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AIM and TSX: DHX

Year-end Results Show 65% Revenue Growth

Halifax, Canada – September 28, 2007 – DHX Media Ltd. (“DHX Media” or the “Group”) (AIM & TSX ticker: “DHX”), a leading independent international producer and distributor of television programming and interactive content, announces its audited financial results for the year to June 30, 2007 (a copy of which are available on SEDAR at www.sedar.com).

DHX Media produces, distributes and exploits the rights for television and film programming, with a primary focus on children’s and youth productions. The Group has 14 children’s series currently in first window broadcast on multiple major cable and broadcast networks in the UK, US and Canada, including, *Bo on the Go*, *Lunar Jim*, *Franny’s Feet*, *The Save-Ums* and *Naturally Sadie*. Its *Franny’s Feet* property was recently licensed to Hasbro, Inc.’s PLAYSKOOL division for toy and game merchandising worldwide.

Highlights:

- Revenue \$26.0 million (2006: \$15.8 million, which included only 43 days of activities after the Decode acquisition), an increase of 65%;
- Gross margin 37% (2006: 18%) or \$9.7 million (2006: \$2.8 million), an increase of 245% driven by the inclusion of the company’s Decode subsidiary’s distribution unit and better margins throughout the Group;
- EBITDA^{1,2} \$4.5 million (2006: \$0.5 million), an increase of 772%;
- Net income² \$1.2 million (2006: loss of \$0.9 million);
- Basic earnings per share² \$0.04 (2006: loss \$0.06), based on 32.7m weighted average shares outstanding for fiscal 2007, versus 32.8m shares outstanding at year end;
- Cash and short-term investments at year-end \$5.3 million (\$8.8 million);
- Record quarterly net income² for 2007 Q4 \$1.0 million (2006 Q4: \$0.4 million);
- Growth in content library of programs to close to 1,800 half hours (2006: 1,150);

¹ EBITDA represents net earnings (loss) of the company before amortization expense, interest income (expense), non-controlling interest, equity income (loss), development expenses and stock-based compensation expense

² Inclusive of income from strategic investments

- *Six new commissions and five production renewals for the company;*
- *Number of delivered half-hours of production for which license periods had commenced increased by 77% to 126 from 71. Another 42 half-hours of production were delivered during the year, but their license periods had not commenced by June 30 2007; and*
- *Contracts in place at year end for 200 half-hours of proprietary programs with more than 50 more half-hours currently under negotiation with various broadcasters.*

Michael Donovan, Chairman and CEO, DHX Media commented:

“We are pleased with our results for our first full year as a combined group, and achieving profitability. Our results show the revenue, gross margin and net income acceleration which has resulted from both our organic and acquisitive growth. These positive results are a validation of our strategy to date, as well as of our momentum leading into future periods.”

“For the year ended, we achieved EBITDA¹ of \$4.5 million and net income of \$1.2 million. Our gross margin rose from 18% to 37% as we began to exploit the significant distribution capabilities that were acquired in fiscal 2006. Furthermore, cash flow from operations increased to \$20.4 million from \$13.2 million, before our reinvestment in film and television programs of \$41.1 million for 2007 (2006: \$17.6 million).”

“DHX Media has a stable balance sheet which will enable the Company to continue to grow. This is bolstered by the newly secured \$70 million revolving interim production financing credit facility, as announced on September 27, 2007 which will provide the Group with additional funds to help the business grow.

Please also see the ‘Outlook’ section of the below MD&A for more detailed information.

The full financial statements and MD&A can be found below and are also available on SEDAR at www.sedar.com.

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About DHX Media Ltd.

DHX Media Ltd. is a leading international producer and distributor of television programming and interactive content with an emphasis on children, family and youth markets. DHX Media Ltd. shares trade on AIM and are listed on the TSX, the Toronto Stock Exchange. DHX Media’s production companies, Decode Entertainment and Halifax Film, are the producers or co-producers of 14 original television series and

theatrical releases currently commissioned for production and maintain a growing library of close to 1,800 half-hours of mostly children and youth-oriented television productions.

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Disclaimer

Certain statements herein may constitute forward-looking statements, including those identified by the expressions “may”, “will”, “should”, “could”, “anticipate”, “believe”, “plan”, “estimate”, “potential”, “expect”, “intend” and similar expressions to the extent they relate to the Company or its Management. These statements reflect the Company’s current expectations and are based on information currently available to Management. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results or events to differ materially from current expectations, including the matters discussed under “Risk Factors” contained in the Company’s prospectus dated May 12, 2006. These forward-looking statements are made as of the date hereof, and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

CHAIRMAN AND CHIEF EXECUTIVE'S REVIEW

Overview

The board of DHX Media Ltd. (the "Group") is pleased to announce the results for the year ending June 30, 2007 which reflects the first full year of combined activities with our subsidiary Decode Entertainment Inc ("Decode"), as well as our first full year of profitable results.

In Fiscal 2007, DHX Media made a number of strides toward achieving its strategy of building a significant library of children's high quality television program rights that can be leveraged across multiple revenue platforms internationally in the future. Most significant were the completion of a number of merchandising and licensing deals for our property *Franny's Feet*, our acquisition of a library of over 500 half-hours of content and our continued organic growth with the commissioning of six new productions and the renewal of another five. The Group is confident that the rewards of its continued operating and financial growth will be realised in future periods. To that end, they serve as positive indicators of the Company's future performance.

Following on the international success of *Franny's Feet*, one of the Group's newest productions, *Bo on the Go*, a children's show focused on promoting physical activity and coordination among viewers, commenced broadcast on Canada's CBC in September and has already generated very positive reviews. As part of the library acquired in December of last year, DHX Media acquired rights to the back catalogue of *This Hour Has 22 Minutes* which the company has already succeeded in securing an exclusive multi-year distribution license for specialty television broadcasting.

In 2007, music and royalty and new media revenues were up to \$0.9 million (2006 \$0.1 million) and \$0.4 million (2006 \$0.2 million), respectively, largely as a result of the inclusion of these revenue streams for the Decode division. 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 for another preschool property, *Lunar Jim*. The Company is also focused on expanding into other M&L relationships for other existing proprietary properties.

DHX Media continues to be well positioned to grow with cash flow from operations of \$20.4 million before our re-investments in film and television programs of \$41.1 million in 2007 (2006: \$17.6 million), cash and short-term investments of \$5.3 million at year end, and less than \$3 million in long-term debt for 2007. Additionally, DHX Media secured a \$70 million revolving master interim production financing credit facility from the Royal Bank of Canada as was announced on September 27, 2007.

DHX Media's strategy continues to be to build a library of primarily children's television content that can be exploited beyond its initial commissioned window of distribution over and across multiple distribution platforms, licensing periods, media and merchandising and licensing platforms with a view to generating healthy returns on invested capital.

Financial Performance

Revenues for the year ended June 30, 2007 were \$26.0 million (2006: \$15.8 million). The increase is due to greater production, distribution, music royalties, new media revenue and increases in other categories. The company is pleased with the growth in revenue attributable to and the successful integration of Decode into the company. We expect this integration to continue into the next fiscal year and to result in further synergies and revenue growth for 2008.

Proprietary production revenues were \$13.5 million (2006: \$13.5 million) reflecting the 126 half-hours (2006: 71 half-hours) of television production that were delivered and for which the license periods had commenced by June 30, 2007. In addition, another 42 half-hours of production were delivered during the year, but their license periods had not commenced by June 30, 2007. Therefore, the associated revenue could not be included in these results.

Distribution revenues were up significantly to \$9.8 million (2006: \$0.6 million). The distribution team from Decode successfully placed some 20 titles from the Group's current production slate and its library in multiple territories throughout the world.

Other key financial indicators were as follows:

- Gross margin was \$9.7 million; representing 37% of revenue and increasing considerably from \$2.8 million or 18% in 2006.
- Operating expenses were \$8.4 million (2006: \$2.8 million). The increase included the non-cash items of amortization of \$0.6 million (2006: nil) and a write down of development fees of \$0.4 million (2006: \$0.2 million). SG&A was \$7.3 million (2006: \$2.6 million) including the full year of Decode's activities and the expansion of our production and development slate.
- EBITDA for Fiscal 2007 was \$4.5 million, an increase of 772% as compared to \$0.5 million for Fiscal 2006. EBITDA included \$1.7 million in income from strategic investments (2006: \$0.2 million).
- Interest expense, net of interest income was \$0.3 million (2006: \$0.7 million). Interest expense consists of interest and bank fees of \$0.5 million (2006: \$6.0 thousand), which was off-set by interest income of \$0.2 million (2006: \$0.2 million), and non-cash items for the accretion of interest on the Class A Preferred Shares of nil in 2007 (2006: \$0.7 million) and nil for amortization of deferred financing fees (2006: \$0.2 million).
- Net income for Fiscal 2007 was \$1.2 million, an improvement of \$2.1 million over the \$0.9 million net loss for Fiscal 2006.
- Basic and fully diluted earnings per share were \$0.04 and \$0.03, respectively (2006: loss of \$0.06 and loss of \$0.06, respectively). These were based on the weighted average number of shares outstanding in Fiscal 2007 of 32.7 million and 35.7 million, respectively. As of June 30, 2007, the Group had 32.8 million shares outstanding.
- Cash at June 30, 2007 was \$3.4 million compared to \$6.1 million as at June 30, 2006. Cash flow from operating activities was use of cash of \$20.7 million for 2007, net of investment in film and television programs of \$41.1 million.

OPERATIONAL REVIEW

New Commissions

Fiscal 2007 saw several new commissions, including *The Latest Buzz*, *Super Why*, *Clang Invasion*, *The Truth About* and *Mighty Jungle*, as well as renewals of *The Latest Buzz*, *Naturally Sadie*, *This Hour Has 22 Minutes*, *Mighty Jungle* and co-production *Lunar Jim*.

Also during Fiscal 2007, principal photography was completed on our film unit's theatrical adaptation of General Romeo Dallaire's *Shake Hands With the Devil: the Failure of Humanity in*

Rwanda. The film premiered at the Toronto International Film Festival in September 2007 and is scheduled to open in theatres across Canada on September 28, 2007. The film is a co-production between DHX Media, Barna Alper Productions Inc. and Seville Productions and was delivered after the Fiscal 2007 year-end.

Distribution

The company made significant sales both domestically and globally of previously-commissioned and third-party programs during the year, highlighting the enduring value potential of the Group's library.

Notable sales included the following titles:

- *Angela Anaconda* Seasons I to III;
- *Delilah & Julius* Season I;
- *Franny's Feet* Seasons I and II;
- *Naturally Sadie* Seasons I to III;
- *The Save-Ums* Seasons I and II;
- *Girlstuff-Boystuff* seasons I and II;
- *POKO* Seasons I to III; and
- *Planet Sketch* Season I.

The Company anticipates further revenue growth in distribution revenue for 2008.

Merchandising and Licensing

Merchandising and licensing (M&L) continues to be the key area of focus for the full exploitation of our preschool and children's properties. Our approach to M&L is to first secure distribution for properties in key territories, including the US, the UK, France and Germany, which lays the groundwork for exploitation of merchandising and licensing rights in the future. Programs for which merchandising and licensing arrangements have been secured include *Franny's Feet*, *The Save-Ums*, *Chop Socky Chooks* and *Lunar Jim*.

As an example, PLAYSKOOL has acquired the worldwide toy and game merchandising rights for *Franny's Feet*, while major publishing houses Penguin Group (USA) and Simon & Schuster were appointed publishing licensees. Pursuant to the appointments, DHX Media will receive a minimum guarantee advance from both licensees with additional royalty payments expected to commence in late fiscal 2008. For *Lunar Jim*, a co-production with Alliance Atlantis Communications, DHX Media participates in a share of the net receipts from consumer products licensing, which is being exploited by Fisher-Price. DHX Media's co-production partner, Alliance Atlantis, is the distributor and licensing agent for *Lunar Jim*.

New Platform Exploitation

The ability to exploit the Group's productions across new technological platforms presents an important opportunity and is the focus of Decode's interactive unit. The Group's new media strategy is to build upon its website production expertise and to create content for new platforms such as mobile phones, handsets and non-traditional broadcast media. The approach is to actively pursue opportunities to repurpose existing content for Internet applications as well as to develop original content for emerging platforms.

For example, DHX Media has partnered with PBS to develop a *Franny's Feet* preview site on www.pbskids.org/frannysfeet/index_flash.html, in conjunction with the broadcast premiere. The

site is expected to engage viewers in a variety of entertaining and educational games in order to build their affinity for *Franny's Feet*.

The Group believes that it will continue to expand its business with some of its existing international customers as they evolve from broadcasters of children's programs to become multi-media aggregators of children's content. Furthermore, as the youth market is attracting attention for new digital applications, we believe that its new media expertise, combined with its library of children's brands, will enable it to generate new revenue streams for the business.

Subsequent Events

Subsequent to the Company's June 30 year end, there have been a number of developments including:

- Secured the worldwide television and home entertainment distribution rights to Turner Broadcasting's *My Spy Family* (26x22'), produced by Kindle Entertainment;
- Completed a licensing sale of 254 thirty minute episodes of the hit Canadian comedy show, "This Hour Has 22 Minutes" to The Comedy Network of Canada for exclusive specialty television broadcast and non-exclusive broadband rights for Canada for approximately three years;
- Appointed Rocket Licensing to be the UK licensing agent for our hit preschool property *Franny's Feet*. This complements the completed deal for costume characters with Rainbow Productions for Europe;
- Secured the worldwide television distribution rights (excluding US) to the groundbreaking animated preschool series *Super Why*, as announced on September 24, 2007. The agreement includes 65 half hour episodes of the series, which will be launched at the annual industry trade fair, MIPCOM, in October 2007; and
- Completed the arrangement of a \$70 million revolving credit facility with the Royal Bank of Canada to replace and expand upon the previous 15 production financing facilities held by DHX Media's two production subsidiaries, as announced on September 27, 2007.

Current Trading and Outlook

The Group's first full year of growth, synergy realisation and profit demonstrates the potential of the DHX Media business model. DHX is able to produce audience-winning programming while minimizing financial risk and retaining the maximum exploitation rights associated with a production, in order to generate multiple revenue streams. For Fiscal 2008 and beyond, the Group has a very strong pipeline of 200 half-hours of contracted productions, several promising children's properties for which the merchandising and licensing rights are un-exploited, and a growing library which will increasingly generate recurring revenue from existing and emerging distribution platforms. We expect growth to continue, particularly in our proprietary, distribution and merchandising and licensing segments as we begin to see the benefits of the licensing arrangement with Hasbro, Inc. for *Franny's Feet*. Furthermore, we will continue to implement and expand on our strategy of growing the number of our productions for which we own the rights, with a view to growing our library and building on the growth, margins and profits delivered to date.

Michael Donovan

Chairman and Chief Executive Officer