships with PLAYSKOOL, a division of Hasbro, Inc., for the Company's preschool property, *Franny's Feet*, and Alliance Atlantis on another preschool property, *Lunar Jim*. The Company is also focused on expanding into other M&L relationships for other existing proprietary properties.

For Nine Months - 2007 rental revenues were $0.235 million (Nine Months - 2006-nil) from the rental of studio and office facilities to third parties as a result of the Company's purchase of Electropolis (See "Acquisitions" section of this MD&A for further details) and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross Margin for Nine Months - 2007 was $5.839 million, an overall 36.8% of revenue versus $1.127 million or 17.4% of revenue for Nine Months - 2006, an increase of 111% or $4.712 million in absolute margin dollars. The Gross Margin for Nine Months - 2007 was higher than Nine Months - 2006 as there were significant increases in the following four revenue categories: production, distribution, music and royalties and new media as a result of organic growth and the inclusion of activities for Decode for Nine Months - 2007 over no amounts for Nine Months - 2006. These revenue streams for the Nine Months - 2007 have much higher margins than the Company's historic production revenues when comparing to Nine Months - 2006.

For Nine Months - 2007 the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin $2.704 million or 27.4%, distribution revenue margin of $2.076 million or 44.5% ($1.849 million or 39.7% when you remove $0.227 million for the amortization of acquired libraries), music and royalty revenue margin $0.688 million or 96.8%, new media revenue margin of $0.136 million or 34.7% and rental revenue margin of $0.235 million or 100%. All revenue streams were significant contributors to the margin increase for Nine Months - 2007.

In particular, production and distribution in terms of absolute dollars contributed $2.704 million and $2.076 million respectively or 82% of the total margin. Production margin at 27.4% is in line with management expectations. Distribution margin can fluctuate greatly from title-to-title and at 44.5% is at the high end of the range of management's expectations. This is as a result of a few key sales on older titles that have a relatively low book value resulting in higher margins for Nine Months - 2007. Going forward management would expect the range on distribution margin to be from 30 to 45%. Music and royalty margin at 96.8% was in line with management's expectations and are generally already on a net basis as the Company's license arrangements call for the deducting of third party commissions and expenses prior to the receipt of the royalty stream to the Company. Therefore, management would expect this revenue stream to have a low cost of goods sold going forward with margins in the 80-90% range. New media margins at 34.7% are in line with management expectations. Rental revenue at this time requires no dedicated cost of goods sold associated with the earning of the revenue, so predominately all rental revenues will fall to the bottom line with the exception of nominal administrative charges of up to 5%.

Overall Gross Margin for Nine Months - 2007 at 36.8% was higher than management's projected margin and we would expect that in future periods' Gross Margin to be more in the line with a 25 to 35% range.

Income from other investing

For Nine Months - 2007 income from other investing activities was $1.464 million versus no amounts for Nine Months - 2006.

Operating Expenses

Operating expenses for Nine Months - 2007 were $5.236 million compared to $1.554 million for Nine Months - 2006, an increase of 237%. The increase for Nine Months - 2007 is mainly due to a 316% increase in SG&A to $5.599 million up from $1.347 million for Nine Months - 2006. SG&A costs have increased as a result of the Company adding key personnel and expanding facilities as a result of increased activities and increased regulatory requirements from being public and nine months of SG&A related to the Company's Decode division which was not included in the Nine Months - 2006 total. For Nine Months - 2007, included in Operating Expenses is $1.035 million for amortization versus $6,000 for Nine Months - 2006 (see "Amortization" section in this MD&A for further details).

EBITDA

In Nine Months - 2007 EBITDA was positive at $1.948 million ($1.464 million resulted from income from other investing), a significant improvement as compared to a loss of $0.220 million for Nine Months - 2006. For Nine Months - 2007 this was due to the increase in Gross Margin dollars of $4.712 million and adding back of non-cash stock-based compensation expense of $0.244 million and was offset by the increase in SG&A, net of income from other investing of $2.788 million for a positive total dollar change of $2.168 million.

Amortization

Amortization includes amortization of property, plant and equipment, acquired libraries and intangible assets. For Nine Months - 2007 amortization was $1.035 million (Nine Months - 2006-$6,000). The breakdown for amortization was $0.337 million, $0.227 million, and $0.471 million for amortization of property, plant and equipment, acquired libraries and intangible assets respectively. For Nine Months - 2007 amortization of property, plant and equipment was $0.337 million (Nine Months - 2006-$6,000) due to the significant additions to property, plant and equipment, specifically the building purchase and construction of the Company headquarters in Halifax, Nova Scotia and the inclusion of the Decode property, plant and equipment for Nine Months - 2007 which was not included in Nine Months - 2006. For Nine Months - 2007 the amortization of acquired libraries was $0.227 million (Nine Months - 2006-nil) which relates to the library acquired as part of the acquisition of

Decode (see "Acquisitions" section in the MD&A for further details). For Nine Months - 2007 amortization of intangible assets was $0.471 million (Nine Months - 2006-nil) which relates to the intangible assets acquired as part of the acquisition of Decode (see "Acquisitions" section in the MD&A for further details).

Interest

Interest expense, net of interest revenue, for Nine Months - 2007 was $0.104 million versus net interest expense of $0.642 million for Nine Months - 2006. Net interest expense consists of $0.213 million and $15,000 for interest expense on long-term debt and interest and bank charges respectively offset by interest revenue in Nine Months - 2007 of $0.124 (Nine Months – 2006-nil, $2,000 and $0.124 million respectively). For Nine Months - 2007 there were no amounts (Nine Months - 2006-$0.764 million) for interest accreted on the Class A Preferred Shares and amortization and deferred financing.

Equity Income (Loss) and Non-Controlling Interest

For Nine Months - 2007 the Company recorded an equity loss of $15,000 for its investment in production companies (Nine Months – 2006-$0.222 million for equity loss) and $16,000 expense for non-controlling interest (Nine Months - 2006-$8,000).

Income Taxes

Income tax expenses for Nine Months - 2007 was a net expense of income taxes of $0.126 million (Nine Months - 2006-$32,000 income tax expense) made up from provisions of $41,000 (Nine Months - 2006-$32,000) for large corporation taxes and $240,000 (Nine Months - 2006-nil) for current income taxes offset by a recovery of future income taxes of $155,000 (Nine Months - 2006-nil).

Net Income (Loss)

Net Income for Nine Months - 2007 was $0.343 million, a significant improvement compared to a net loss of $1.331 million for Nine Months - 2006, totaling an improvement of $1.674 million in absolute dollars. For Nine Months - 2007 the overall improvement of $1.674 million was due to changes over Nine Months - 2006 of the following amounts: a gross margin increase of $4.712 million offset by an increase in operating expenses, net of income from other investing of $3.682 million and helped by a $0.738 million improvement in net interest and other expenses and further offset by a $94,000 increase of income taxes.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following tables set out selected consolidated financial information for each of the last eight quarters with the last one being the most recent quarter ended March 31, 2007. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements for the years ended June 30, 2006 and 2005 as filed on www.sedar.com, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. The financial information in the table below, with the exception of information for Q1, Q2, and Q3 Fiscal 2007 ended September 30, 2006, December 31, 2006, and March 31, 2007, is for periods prior to the acquisition of Decode Entertainment Inc. (see "Acquisitions" section of this MD&A for further details on the Decode acquisition). The operating results for any quarter should not be relied upon as any indication of results for any future period.

	Fiscal 2007			**Fiscal 2006**				**Fiscal 2005**
	Q3 **31-Mar** **$**	**Q2** **30-Dec** **$**	**Q1** **30-Sep** **$**	**Q4** **30-Jun** **$**	**Q3** **31-Mar** **$**	**Q2** **31-Dec** **$**	**Q1** **30-Sep** **$**	**Q4** **30-Jun** **$**
Revenue	**5,974,337**	6,704,811	3,199,786	9,412,349	1,889,194	3,105,909	1,479,379	18,749,311
Gross Margin[1]	**2,398,760**	2,361,030	1,079,264	1,831,139	277,318	690,148	159,468	486,592
EBITDA[1]	**917,150**	950,859	80,135	687,578	(77,697)	112,606	(254,854)	(61,807)
Net Income (Loss)	**310,654**	234,165	(201,949)	416,008	(359,743)	(402,499)	(568,656)	(350,947)
Basic and Diluted Earnings (Loss) Per Share	**0.01**	0.01	(0.01)	0.02	(0.03)	(0.03)	(0.04)	(0.01)

[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).

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

Revenues

Revenues for the Q3 2007 were $5.974 million, up from $1.889 million for Q3 2006, an increase of 216%. The increase is due to increases in the Company's production, distribution, music royalties and new media revenue categories. Management was pleased with the growth in revenue given that Q3 2007 was only the third quarter of integrating the Decode activities into the results of the Company. The Company also expects double digit revenue growth for Q4 2007 and Q1 Fiscal 2008 as some of the Company's projected Q3 television deliveries have been delayed and are expected to deliver in the early summer to summer seasons, which for the Company is its fourth quarter (See "Seasonality" section of this MD&A for further details).

Proprietary production revenues for Q3 2007 of $3.985 million were up 164% over the $1.510 million for Q3 2006. The increase for Q3 2007 is consistent with the Company's strategic goal to increase production revenue generated from home grown productions both in absolute dollars and as a percentage of the total production revenues earned. The growth included a 66% increase to $2.510 million (Q3 2006 -$1.510 million) in proprietary production revenue for the Halifax Film division and the inclusion of $1.475 million for Q3 2007 (Q3 2006-nil, as this was prior to the acquisition) for the Decode division.

For Q3 2007 the Company delivered $3.985 million-33.5 half-hours of proprietary television programs ($0.608 million-6.5 half-hours of *Planet Sketch* Season II, $0.867 million-7 half-hours of *Chop Socky Chooks* Season I, $0.558 million-7 half-hours

of *Bo on the Go!* Season I, $0.149 million-4 half-hours of *Lunar Jim II* (*note this amount is included in producer fees in net production service revenue*), and $1.952 million-9 half-hours of *This Hour Has 22 Minutes* Season XIV) versus the delivery of $1.510 million-17 half-hours ($1.510 million-9 half-hours of *This Hour Has 22 Minutes* Season XIII, $0.528 million-8 half-hours of *Lunar Jim* Season I (*note this amount is included in producer fees in net production service revenue for Q3 2006*).

Net production service revenues for Q3 2007 brought forward to the Company's consolidated statement of operations accounted for using the equity method (see note 6 to the unaudited interim consolidated financial statements for the three and nine months ended March 31, 2007 and 2006) were $0.149 million down 60% from Q3 2006 of $0.379 million. The breakdown for net production service revenues was $0.149 million for producer fees and overheads earned for the television series *Lunar Jim* Season II (Q3 2006-$0.528 million for the television series *Lunar Jim* Season I, less reversals of $72,000 and $77,000 for production service revenue for *Ambition* and *Slevin* respectively).

Gross production service revenues for Q3 2007 (see note 6 to the unaudited interim consolidated financial statements for the three and nine months ended March 31, 2007 and 2006) were $1.846 million down 27% from Q3 2006 of $2.515 million. The breakdown for gross production service revenues was $1.697 million and $0.149 million from the delivery of production services related to the feature films entitled *Outlander* and for producer fees and overheads earned for the television series *Lunar Jim* Season II respectively (Q3 2006-$77,000 and $72,000 of production service revenues for reversals of services on *Slevin* and *Ambition* respectively and $2.664 million for the television series *Lunar Jim* Season I).

For Q3 2007 distribution revenues were up significantly to $1.343 million from no amounts for Q3 2006. For Q3 2007 the Company was successful in placing a multitude of titles from its current production slate and its library in multiple territories throughout the world. Some of the more significant sales were on the following titles: *Angela Anaconda* Seasons I to III, *Delilah & Julius* Season I, *Franny's Feet* Season I and II, *Naturally Sadie* Season I to III, *Girlstuff-Boystuff* Seasons I and II, *POKO* Season I to III, and *Planet Sketch* Season I. The Company anticipates further revenue growth in distribution revenue for Q4 2007.

For Q3 2007 music and royalty and new media revenues were up to $0.327 million (Q3 2006-nil) and $58,000 (Q3 2006-nil) respectively. These revenue streams have increased as Q3 2007 includes these revenue steams for the Decode division whereas Q3 2006 did not include the activities of Decode.

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

Gross Margin

Gross Margin for Q3 2007 was $2.399 million an overall 40.2% of revenue versus $0.277 million or 14.7% of revenue for Q3 2006, an increase of 173% or $2.122 million in absolute margin dollars. The Gross Margin for Q3 2007 was higher than Q3 2006 as there were significant increases in the following four revenue categories: production, distribution, music and royalties and new media as a result of the third full quarter's activities for Decode for Q3 2007 over no amounts for Q3 2006 and other organic growth. These revenue streams for Q3 2007 have much higher margins than the Company's historic production revenues when comparing to Q3 2006.

In particular, production and distribution in terms of absolute dollars contributed $1.285 million and $0.629 million respectively or 80% of the total margin. Production margin at 31.1% is in line with management expectations. Distribution margin can fluctuate greatly from title-to-title and at 46.8% is at the high end of the range of management's expectations. This is as a result of a few key sales on older titles that have a relatively low book value resulting in higher margins for Q3 2007. Going forward management would expect the range on distribution margin to be from 30 to 45%. Music and royalty margin at 98.1% was in line with management's expectations and are generally already on a net basis as the Company's license arrangements call for the deducting of third party commissions and expenses prior to the receipt of the royalty stream to the Company. Therefore management would expect this revenue stream to have a low cost of goods sold going forward with margins in the 80-90% range. New media margins are in line with management expectations. Rental revenue at this time requires no dedicated cost of goods sold associated with the earning of the revenue, so predominately all rental revenues will fall to the bottom line with the exception of nominal administrative charges of up to 5%.

Overall Gross Margin for Q3 2007 at 40.2% was higher than management's projected margin and we would expect that in future periods' Gross Margin to be more in the line with a 25 to 35% range.

Income from other investing

For Q3 2007 income from other investing activities was $0.496 million versus no amounts for Q3 2006.

Operating Expenses

Operating expenses for Q3 2007 were $1.872 million compared to $0.358 million for Q3 2006, an increase of 423%. The increase for Q3 2007 is mainly due to a 479% increase in SG&A to $2.056 million up from $0.355 million for Q3 2006. SG&A costs have increased as a result of the Company adding key personnel and expanding facilities as a result of increased activities and increased regulatory requirements from being public and the third full quarter of SG&A related to the Company's Decode division which was not included in the Q3 2006 total. For Q3 2007, included in Operating Expenses is $0.297 million for amortization versus $3,000 for Q3 2006 (see "Amortization" section in this MD&A for further details).

EBITDA

In Q3 2007 EBITDA was positive at $0.917 million a significant improvement, as compared to a loss of $0.078 million for Q3 2006. For Q3 2007 this was due to the increase in Gross Margin dollars of $2.122 million and was offset by the increase in SG&A, net of income from other investing of $1.206 and adding back of non-cash stock-based compensation expense of $0.079 million for a positive total dollar change of $0.995 million.

Amortization

Amortization includes amortization of property, plant and equipment, acquired libraries and intangible assets. For Q3 2007 amortization was $0.297 million (Q3 2006-$3,000). The breakdown for amortization was $0.109 million, $0.033 million, and $0.155 million for amortization of property, plant and equipment, acquired libraries and intangible assets respectively. For Q3 2007 amortization of property, plant and equipment was $0.109 million (Q3 2006-$3,000) due to the significant additions to property, plant and equipment, specifically the building purchase and construction of the Company headquarters in Halifax, Nova Scotia and the inclusion of the Decode property, plant and equipment for Q3 2007 which was not included in Q3 2006. For Q3 2007 the amortization of acquired libraries was $0.033 million (Q3 2006-nil) which relates to the library acquired as part of the acquisition of Decode (see "Acquisitions" section in the MD&A for further details). For Q3 2007 amortization of intangible assets was $0.155 million (Q3 2006-nil) which relates to the intangible assets acquired as part of the acquisition of Decode (see "Acquisitions" section in the MD&A for further details).

Interest

Interest expense, net of interest revenue, for Q3 2007 was $36,000 versus interest expense of $0.250 million for Q3 2006. Net interest expense consists of $67,000 and $12,000 for interest expense on long-term debt and interest and bank charges (Q3 2006-nil and nil) offset by interest revenue in Q3 2007 of $43,000 (Q3 2006-$7,000). For Q3 2007 there were no amounts (Q3 2006-$0.257 million) for interest accreted on the Class A Preferred Shares and amortization and deferred financing.

Equity Income (Loss) and Non-Controlling Interest

For Q3 2007 the Company recorded no amounts from the equity pick up of its investment in production companies (Q3 2006-$15,000 for net equity loss) and $5,000 expense for non-controlling interest (Q3 2006-$4,000).

Income Taxes

Income tax expense for Q3 2007 was a net provision for income taxes of $175,000 (Q3 2006-$10,000 income tax expense) made up from provisions of $11,000 (Q3 2006-$10,000) for large corporation taxes, $223,000 (Q2 2006-nil) for current income taxes offset by a recovery of future income taxes of $59,000 (Q3 2006-nil).

Net Income (Loss)

Net Income for Q3 2007 was $0.311 million, a significant improvement compared to a net loss of $0.360 million for Q3 2006, totaling an improvement of $0.671 million in absolute dollars. For Q3 2007 the overall improvement of $0.671 million was due to changes over Q3 2006 of the following amounts: a gross margin increase of $2.122 million offset by an increase in operating expenses, net of income from other investing of $1.514 million and helped by a $0.228 million improvement in net interest and other expenses and further reduced by $0.165 million change in provision for income taxes.

Results for the three months ended December 31, 2006 ("Q2 2007") compared to the three months ended December 31, 2005 ("Q2 2006")

Revenues

Revenues for the Q2 2007 were $6.705 million, up from $3.106 million for Q2 2006, an increase of 116%. The increase is due to increases in the Company's production, distribution, music royalties and new media revenue categories. Management was pleased with the growth in revenue given that Q2 2007 was only the second quarter of integrating the Decode activities into the results of the Company. The revenue growth for Q2 2007 was also encouraging given that Q2 along with Q1 is typically a

slower quarter in the Canadian film and television industry as the majority of television deliveries occur in the winter and spring seasons, which for the Company is its third and fourth quarter (See "Seasonality" section of this MD&A for further details).

Proprietary production revenues for Q2 2007 of $3.478 million were up 50% over the $2.326 million for Q2 2006. The increase for Q2 2007 was consistent with the Company's strategic goal to increase production revenue generated from home grown productions both in absolute dollars and as a percentage of the total production revenues earned. For Q2 2007 the Company delivered $3.478 million-46 half-hours of proprietary television programs ($0.260 million-26 half-hours of *Naturally Sadie* Season II to SRC in Canada, $0.855 million-9 half-hours of *Naturally Sadie* Season III, $0.245 million-1 half-hour for the pilot of *The Truth About* and $2.118 million -10 half-hours of *This Hour Has 22 Minutes* Season XIV) versus the delivery of $2.326 million-14 half-hours ($0.967 million-7 half-hours of *POKO* Season II and $1.359 million-7 half-hours of *This Hour Has 22 Minutes* Season XIII) for Q2 2006.

Net production service revenues for Q2 2007 brought forward to the Company's consolidated statement of operations accounted for using the equity method (see note 6 to the unaudited interim consolidated financial statements for the three and six months ended December 31, 2006 and 2005) were $0.779 million up 2% from Q2 2006 of $0.767 million. The breakdown for net production service revenues was $0.779 million from the delivery of production services related to the feature films entitled *Outlander* (Q2 2006-$0.656 million and $0.111 million of production service revenues for delivery of services on *Slevin* and *Ambition* respectively).

For Q2 2007 distribution revenues were up significantly to $2.049 million from $13,000 for Q2 2006. For Q2 2007 the Company was successful in placing a multitude of titles from its current production slate and its library in multiple territories throughout the world.

For Q2 2007 music and royalty and new media revenues were up to $0.136 million (Q2 2006-nil) and $0.139 million (Q2 2006-nil) respectively. These revenue streams increased as Q2 2007 includes these revenue steams for the Decode division whereas Q2 2006 did not include the activities of Decode.

For Q2 2007 rental revenues were $0.123 million (Q2 2006-nil) from the rental of studio and office facilities to third parties as a result of the Company's purchase of Electropolis (See "Acquisitions" section of this MD&A for further details) and from rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia.

Gross Margin

Gross Margin for Q2 2007 was $2.361 million an overall 35.2% of revenue versus $0.690 million or 22.2% of revenue for Q2 2006, an increase of 59% or $1.671 million in absolute margin dollars. The Gross Margin for Q2 2007 was higher than Q2 2006 as there were significant increases in the following four revenue categories: production, distribution, music and royalties and new media as a result of the second full quarter's activities for Decode for Q2 2007 over no amounts for Q2 2006 and other organic growth. These revenue streams have higher margins than the Company's historic production revenues when comparing Q2 2007 to Q2 2006.

In particular, production and distribution in terms of absolute dollars contributed $0.914 million and $1.004 million respectively or 81% of the total margin. Production margin at 26.3% was in line with management expectations. Distribution margin can fluctuate greatly from title-to-title and at 49% is at the high end of the range of management's expectations. This is as a result of a few key sales on older titles that have a relatively low book value resulting in higher margins for Q2 2007. Music and royalty margin was in line with management's. New media margin at 25% was in line with management expectations. Rental revenue for Q2 2007 required no dedicated cost of goods sold associated with the earning of the revenue.

EBITDA

In Q2 2007 EBITDA was positive at $0.951 million, as compared to $0.113 million for Q2 2006, an improvement of 744%. For Q2 2007 this was due to the increase in Gross Margin dollars of $1.671 million and was offset by the increase in SG&A, net of income from other investing of $0.937 and adding back of non-cash stock-based compensation expense of $0.104 million for a positive total dollar change of $0.838 million.

Net Income (Loss)

Net Income for Q2 2007 was $0.234 million, an improvement of 158% from a net loss of $0.402 million for Q2 2006. For Q2 2007 the overall improvement of $0.636 million was due to changes over Q2 2006 of the following amounts: a gross margin increase of $1.671 million offset by an increase in operating expenses, net of income from other investing of $1.456 million and helped by a $0.428 million improvement in net interest and other expenses and further offset by $7,000 change in provision for income taxes.

Results for the three months ended September 30, 2006 (“Q1 2007”) compared to the three months ended September 30, 2005 (“Q1 2006”)

Revenues

Revenues for Q1 2007 were $3.200 million, up from $1.479 million for Q1 2006, an increase of 116%. The increase was due to increases in the Company’s major revenue categories. The revenue growth for Q1 2007 was also encouraging given that Q1 is typically a slower quarter in the Canadian film and television industry as the majority of television deliveries occur in the winter and spring seasons, which for the Company is its third and fourth quarter. (See “Seasonality” section of this MD&A for further details).

Proprietary production revenues for Q1 2007 of $1.166 million were up 67% over the $0.699 million for Q1 2006. For Q1 2007 the Company delivered $1.166 million-13 half-hours of proprietary television programs ($0.380 million-4 half-hours of *Naturally Sadie* Season III, $0.655 million-8 half-hours of *POKO* Season III, $80,000-1 half hour of *Bo on the Go* Season I and $51,000 for producer fees earned by DHX Media UK) versus the delivery of $0.699 million-7 half-hours of *POKO* Season II for Q1 2006.

Net production service revenues for Q1 2007 brought forward to the Company’s consolidated statement of operations accounted for using the equity method (see note 6 to the unaudited interim consolidated financial statements for the three months ended September 30, 2006 and 2005) were $0.322 million down 61% from Q1 2006 of $0.781 million. The breakdown for net production service revenues was $0.307 million and $15,000 from the delivery of production services related to the feature films entitled *Outlander* and *Slevin* respectively (Q1 2006-$0.771 million and $10,000 of production service revenues for delivery of services on *Slevin* and *Ambition* respectively).

For Q1 2007 distribution, music royalty and new media revenues were up to $1.271 million (Q1 2006-nil), $0.245 million (Q1 2006-nil), and $0.196 million (Q1 2006-nil) respectively. These revenue streams have increased from nil amounts in Q1 2006 as Q1 2007 includes these revenue steams for the Decode division whereas Q1 2006 includes no activities for Decode.

Gross Margin

Gross Margin for Q1 2007 was $1.079 million an overall 33.7% of revenue versus $0.160 million or 10.8% of revenue for Q1 2006, an increase of 212% or $0.920 million in absolute margin dollars. The Gross Margin for Q1 2007 was higher than Q1 2006 as there were significant increases in the following three revenue categories: distribution, music royalties and new media as a result of a full three months of activities for Decode. These revenue streams have much higher margins than the Company’s historic production revenues when comparing Q1 2007 to Q1 2006. For Q1 2007 the margins for each revenue category in absolute dollars and as a percentage of revenue earned for each category are as follows: production revenue margin $0.333 million or 28.5%, net production service revenue margin of $95,000 or 29.7%, distribution revenue margin of $0.405 million or 31.9%, music royalty revenue margin $0.128 million or 52.5% and new media revenue margin of $0.118 million or 60%.

EBITDA

In Q1 2007 EBITDA was $80,000, as compared to a loss of $0.255 million for Q1 2006, an improvement of 131%. For Q1 2007 this was due to the increase in Gross Margin dollars of $0.920 million and was offset by the increase in net operating expenses and other expenses of $0.645 million and adding back of non-cash stock-based compensation of $60,000 for a total dollar change of $0.335 million.

Net Income (Loss)

Net loss for Q1 2007 was $0.202 million, an improvement of 64% from a net loss of $0.569 million for Q1 2006. For Q1 2007 the overall decrease in the loss of $0.367 million was due to changes over Q1 2006 of the following amounts: a gross margin increase of $0.920 million offset by an increase in net operating expenses of $0.761 million and helped by a $0.130 million improvement in net interest expense and non-controlling interest and $78,000 recovery of income taxes.

Results for the three months ended June 30, 2006 (“Q4 2006”) compared to the three months ended June 30, 2005 (“Q4 2005”)

Revenues

Revenues for Q4 2006 were $9.412 million, down from $18.749 for Q4 2005 a decrease of 50%. The decrease was due to the reduction in production service revenues by $16.645 million in absolute dollars as Q4 2006 actually had $145,000 reversal of prior production service revenues booked for the nine months ended March 31, 2006 down from $16.5 million for Q4 2005 ($9.7 million and $6.8 million in production service revenues for third parties respectively for *Slevin* and *Ambition*) as a conscious decision was made by management to focus on higher margin proprietary production that are anticipated in the future

to generate distribution and exploitation revenue from the owning of the rights. This was further evidenced when comparing the proprietary production revenues for Q4 2006 of $8.489 million up 445% over the $2.101 million for Q4 2005. The increase for Q4 2006 was consistent with the Company's strategic goal to increase its proprietary television production and therefore increase the revenue generated from home grown productions both in absolute dollars and as a percentage of the total productions revenues earned. For Q4 2006 distribution and other revenues are up to $0.583 million and $0.485 million respectively over no amounts and $0.148 million respectively for Q4 2005.

For Q4 2006 the Company delivered 13 half-hours of proprietary television programs (6 half-hours of *North South* Season I, 2 half-hours of *This Hour Has 22 Minutes* Season XIII and 5 half-hours of *POKO* Season III) versus the delivery of 17 half-hours (10 half-hours of *POKO* Season II, 1 half-hour of *Open Book* Season III and 6 half-hours of *Lunar Jim* Season I). For Q4 2006 the Company delivered 2 (8 half-hours) proprietary feature film programs (4 half-hours for the feature film currently entitled *It's a Boy Girl Thing* and 4 half-hours for the feature film currently entitled *Intervention (*aka *Funny Farm*) versus no deliveries of proprietary feature film programs for Q4 2005.

Gross Margin

Gross Margin for Q4 2006 was $1.831 million an overall 19% of revenue versus $0.487 million or 3% of revenue for Q4 2005, an increase of 533%. The Gross Margin for Q4 2006 was higher than Q3 2005 because Q4 2006 had very little amounts earned from service producing fees versus $16.5 million for Q4 2006. The Gross Margin for Q4 2006 was in line with management's projected margins for proprietary productions of 15 to 25%. As each production is financed differently, these Gross Margins can vary greatly with the Company maintaining a larger share of the copyright on certain programs over others. This is due to certain projects requiring a larger percentage of pre-licensing in order to get the necessary production revenues to get the program produced. As more of the program territories are pre-licensed in advance it naturally reduces the number of territories available for distribution revenues. With lower distribution revenues comes a lower margined production.

EBITDA

In Q4 2006 EBITDA was $0.688 million, as compared to a loss of $0.062 million for Q4 2005, a significant improvement an improvement of 1,210%. For Q4 2006 this was due to the increase in Gross Margin dollars of $1.35 million and offset by the increase in SG&A dollars of $0.559 million and a decrease of $0.041 million for the difference in stock-based compensation expense for a total dollar change of $0.750 million.

Net Income (Loss)

Net income for Q4 2006 was $0.416 million up from a net loss of $0.351 million for Q4 2005. For Q4 2006 the overall increase of $0.767 million was due to changes over Q4 2005 of the following amounts: increases from a gross margin increase of $1.350 million, a development expense decrease of $43,000, a change in recovery of income taxes of $0.174 million and an interest revenue increase of $64,000 and reduced by an increase in SG&A of $0.559 million, and increases of $120,000, $108,000, $72,000 and $5,000 for amortization, net interest expense, an equity loss and non-controlling interest.

Liquidity and Capital Resources

	March 31, 2007 $	June 30, 2006 $
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash, restricted cash [1] and short-term investment……………	**7,364**	9,573
Long-term assets …………………………………………….	**35,242**	25,910
Working capital………………………………………………	**10,688**	18,370
Long-term liabilities…………………………………………..	**5,456**	4,684
Working capital ratio [2]…………………………………………	**1.19**	1.55
Cash Inflows and (Outflows) by Activity:		
Operating activities…………………………………………..	**(17,382)**	(4,363)
Investing activities……………………………………………	**(450)**	(6,100)
Financing activities……………………………………………	**16,978**	10,011
Net cash inflows (outflows)………………………………….	**(854)**	(452)

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

Changes in Cash

Cash at March 31, 2007 was $5.258 million compared to $4.920 million, and $6.111 million as at December 31, 2006 and June 30, 2006 respectively. For Q3 2007 the cash balance increased $0.338 million when comparing the cash balance for March 31, 2007 to the cash balance at December 31, 2006.

For Q3 2007 cash flows from operating activities were a use of cash of $4.791 million. Cash flows from operating activities resulted from net income of $0.311 million and adding cash provided by non-cash items of amortization of film and television programs, property, plant and equipment, acquired library and intangible assets, stock-based compensation, interest on promissory notes, non-controlling interest, and net change in non-cash working capital balances related to operations of $3.460 million, $0.109 million, $0.034 million, $0.155 million, $0.079 million, $3,000, $5,000 and $1.558 million respectively. Cash flows were reduced by uses of cash of $56,000 for recovery of future income taxes and $10.449 million for investments in film and television programs.

For Q3 2007 cash flows generated from financing activities were $4.841 million. Cash flows from financing activities resulted primarily from cash generated from new borrowings of $4.534 million from interim financing and $0.500 million increase in bank indebtedness. This was offset by uses of cash of $0.073 million and $0.120 million respectively from adjustments to repayments of long-term debt and other long-term liabilities

For Q3 2007 cash flows generated from investing activities were $0.288 million. Cash flows used in investing activities were $0.083 million and $0.101 million for business acquisitions and cash advances to investees offset by $0.426 million cash provided by a decrease in short-term investments and $0.046 million for disposals in property, plant and equipment.

Working Capital

Working capital represents the Company's current assets less current liabilities ("Working Capital"). Decreases of working capital of $7.682 million as at March 31, 2007 over June 30, 2006 were predominantly driven by increases in deferred revenue, bank indebtedness and interim production financing and decreases in short-term investments and were offset by increases in current portion of investment in film and television programs and amounts receivable and decreases in accounts payable. The working capital ratio remained strong at 1.19:1 for March 31, 2007.

Based on the Company's current revenue expectations for the remainder of Fiscal 2007, which are based on contracted and expected production and distribution revenue, the Company believes cash generated from operations will be sufficient to satisfy working capital needs for at least the next twelve months. Further to operations being self-sustaining to support contemplated

strategic initiatives including potential acquisitions and the expansion of the Company's presence in international markets, the Company completed its IPO on May 19, 2006 where the Company issued 8,702,500 common shares for gross proceeds of $20.451 million (see "Initial Public Offering" section in this MD&A). As a result of our IPO, management believes that these proceeds, along with the remaining current working capital surplus totalling $10.688 million, are sufficient to execute on its current business plan. If the Company proceeds with one or any of the strategic acquisitions it is currently exploring there may be a capital requirement to go back to the public markets and raise additional financing to complete such acquisitions.

Contractual Obligations

As of March 31, 2007

Payments Due by Period	**Total**	**Fiscal 2007**	**Fiscal 2008-2010**	**Fiscal 2010-2011**	**After Fiscal 2011**
	$	$	$	$	$
Purchase Obligations					
Rights purchase for POKO [1]……………………………………	250,000	250,000			
Acquisition of library license rights [2]……………………………	1,700,000	840,000	860,000	-	-
Digital basic license application [3]………………………………	37,500	37,500	-	-	-
Note payable [4] ………………………………………………………	400,000	400,000	-	-	-
Long-term debt payments principal and interest [5] …………..	5,288,104	404,092	814,402	655,754	3,413,856
Total Contractual Obligations ………………………………	7,675,604	1,931,592	1,674,402	655,754	3,413,856

(1) Pursuant to an agreement whereby the Company acquired the right to develop, produce, distribute and otherwise exploit future seasons of the television series entitled "*POKO*". The amount remaining as at March 31, 2007 was $250,000.
(2) Pursuant to an agreement whereby the Company acquired the distribution rights to 520 half-hours of television programming. The amount remaining as at March 31, 2007 was $1,700,000.
(3) As at March 31, 2007, the Company committed to invest an additional $37,500 in a digital basic license application to the Canadian Radio-television and Telecommunications Commission ("CRTC"). The Company has also contingently committed to an additional $4,825,000. This additional investment is at the option of the Company and is subject to the CRTC approving the application as presented, among other conditions.
(4) As consideration for the acquisition of Decode, the Company has a $400,000 promissory note payable June 30, 2007 bearing interest at 10%.
(5) Long-term debt, bearing interest at Business Development Bank of Canada's floating base rate plus 1.5%, maturing in May 2021. Amounts repayable in monthly payments of principal of $19,900 plus interest and monthly principal installments of $4,386, non-interest bearing.

Outlook

The Company's IPO, completed on May 19, 2006 has strengthened the balance sheet and allows the Company to be in strong position going forward into Q4 2007 and Fiscal 2008. This capital infusion was key to building on the Company's recent successes, with a view to taking advantage of the Company's strengths and opportunities and creating 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, increasing profitability metrics, expanding the Company's presence in international markets, leveraging the Company's experience to focus on children, youth and family content and merchandising, and undertaking further potential acquisitions.

This Company has taken an important first step in this direction as was exhibited by the 145% and 216% revenue growth for Nine Months - 2007 and Q3 2007 respectively. Management was pleased with the growth in revenue considering that Nine Months - 2007 was the first full nine months of integrating the Decode activities into the results of the Company. This was further illustrated by the integration of the Halifax Film proprietary properties, which are now being funnelled through the Decode distribution pipeline and after only one major selling market the Company realized some successes on this front. As evidenced by the Company's strong distribution revenues of $4.663 million for Nine Months - 2007. Along with further penetration of the Decode library, the distribution team has been able to successfully place more than 20 titles from the Company's current production slate and library in multiple territories throughout the world. Some of the more significant sales were on the following titles: *Angela Anaconda* Seasons I to III, *Delilah & Julius* Season I, *Franny's Feet* Season I and II, *Naturally Sadie* Season I to III, *The SaveUms* Season I and II, *Girlstuff-Boystuff* Seasons I and II, *POKO* Season I to III, and *Planet Sketch* Season I. The Company anticipates further distribution revenue growth for Q4 2007 and Fiscal 2008.

For Q4 2007 and Q1 2008, the Company also expects double digit production revenue growth as some of the Company's expected Q3 2007 television deliveries have been delayed and are expected to deliver in the early summer to summer seasons (See "Seasonality" section of this MD&A for further details). For Q4 2007, the Company has over 55 half-hours of contracted proprietary programs, made up of 9 different episodic television series, which are scheduled for delivery. The Company's

historic average production revenue value per half-hour is approximately $0.125-$0.175 million and management expects the average production revenue value per half-hour actually delivered for Q4 2007 to be in this range.

For Q4 2007, the Company is expecting, largely based on contracted sales delivered and awaiting their licensing periods to commence (See "Critical Accounting Policies- Revenue Recognition" section of this MD&A for further details), further distribution revenue penetration on a number of additional titles in the current slate and from the library representing expected significant growth, perhaps in the range of 50-70% over the distribution totals for the first Nine Month – 2007. For Q4 2007, other revenues, including music and royalty and new media revenues, are expected to have moderate growth.

Further synergies from the acquisition of Decode are bearing out in healthier Gross Margins as shown by margin increases to 36.8% and 40.2% for Nine Months - 2007 and Q3 2007 respectively. For Q4 2007, Gross Margin is expected to be in the 30-40% range. For Q4 2007 and Fiscal 2008, management expects the integration of Decode to continue to result in further synergies and revenue growth in all categories.

For Fiscal 2008 the Company has over 200 half-hours of contracted proprietary programs (plus 50-100 half-hours of additional potential proprietary programs currently in negotiation with various broadcasters), made up of over 15 different episodic television series and a feature film currently entitled "*Shake Hands with the Devil*", which are scheduled for delivery. Further, for Fiscal 2008 the Company is anticipating 15-25% growth in distribution revenues over 2007 levels. For Fiscal 2008 other revenues, including new media revenues, are expected to have moderate growth. For Fiscal 2008, Gross Margin is expected to be in the 25-35% range. Finally for Fiscal 2008, the Company anticipates further revenue growth specifically in the category of music and royalty revenues as it embarks upon its merchandising and licensing ("M&L") relationships with PLAYSKOOL, a division of Hasbro, Inc for the Company's preschool property *Franny's Feet* and Alliance Atlantis on another preschool property *Lunar Jim*. The Company is also focused on leveraging other existing proprietary properties for additional M&L revenues.

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 upon what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. 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.

Seasonality

Results of operations for any period are dependent on the number and timing of film and television programs delivered which cannot be predicted with certainty. Consequently, the Company's results from operations may fluctuate materially from period to period and the results of any one period are not necessarily indicative of results for future periods. Cash flows may also fluctuate and are not necessarily closely correlated with revenue recognition.

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

Capital Stock Financings During Nine Months ended March 31, 2007

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

Capital Stock Financings During Fiscal 2006

Initial Public Offering

In connection with the IPO of the Company, completed on May 19, 2006, the Company issued 8,702,500 common shares for actual gross cash proceeds of $20.529 or an average price per share of $2.35 less $3.236 million share issuance costs, net of tax effect of $1.873 million. (See the Company's Final Prospectus filed on May 11, 2006 on www.sedar.com for further details).

Common share issuances

During the remainder of Fiscal 2006 the company issued an additional 150,000 common shares to an officer and a director for net proceeds of $0.304 million or an average price per share of $2.03.

As part of the consideration for the acquisition of Decode (see "Acquisitions" section of this MD&A) 5,793,011 common shares were issued. As part of the purchase price allocation a value of $11.572 million was placed on the shares.

Distribution Arrangement

In Q2 2007, the Company cancelled its distribution arrangement with a European distributor of television productions. The distribution arrangement had provided the Company the opportunity to underwrite production distribution advances in exchange for a share of the sales commissions and certain exclusive distribution rights to these productions (see "Material Contracts – Distribution Arrangement" in the Company's Final Prospectus filed on May 11, 2006 on www.sedar.com for more details).

For the nine months ended March 31, 2007 the Company recorded $1.044 million and $0.592 million for revenues and amortization expense respectively from this distribution arrangement. At March 31, 2007 the Company had $0.679 million recorded in amounts receivable from these sales. All costs associated with the cancelling of the agreement have been recorded in the results for the nine months ended March 31, 2007. As of March 31, 2007 the Company has amortized all amounts originally recorded under the category of acquired participation rights included in investment in film and television programs for any properties licensed under this distribution arrangement. Since this distribution arrangement has now been cancelled the Company expects to make no further licensing commitments and as a result expects no further revenues or expenses from this arrangement.

Related Party Transactions

For Nine Months - 2007 the Company earned $1.250 million in production service revenue and incurred $0.844 million in direct production service costs for the production of a feature film currently entitled *Outlander* and the television series *Lunar Jim* Season II from investee production companies (Nine Months - 2006-$1.927 million in revenues and $1.399 million in direct production service costs for *Slevin, Ambition* and *Lunar Jim* Season I).

As at March 31, 2007, the Company has $0.250 million (June 30, 2006 - $0.250 million) owing from a director and officer bearing interest at bank prime.

Acquisitions

During the nine -month period ended March 31, 2007, the following acquisitions occurred:

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

    Electropolis holds the lease on a sound stage studio in Halifax, Nova Scotia and is in the business of renting these facilities to film and television productions.

    The acquisition of Electropolis allows the Company to vertically integrate and recapture some office and facility rental expenses and also offers net new rental revenue streams for third party productions. For Nine Months - 2007 the Company has recorded $0.153 million for rental revenue.

(b) On December 22, 2006, the Company completed the acquisition of the license for the worldwide distribution rights to 520 half-hours of television programming ("Distribution Rights") for $2,200,000. As of March 31, 2007, the company has paid cash of $500,000 and is scheduled to pay the remainder through ten quarterly payments of $120,000 ending March 31, 2009 and one lump sum payment of $500,000 due March 31, 2009.

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

(c) On May 19, 2006, the Company acquired all of the issued and outstanding shares of **Decode Entertainment Inc.** ("Decode"), a television production company, for the total consideration of $17,961,095.

Decode offered a highly complementary strategic fit due to its distribution experience and capabilities, its broadcaster relationships and the strength of its management. The key principals of Decode's management team, Neil Court, Steven DeNure and Beth Stevenson, have been retained with employment contracts. Decode fits squarely into DHX's primary focus on children's and youth programming.

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

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

The acquisitions of Boy Girl and Funny Farm fit well into DHX's focus on rights retention. Whether through original creation or in this case through acquisition, the Company expects to generate distribution revenues through the exploitation of these rights.

Change in Accounting Policy

Variable Interest Entities

Effective July 1, 2005, the Company adopted Accounting Guideline 15 ("AcG 15") – Consolidation of Variable Interest Entities ("VIEs"). AcG 15 provides criteria for the identification of 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 losses from the VIEs activities or is entitled to receive a majority of the VIEs residual returns or both.

Prior to the adoption of AcG 15, the Company consolidated all entities that it controlled through ownership of a majority of voting interests.

Effective July 1, 2005, the Company implemented AcG 15, retroactively without the restatement of prior periods, and as a result, the Company has consolidated entities in which it has control through ownership of a majority of the voting interests as well as all VIEs for which it is the primary beneficiary.

VIEs for which the Company is not the primary beneficiary have been accounted for using the equity method (see note 6 to the unaudited interim consolidated financial statements for the three-month period ended March 31, 2007).

Financial Instruments

Fair Value of Financial Instruments

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

Credit Risk

Accounts receivable from the Canadian federal government and other government agencies in connection with production financing represents 72% of total accounts receivable at March 31, 2007 (June 30, 2006-66%). Certain of these amounts are subject to audit by the government agency. Management believes that these amounts are fully collectible. The balance of trade accounts receivable are mainly with Canadian broadcasters and large distribution companies. Management believes that these amounts are fully collectible. No provision for losses has been booked in the financial statements.

Interest Rate Risk

The Company is exposed to interest rate risk arising from fluctuations in interest rates as its interim production financing and its long-term debt bear interest at floating rates. Management believes this exposure to be minimal. As an example, as at March 31, 2007, even a 1% rate increase would only result in an annualized increase of approximately $200,000 in interest expense.

Risk Assessment

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

Reconciliation of Historical Results to EBITDA

EBITDA is not a recognized earnings measure under GAAP and does not have standardized meanings prescribed by GAAP. Therefore EBITDA may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that EBITDA should not be construed as alternatives to net income or loss determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. The following table reconciles income (loss) before income taxes, EBITDA and Gross Margin, based on the historical unaudited financial statements of the Company for the three and nine month periods ended March 31, 2007 and 2006 and the three-month periods ended March 31, 2007, December 31, 2006, September 30, 2006, June 30, 2006 and March 31, 2006, December 31, 2005, September 30, 2005, and June 30, 2005 included elsewhere in this MD&A. For further description see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A.

	Nine Months Ended Q3-07 $	Q3-07 $	Q2-07 $	Q1-07 $	Q4-06 $
Income (loss) before income taxes for the period ……………………….	**468,870**	**485,654**	263,165	(279,949)	310,401
Interest and amortization of deferred financing fees ………………………	**-**	**-**	-	-	141,709
Interest expense and other (income)	**103,712**	**36,247**	46,523	20,942	(101,826)
Equity loss and non-controlling interest	**30,798**	**5,179**	16,886	8,733	76,846
Amortization …………………...……	**1,034,995**	**296,717**	467,686	270,592	123,711
Development expenses………….....	**65,949**	**14,296**	51,653	-	-
Stock-based compensation expense[2]	**243,820**	**79,057**	104,946	59,817	136,737
EBITDA[1]…………………………….	**1,948,144**	**917,150**	**950,859**	**80,135**	**687,578**
Selling, general and administrative, net of stock-based compensation expense…………………………..…	**5,354,700**	**1,977,169**	1,835,450	1,542,081	1,143,561
Other investing income……...…..…	**(1,463,789)**	**(495,559)**	(425,278)	(542,952)	-
Gross Margin[1] …………………....	**5,839,055**	**2,398,760**	**2,361,031**	**1,079,264**	**1,831,139**

	Nine Months Ended Q3-06 $	Q3-06 $	Q2-06 $	Q1-06 $	Q4-05 $
Income (loss) before income taxes for the period …………………….……	(1,299,291)	(349,743)	(380,892)	(568,656)	(281,947)
Interest and amortization of deferred financing fees ……………….……..	763,802	256,986	239,626	267,190	33,826
Interest expense and other (income)	(122,088)	(6,942)	(66,339)	(48,807)	(32,667)
Equity loss and non-controlling interest	230,342	19,462	318,494	(107,614)	-
Amortization ………………...………	5,975	2,540	1,717	1,718	3,349
Development expenses…………....	201,315	-	-	201,315	42,632
Stock-based compensation expense[2]	-	-	-	-	173,000
EBITDA[1]…………………………….	**(219,945)**	**(77,697)**	**112,606**	**(254,854)**	**(61,807)**
Selling, general and administrative, net of stock-based compensation expense…………………………….	1,346,879	355,015	577,542	414,322	548,399
Other investing income……..…..…	-	-	-	-	-
Gross Margin[1] …………………....	**1,126,934**	**277,318**	**690,148**	**159,468**	**486,592**

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

DHX MEDIA LTD.

Q3 2007

Supplemental Information
For the Three and Nine Months Ended March 31, 2007

1. Summary of securities issued and options and warrants granted during the nine-month period ended March 31, 2007 and the year ended June 30, 2006

a. Summary of securities issued

Common Shares	Number of Common Shares	Value $
Balance at June 30, 2005	**14,037,268**	**5,027,566**
Issued to Sir Graham Day, Director	50,000	92,500
Issued as consideration for Decode acquisition	5,793,011	11,571,539
Issued for cash in conjunction with IPO	8,702,500	20,529,207
Share issuance costs in conjunction with IPO, net of tax asset of $1,873,000	-	(3,452,988)
Conversion of preferred shares in conjunction with IPO	3,893,673	8,624,814
Share issuance costs transferred from preferred shares	-	(2,104,038)
Issued to Dana Landry, CFO	100,000	211,000
Balance at June 30, 2006	**32,576,452**	**40,499,600**
Issued to Neil Court, as consideration for Decode acquisiton	100,000	141,000
Issued to Steven DeNure, as consideration for Decode acquisition	100,000	141,000
Issued to a former shareholder of Decode, as consideration for Decode acquisition	25,000	35,250
Adjusted share issuance costs in connection with IPO		(38,184)
Balance at March 31, 2007	**32,801,452**	**40,778,666**

Class A Prefered Shares	Number of Common Shares	Value $
Balance at June 30, 2005	**3,893,673**	**1,603,992**
Share issue cost adjustment	-	(3,198)
Conversion to Common Shares in conjunction with IPO	(3,893,673)	(1,600,794)
Balance at June 30, 2006 and March 31, 2007	-	-

b. Summary of options and warrants

Options	**Number of Options**	**Weighted-average exercise price**
Balance at June 30, 2005	275,000	$1.85
Granted to Sir Graham Day, Director	100,000	$2.25
Granted to J. William Ritchie, Director	100,000	$2.25
Granted to Joe Medjuck, Director	100,000	$2.25
Granted to Donald Wright, Director	100,000	$2.25
Granted to Dana Landry, CFO	322,500	$2.25
Granted to Employees	24,047	$2.25
Balance at June 30, 2006	**1,021,547**	**$2.14**
Granted to Employees	900,000	$2.35
Options expired during period	(175,000)	$1.85
Balance at March 31, 2007	**1,746,547**	**$2.28**

Put Options	**Number of Put Options**	**Weighted-average exercise price**
Gained in connection with issuance of common shares of a subsidiary [1]	425,420	Nil
Balance at March 31, 2007	**425,420**	**Nil**

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

	Warrants	exercise price
Balance at June 30, 2005	**389,367**	**$1.85**
Granted in connection with IPO	824,492	$2.35
Balance at June 30, 2006	**1,213,859**	**$2.19**
Warrants expired during period	(389,367)	$1.85
Balance at March 31, 2007	**824,492**	**$2.35**

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

a. 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.

b. Shares outstanding and recorded value

32,801,452 common shares at a recorded value of $40,778,666;
100,000,000 preferred variable voting shares at a recorded value of $100.

c. Description of options and warrants

See Note 12 of the unaudited interim consolidated financial statements for the three and nine month periods ended March 31, 2007.

2. Directors and officers as at March 31, 2007

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

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