DHX Media Ltd.

Unaudited Consolidated Financial Statements
For the periods ended December 31, 2009 and June 30, 2009
(expressed in thousands of Canadian dollars, except for shares and amounts per share)

February 12, 2010

Management's Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements, Management's Discussion and Analysis ("MD&A") and supplemental information of DHX Media Ltd. (the "Company") are the responsibility of management and have been approved by the Audit Committee of the Board of Directors ("The Board"). The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting, and is ultimately responsible for reviewing and approving the unaudited interim consolidated financial statements and MD&A. The Board carries out this responsibility through its Audit Committee. The Audit Committee reviews the Company's interim consolidated financial statements and recommends their approval by the Board of Directors.

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

The unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. When alternative methods of accounting exist, management has chosen those it deems most appropriate in the circumstances. The unaudited interim consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgements and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information management must make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

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

(signed) "*Dana Landry*"
Chief Financial Officer

DHX Media Ltd.

Unaudited Consolidated Balance Sheets

As at December 31, 2009 and June 30, 2009

(expressed in thousands of Canadian dollars)

	December 31, 2009 $	June 30, 2009 $
Assets		
Current assets		
Cash	12,463	10,806
Short-term investments	-	272
Amounts receivable (note 4)	60,118	72,466
Prepaid expenses and deposits	869	429
Current portion of investment in film and television programs (note 5)	16,949	19,979
	90,399	103,952
Investment in film and television programs (note 5)	16,639	15,848
Restricted cash	4	8
Investment in production companies (note 6)	2,045	2,472
Assets related to discontinued operations (note 7)	6	6
Property, plant, and equipment	7,798	8,243
Long-term investment	2,042	2,042
Intangible assets (note 8)	4,602	5,144
Goodwill (note 8)	11,088	11,088
	134,623	148,803
Liabilities		
Current liabilities		
Bank indebtedness (note 9)	3,125	2,750
Accounts payable and accrued liabilities	14,767	15,476
Deferred revenue	8,675	10,108
Liabilities related to discontinued operations (note 7)	19	19
Interim production financing (note 10)	42,304	53,793
Current portion of long-term debt and obligations under capital leases (note 11)	586	635
Other liability (note 12)	25	675
	69,501	83,456
Long-term debt and obligations under capital leases (note 11)	2,899	3,164
Future income taxes	1,294	1,416
Non-controlling interest	226	217
	73,920	88,253
Shareholders' Equity		
Share capital and contributed surplus (note 13)	62,078	61,725
Deficit	(1,375)	(1,175)
	60,703	60,550
	134,623	148,803

Commitments (note 14)

The accompanying notes form an integral part of these financial statements

DHX Media Ltd.

Unaudited Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) and Deficit

For the three-month and six-month periods ended December 31, 2009 and 2008

(expressed in thousands of Canadian dollars, except for amounts per share)

	For the three-month period ended December 31, 2009 $	For the three-month period ended December 31, 2008 $	For the six-month period ended December 31, 2009 $	For the six-month period ended December 31, 2008 $
Revenues	9,427	21,514	22,375	38,385
Direct production costs and amortization of film and television produced	5,598	14,781	13,885	26,659
	3,829	6,733	8,490	11,726
Operating expenses				
Amortization of acquired library	174	47	461	188
Impairment in value of certain investment in film and television programs	75	-	234	-
Development expenses	-	39	25	47
Selling, general and administrative	3,280	3,924	6,732	7,262
	3,529	4,010	7,452	7,497
Income before the following	300	2,723	1,038	4,229
Amortization of property, plant and equipment and intangibles	498	526	988	1,045
Costs associated with abandoned transactions	-	1,144	-	1,144
Interest expense	35	106	112	215
Interest income	(4)	(5)	(10)	(17)
Loss (income) from strategic investments	(29)	85	24	13
Non-controlling interest	(15)	7	8	14
Income (loss) before income taxes	(185)	860	(84)	1,815
Provision for (recovery of) income taxes				
Large corporation taxes	15	10	30	20
Current income taxes	201	20	208	20
Future income taxes	(192)	215	(122)	550
	24	245	116	590
Net income (loss) and comprehensive income (loss) for the periods before discontinued operations	(209)	615	(200)	1,225
Discontinued operations, net of income tax (note 7)	-	(943)	-	(1,023)
Net income (loss) and comprehensive income (loss) for the periods	(209)	(328)	(200)	202
Deficit - Beginning of periods	(1,166)	(1,020)	(1,175)	(1,550)
Deficit – End of periods	(1,375)	(1,348)	(1,375)	(1,348)
Basic earnings (loss) before discontinued operations per common share (note 15)	0.00	0.01	0.00	0.03
Diluted earnings (loss) before discontinued operations per common share (note 15)	0.00	0.01	0.00	0.03
Basic earnings (loss) per common share (note 15)	0.00	(0.01)	0.00	0.00
Diluted earnings (loss) per common share (note 15)	0.00	(0.01)	0.00	0.00

The accompanying notes form an integral part of these financial statements

DHX Media Ltd.

Unaudited Consolidated Statements of Cash Flows

For the three-month and six-month periods ended December 31, 2009 and 2008

(expressed in thousands of Canadian dollars)

	For the three-month period ended December 31, 2009 $	For the three-month period ended December 31, 2008 $	For the six-month period ended December 31, 2009 $	For the six-month period ended December 31, 2008 $
Cash provided by (used in)				
Operating activities				
Net income (loss) for the periods	(209)	(328)	(200)	202
Discontinued operations, net of income tax	-	943	-	1,023
Charges (credits) to income not involving cash				
Amortization of film and television programs	4,394	14,790	10,784	26,019
Amortization of acquired library	174	47	461	188
Amortization of property, plant, and equipment	227	199	446	390
Amortization of intangible assets	271	327	542	655
Impairment in value of certain investment in film and television programs	75	-	234	-
Unrealized loss (gain) on short-term investments	-	150	-	101
Loss (gain) on disposal of short-term investments	(12)	(59)	44	(75)
Stock-based compensation	162	204	463	394
Interest on promissory notes	2	4	5	7
Non-controlling interest	(15)	7	8	15
Provision for (recovery of) future income taxes	(192)	215	(122)	550
	4,877	16,499	12,665	29,469
Investment in film and television programs	(7,173)	(5,741)	(9,240)	(16,062)
Net change in non-cash working capital related to operations (note 16)	8,015	(11,781)	9,772	(21,293)
Cash provided by (used in) operating activities - continuing operations	5,719	(1,023)	13,197	(7,886)
Cash used in operating activities - discontinued operations	-	(173)	-	(243)
Cash provided by (used in) operating activities	5,719	(1,196)	13,197	(8,129)
Financing activities				
Proceeds from repayment of employee share purchase loan	1	-	1	-
Common shares repurchased and cancelled	(1)	-	(116)	-
Proceeds from (repayment of) bank indebtedness	(30)	360	375	455
Proceeds from (repayment of) interim production financing	(5,126)	7,380	(11,489)	13,332
Proceeds from long-term debt	-	267	-	275
Repayment of long-term debt	(158)	(318)	(314)	(494)
Repayment of other liability	-	(175)	(650)	(175)
Cash from (used in) financing activities - continuing operations	(5,314)	7,514	(12,193)	13,393
Cash used in financing activities - discontinued operations	-	(5)	-	(10)
Cash from (used in) financing activities	(5,314)	7,509	(12,193)	13,383
Investing activities				
Business acquisitions	-	-	-	(843)
Acquisitions of short-term investments	-	-	-	(84)
Proceeds on disposal of short-term investments	84	127	228	291
Disposal (acquisition) of property, plant, and equipment	45	(506)	(2)	(542)
Net cash advances from (to) investees	509	(800)	427	(949)
Cash from (used in) investing activities	638	(1,179)	653	(2,127)
Net change in cash during the periods	1,043	5,134	1,657	3,127
Cash – Beginning of periods	11,420	6,819	10,806	8,826
Cash – End of periods	12,463	11,953	12,463	11,953

The accompanying notes form an integral part of these financial statements

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

1 Nature of the business and significant accounting policies

DHX Media Ltd. (the "Company") is a public company whose common shares are traded on the Toronto Stock Exchange (TSX), admitted on May 19, 2006 (symbol DHX). The Company, incorporated on February 12, 2004 under the laws of the Province of Nova Scotia, Canada, and continued on April 25, 2006 under the Canada Business Corporation Act, develops, produces and distributes films and television programs for the domestic and international markets. The address of the head office is 1478 Queen Street, Halifax, Nova Scotia, Canada, B3J 2H7.

Basis of presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the requirements of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1751 "Interim Financial Statements." Accordingly, certain information and note disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been omitted or condensed. In the opinion of management, these statements include all adjustments, consisting of normal accruals, considered necessary by management to present a fair statement of the results of operations, financial position and cash flows. Except as indicated in note 2, these unaudited interim financial statements were prepared using the same accounting principles as were used for the consolidated financial statements for the year ended June 30, 2009 and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2009, as set out in the 2009 Annual Financial Statements, available at www.sedar.com.

2 Changes in accounting policies and future accounting standard changes

a) Goodwill and intangible assets and financial instruments

Goodwill and Intangible Assets
On July 1, 2009, the Company adopted CICA Handbook Section 3064, "*Goodwill and Intangible Assets"* replacing Section 3062 "*Goodwill and Other Intangible Assets*" and Section 3450 "*Research and Development Costs*". The section establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. The provisions relating to the definition and initial recognition of intangible assets, including internally generated intangible assets, are aligned with International Accounting Standard ("IAS") 38, "*Intangible Assets"*. Recommended disclosures from this section have been included in note 8 to these financial statements. The adoption of this section has no impact on the Company's consolidated financial position of results of operation.

Financial Instruments
In June 2009, the AcSB issued amendments to Section 3862, "Financial Instruments – Disclosures", to require enhanced disclosures about the relative reliability of the data, or "inputs", that an entity uses in measuring the fair values of its financial instruments. The new requirements are effective for annual financial statements for fiscal years ending after September 30, 2009. The additional disclosures will be included in the Company's annual financial statements for the year ending June 30, 2010.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

2 Changes in accounting policies and future accounting standard changes (continued)

The following is an overview of accounting standards that the Company will be required to adopt in future years:

b) Future accounting standard changes

In January 2006, the Canadian Accounting Standards Board ("AcSB") announced its decision to replace Canadian GAAP with International Financial Reporting Standards ("IFRS"). On February 13, 2008, the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. This means that the Company will be required to prepare IFRS financial statements for the interim periods and fiscal year ends beginning in 2011.

While IFRS is based on a conceptual framework similar to Canadian GAAP, there are significant differences. The Company will commence reporting under the new standards on July 1, 2011. The Company is currently assessing the impact of IFRS on the Company, its information systems and its financial statements.

The CICA issued the following new accounting standards: Section 1582, "*Business Combinations*", Section 1601, "*Consolidated Financial Statements*", and Section 1602, "*Non-controlling Interests*". Sections 1582, 1601, and 1602 are effective for fiscal years beginning on or after January 1, 2011 and, accordingly, the Company is adopting them on July 1, 2011.

Business Combinations, Consolidated Financial Statements and Non-controlling Interests

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests" which replace Section 1581, "Business Combinations" and Section 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS". Section 1582 is applicable for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the entity's interim and annual consolidated financial statements for fiscal years beginning on or after January 1, 2011. Early adoption of this section is permitted. If the Company chooses to early adopt any one of these sections, the other two sections must also be adopted at the same time.

The Company is in the process of evaluating the impact of disclosure, presentation and measurement of these new standards.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

3 Acquisitions and long-term investment

(a) On July 20, 2008 ("imX Effective Date"), the Company acquired all the outstanding shares in imX Communications Inc. ("imX Communications" or "imX"), for consideration as follows:

- Cash consideration and transaction costs of $904, ($855 and $49 respectively) on the imX Effective Date; and
- 118,216 shares of the Company valued at $175.

The acquisition was accounted for using the purchase method. As such the results of operations reflect revenue and expenses of the assets of imX from the imX Effective Date. The purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair value as follows:

	$
Assets acquired	
Cash	30
Accounts receivable	2
Investment in film and television programs	172
Future income taxes	940
Goodwill	73
	1,217
Less: liabilities assumed	
Accounts payable and accrued liabilities	138
	1,079

Of the consideration paid for imX, $75, through the issue of 50,664 common shares of the Company was paid to a former shareholder of imX who is also a director and shareholder of the Company.

During the six-month period ended December 31, 2009, the Company finalized the purchase price allocation upon completion of its review of certain working capital balances.

(b) On November 22, 2007 the Company completed a strategic investment in privately-held Tribal Nova Inc. ("Tribal Nova") by acquiring a minority interest in the company for consideration of $2,042, including transaction costs of $42. The Company has accounted for the investment using the cost method.

During the year ended June 30, 2009, Tribal Nova entered into an agreement to issue new Class B preferred shares at a value of $3,000 to venture capital firms. As part of the transaction, the Company's investment in Tribal Nova was converted from common shares to 2,014,898 Class A preferred shares. These shares are non-redeemable, voting and are currently exchangeable for 2,014,898 Class A common shares.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

3 Acquisitions and long-term investment (continued)

(c) On December 4, 2007 ("Studio B Effective Date"), the Company acquired all the outstanding shares in Studio B Productions Inc. ("Studio B"), for the consideration ("Studio B Consideration") as follows:

- Cash consideration of $8,500 and transaction costs of $36; and
- 1,500,000 common shares of the company accrued at a value of $879.

The acquisition was accounted for using the purchase method. As such the results of operations reflect revenue and expenses of the assets of Studio B from the Studio B Effective Date. The purchase price has been allocated to the assets acquired (including all identifiable intangible assets arising from the purchase) and liabilities assumed based on their estimated fair value at the date of acquisition as follows:

	$
Assets acquired	
Cash	497
Amounts receivable	10,494
Investment in production companies	130
Prepaids and deposits	10
Investment in film and television programs	4,147
Property, plant and equipment	1,006
Intangible assets	4,898
Goodwill	3,858
	25,040
Less: liabilities assumed	
Bank indebtedness	297
Accounts payable and accrued liabilities	2,742
Deferred revenue	307
Interim production financing	10,760
Long-term debt and obligations under capital leases	913
Future income taxes	606
	15,625
	9,415

(d) On March 20, 2008 ("Bulldog Effective Date"), the Company acquired all the outstanding shares in Bulldog Interactive Fitness Inc. ("Bulldog Interactive" or "Bulldog"), for the consideration as follows:

- Cash payment of $625 on the Bulldog Effective Date and transactions costs of $7; and
- 99,333 common shares of the Company valued at $150.

In December 2008, the Company decided to abandon operations of Bulldog. As such, as at December 31, 2009 and June 30, 2009 the assets and liabilities have been recorded at fair value and the results of Bulldog operations from the Bulldog Effective Date have been retroactively restated and have been shown separately as discontinued operations, net of income taxes in these financial statements (note 7).

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

4 Amounts receivable

	December 31, 2009 $	June 30, 2009 $
Trade	17,947	22,223
Goods and services taxes recoverable	606	1,649
Federal and provincial film tax credits and other government assistance	41,565	48,594
	60,118	72,466

5 Investment in film and television programs

	December 31, 2009 $	June 30, 2009 $
Development costs	2,379	1,817
Theatrical and non-theatrical productions in progress		
Cost, net of government and third party assistance and third party participation	11,227	16,337
Acquired library – theatrical and non-theatrical		
Cost	5,860	5,860
Accumulated amortization	(3,406)	(2,945)
	2,454	2,915
Non-theatrical productions completed and released		
Cost, net of government and third party assistance and third party participation	132,190	118,402
Accumulated amortization	(111,152)	(100,368)
Accumulated impairment in value of certain investment in film and television programs	(3,510)	(3,276)
	17,528	14,758
	33,588	35,827
Less: Current portion	(16,949)	(19,979)
	16,639	15,848

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

5 Investment in film and television programs (continued)

The Company expects that 42% of the costs related to theatrical and non-theatrical productions completed and released will be amortized during the year ending June 30, 2010. The Company expects that 71% of the costs related to theatrical and non-theatrical productions completed and released will be amortized during the three-year period ending June 30, 2012. The Company expects that over 86% of the costs related to productions completed will be amortized by June 30, 2014.

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

During the three and six-month periods ended December 31, 2009, interest of $350 and $788 respectively (three and six-month periods ended December 31, 2008 - $564 and $1,159) has been capitalized to investment in film and television programs.

6 Investment in production companies

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

	December 31, 2009 $	June 30, 2009 $
The continuity of investment in production companies is as follows:		
Opening balance	2,472	1,235
Net cash advances to (from) investees	(427)	1,237
	2,045	2,472

The net cash advances to investees are non-interest bearing and have no set terms of repayment.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

7 Discontinued operations

In December 2008, the Company decided to abandon the operations of Bulldog Interactive (the "Discontinued Business") due to a slow down in franchisee opportunities as a result of the global economic recession. Selected financial information for the Discontinued Business is as follows:

	Three-month period ended December 31, 2009 $	Three-month period ended December 31, 2008 $	Six-month period ended December 31, 2009 $	Six-month period ended December 31, 2008 $
Revenue	-	18	-	140
Direct loss	-	(162)	-	(287)
Writedown to fair value	-	946	-	946
Recovery of income taxes	-	(165)	-	(210)
Loss from discontinued operations	-	(943)	-	(1,023)

	December 31, 2009 $	June 30, 2009 $
Total assets (property, plant and equipment)	6	6
Bank indebtedness	1	1
Accounts payable and accrued liabilities	12	12
Long-term debt	6	6
Total liabilities	19	19

8 Intangible assets and goodwill

Intangible assets

			December 31, 2009
	Cost $	Accumulated amortization $	Net $
Production backlog	1,033	761	272
Broadcaster relationships	4,417	1,521	2,896
Customer and distribution relationships	546	200	346
Non-compete contracts and brand	1,788	931	857
Production software	394	163	231
	8,178	3,576	4,602

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

8 Intangible assets and goodwill (continued)

Intangible assets (continued)

			June 30, 2009
	Cost $	**Accumulated amortization** $	**Net** $
Production backlog	1,033	613	420
Broadcaster relationships	4,417	1,257	3,160
Customer and distribution relationships	546	172	374
Non-compete contracts and brand	1,788	869	919
Production software	394	123	271
	8,178	3,034	5,144

The continuity of intangible assets is as follows:

	Six-months ended December 31, 2009 $	**Year ended June 30, 2009** $
Net opening balance	5,144	6,418
Amortization	(542)	(1,274)
	4,602	5,144

Goodwill

The Company performed its annual test for goodwill impairment at June 30, 2009, in accordance with its policy. No events or circumstances have occurred since June 30, 2009 to indicate that the fair value of the reporting unit is below its carrying value, therefore no test for impairment of goodwill was required to be conducted for the six-month period ended December 31, 2009.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

9 Bank indebtedness

As of December 31, 2009, bank indebtedness (the “RBC Revolving Operating Credit Facility”) was $3,125 (June 30, 2009 - $2,750). The maximum amount of the RBC Revolving Operating Credit Facility for general working capital purposes is $3,510 bearing interest at bank prime plus 1.25% (June 30, 2009 - bank prime plus 1.25%). A general security agreement over all property of the Company has been pledged as security for the RBC Revolving Operating Credit Facility. The availability of the RBC Revolving Operating Credit Facility is subject to the Company maintaining interest and consolidated indebtedness coverage ratios and certain other covenants.

The RBC Revolving Operating Credit Facility matures on March 31, 2010. The Company was in compliance with these covenants during the periods.

10 Interim production financing

	December 31, 2009 $	**June 30, 2009 $**
Revolving production credit facility ("RBC Revolving Production Credit Facility") bearing interest at bank prime plus 0.5% - 2.0%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately $34,108 at December 31, 2009 (June 30, 2009 - $55,318)	27,700	40,401
Interim production credit facilities with various institutions, bearing interest at bank prime plus 0.5% - 1.25%. Assignment and direction of specific production financing and licensing contracts receivable, with a net book value of approximately $27,281 at December 31, 2009 (June 30, 2009 - $15,735)	14,604	10,903
Demand production bank loans repaid during the period.	-	2,489
	42,304	53,793

During the three and six-month periods ended December 31, 2009, the bank prime rate averaged 2.25% (three and six-month periods ended December 31, 2008 – 3.98% and 4.35%).

The RBC Revolving Production Credit Facility with the Royal Bank has a maximum authorized amount of $63,231. The RBC Revolving Production Credit Facility is the aggregate of interim production financing of individual programs financed through the Royal Bank which are subject to individual approved tranches (collectively the “RBC Individual Approved Tranches”). Substantially all of the Company’s assets and certain of its subsidiaries have been pledged as security for borrowing under the RBC Revolving Production Credit Facility. The RBC Revolving Production Credit Facility matures at various dates up to March 2011, but specifically twenty-four months following the first drawdown of funds in respect of each RBC Individual Approved Tranche.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

11 Long-term debt and obligations under capital leases

	September 30, 2009 $	June 30, 2009 $
Loans payable, bearing interest at Business Development Bank of Canada prime plus 0.5%, maturing in May 2021, repayable in monthly principal installments of $20 plus interest, secured by first a mortgage on land and building having a net book value of $4,560 at December 31, 2009 (June 30, 2009 - $4,637) and a general assignment of rents	2,544	2,663
Obligation under capital lease, payable in monthly installments of $22 including interest of 4%, maturing in February 2013	779	893
Obligations under capital leases, bearing interest at rates ranging from 5.2% to 8.4%, maturing on dates ranging from June 2010 to December 2011 and repayable in monthly instalments ranging from $3 to $9	162	243
	3,485	3,799
Less: Current portion	(586)	(635)
	2,899	3,164

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

	$
Year ending June 30, 2010	320
2011	542
2012	504
2013	411
2014	239

12 Other liability

	December 31, 2009 $	June 30, 2009 $
Other liability related to the acquisition of distribution rights	25	675

The aggregate amount of payments required during the year ending June 30, 2010 is $25.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus

a) Authorized

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

Unlimited common shares without nominal or par value

b) Issued and outstanding

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

	Number	Six-month period ended December 31, 2009 Amount $	Number	Year ended June 30, 2009 Amount $
Preferred variable voting shares (note 13 (c))	100,000,000	-	100,000,000	-
Common shares (note 13 (d))				
Opening balance	44,442,711	56,758	42,715,785	55,488
Management bonuses	428,538	300	219,802	300
Issued as consideration for acquisition of imX	-	-	118,216	175
Issued in consideration of Studio B Earnout	-	-	1,500,000	879
Normal course issuer bid shares repurchased and cancelled	(149,833)	(116)	(111,092)	(84)
	44,721,416	56,942	44,442,711	56,758
Share purchase financing (note 13 (e))				
Opening balance	-	(419)	-	(432)
Repayments made by an officer	-	1		
Compensation expense	-	140	-	-
Interest received on notes	-	5	-	13
	-	(273)	-	(419)
Warrants (note 13 (f))				
Opening balance	4,922,750	1,630	5,661,163	2,070
Expiration of warrants	-	-	(738,413)	(440)
	4,922,750	1,630	4,922,750	1,630
Contributed surplus and stock options (note 13 (g))				
Opening balance	3,766,547	3,756	2,436,547	2,617
Compensation expense on options issued during the period	35,000	1	1,910,000	31
Management bonuses for the year ended June 30, 2008	-	-	-	(300)
Management bonuses for the year ended June 30, 2009	-	(300)	-	300
Compensation expense on existing options	-	322	-	668
Options cancelled	-	-	(580,000)	-
Warrants expired	-	-	-	440
	3,801,547	3,779	3,766,547	3,756
		62,078		61,725

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus (continued)

c) Preferred variable voting shares

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

d) Common shares

On November 13 and 14, 2007, the Company issued a combined 9,815,000 units ("Unit or Units") from the treasury at a price of $1.80 per Unit, for aggregate gross proceeds of $17,667 (the "Offering") plus an additional $6 for separately issued warrants. Each Unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $2.10 per common share, expiring on November 13, 2010.

On May 26, 2008, the Company issued 99,333 common shares at $1.51 per share, for a gross amount of $150. The 99,333 common shares were issued to former shareholders of Bulldog in connection with the purchase of Bulldog.

On July 2, 2008, the Company issued 67,552 common shares at $1.48 per share, for a gross amount of $100. The 67,552 shares were issued to former shareholders of imX in connection with the purchase of imX.

On October 3, 2008, the Company issued 50,664 common shares at $1.48 per share, for a gross amount of $75, in settlement of the imX earnout. The 50,664 common shares were issued to former shareholders of imX.

On March 26, 2009, the Company issued 219,802 common shares at $1.36 per share, for a gross amount of $300, for payment of certain management performance bonuses accrued at June 30, 2008.

As part of the Company's previously announced normal course issuer bid, 149,833, 109,095 and 1,997 common shares were repurchased for a gross amount of $116, $82 and $2 respectively and cancelled on July 30, 2009, April 27, 2009 and April 28, 2009, respectively.

On May 13, 2009, the company issued 1,500,000 common shares at $0.59 per share, for a gross amount of $879 in settlement of the Studio B Earnout. The common shares were issued to the former shareholders of Studio B.

On November 20, 2009, the Company issued 428,538 common shares at $0.70 per share, for a gross amount of $300, for payment of certain management performance bonuses accrued at June 30, 2009.

On January 15, 2010, the Company issued 425,420 common shares at $0.92 per share for the retirement of the Media Fund Put Options (note 13 (h)) and (note 19 (b))

On January 29, 2010, the Company issued 1,875,000 units ("January 29, 2010 Unit Offering") from treasury at a price of $0.80 per unit for gross proceeds of $1,500 (note 19 (a)).

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus (continued)

e) Share purchase financing

During the three and six-month periods ended December 31, 2009, the Company issued no amounts for share purchase financing (three and six-month periods ended December 31, 2008 - nil). During the three and six-month periods ended December 31, 2009, no amounts and $140 respectively of compensation expense was recognized on an employee loan forgiven (three and six-month periods ended December 31, 2008 - $nil). During the three and six-month periods ended December 31, 2009, $2 and $3 of interest respectively (three and six-month periods ended December 31, 2008 - $4 and $7) received on these loans were recorded as capital contributions. During the three and six-month periods ended December 31, 2009, $1 was received (three and six-month periods ended December 31, 2008 - $nil) as principal repayment of an employee loan.

f) Warrants

During the three and six-month periods ended December 31, 2009 nil warrants were granted and nil expired (three and six-month periods ended December 31, 2008 – nil and nil). In connection with the Offering, the Company issued 4,922,750 common share purchase warrants valued at $0.35 per warrant for cash consideration. The warrants entitle the shareholders to acquire 4,922,750 common shares for $2.10 and expire on November 13 and 14, 2010. Also, in connection with the Offering, the Company granted 738,413 common share warrants valued at $0.60 per warrant to the brokers of the Offering. The warrants entitled holders to purchase 738,413 common shares for $1.80 and expired on May 13 and 14, 2009.

	Number of warrants	Weighted average exercise price per warrant
Outstanding at June 30, 2008	5,661,163	2.06
Warrants expired	(738,413)	1.80
Outstanding at June 30, 2009 and December 31, 2009	4,922,750	2.10

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

Risk-free interest rate	4.25%
Expected option life	1.5 years
Expected volatility	65%
Expected dividend yield	nil

On January 29, 2010, as part of the January 29, 2010 Unit Offering, the Company issued 937,500 common share purchase warrants (note 19 (a)).

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus (continued)

g) Stock options

- At the Company's annual general meeting on February 13, 2009, the shareholders approved an increase to the total maximum number of common shares to be reserved for issuance through the Company stock option plan to 9% of the total number of issued and outstanding common shares at any time. As at December 31, 2009, this amounted to 4,024,927 (June 30, 2009 – 3,999,843).

At December 31, 2009 and June 30, 2009, the Company had the following stock options outstanding:

	Number of options	Weighted average exercise price
Outstanding at June 30, 2008	2,436,547	2.20
Granted to an employee	75,000	0.93
Outstanding at December 31, 2008	2,511,547	1.98
Granted to employees and directors	1,835,000	0.74
Options cancelled	(580,000)	2.11
Outstanding at June 30, 2009	3,766,547	1.36
Granted to employees	35,000	0.90
Outstanding at December 31, 2009	3,801,547	1.35
Exercisable at December 31, 2008	823,274	2.22
Exercisable at June 30, 2009	1,081,160	2.03
Exercisable at December 31, 2009	1,308,660	2.00

During the three and six-months periods ended December 31, 2009, on November 19, 2009, 35,000 stock options were issued to employees at $0.90 per share, vesting over four years and expiring on November 19, 2014. During the three and six-month periods ended December 31, 2009, no stock options were cancelled and none expired.

During the year ended June 30, 2009, 1,910,000 stock options were issued to officers, directors and employees at prices ranging from $0.58 to $0.93 per share, vesting over four years and expiring from September 26, 2013 to June 17, 2014. No stock options expired during the year ended June 30, 2009 and 580,000 stock options at $2.11 were cancelled.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus (continued)

g) Stock options (continued)

The weighted average grant date value of stock options and assumptions using the Black Scholes option pricing model for the three and six-month periods ended December 31, 2009 and the year ended June 30, 2009 are as follows:

	Three and six-months ended December 31, 2009	Year ended June 30, 2009
Weighted average grant date value	$0.90	$0.74
Risk-free interest rate	2.28%	2.92%
Expected option life	4 years	4 years
Expected volatility	64%	65%
Expected dividend yield	nil	nil

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

During the three and six-month periods ended December 31, 2009, a total of $162 and $463 respectively (three and six-month periods ended December 31, 2008 - $204 and $394) was recognized as compensation expense. Included in the compensation expense for the three and six-month periods ended December 31, 2009 was no amounts and $140 respectively related to employee share purchase loans (three and six-month periods ended December 31, 2008 - $nil) (note 13(e)).

Information related to options outstanding at December 31, 2009 is presented below:

Range of exercise prices	Number outstanding at December 31, 2009	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at December 31, 2009	Weighted average exercise price $
$0.58 - $0.93	1,945,000	4.35 years	0.75	18,750	0.93
$0.94 - $2.35	1,856,547	1.93 years	1.99	1,289,910	2.01
Total	3,801,547	3.40 years	1.35	1,308,660	2.00

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

13 Share capital and contributed surplus (continued)

g) Stock options (continued)

Information related to options outstanding at June 30, 2009 is presented below:

Range of exercise prices	Number outstanding at June 30, 2009	Weighted average remaining contractual life	Weighted average exercise price $	Number exercisable at June 30, 2009	Weighted average exercise price $
$0.58 - $0.93	1,910,000	4.84 years	0.75	-	-
$0.94 - $2.35	1,856,547	2.44 years	1.99	1,081,160	2.03
Total	3,766,547	3.65 years	1.36	1,081,160	2.03

h) Put options

Pursuant to financing provided by Media Fund (Atlantic) Ltd. (“Media Fund”), the Company granted to the shareholders of Media Fund a right to have the Company purchase the common shares in Media Fund in exchange for common shares of the Company (the “Put Options”) on a one-for-one basis. The Put Options were issued for no consideration. At December 31, 2009, 425,420 (June 30, 2009 - 425,420) shares in Media Fund carried the Put Options.

On January 15, 2010, the holders of the Put Options exercised their rights and accordingly the Company issued 425,420 common shares from treasury in exchange for the retirement of the Put Options (note 19(b)).

14 Commitments

The Company has entered into various operating leases for operating premises and equipment. The estimated future minimum payments under these operating leases in each of the next 5 years are as follows:

	$
Year ending June 30, 2010	512
2011	1,040
2012	784
2013	494
2014	521

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

15 Earnings (loss) per common share

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

	For the three-month period ended December 31, 2009 $	For the three-month period ended December 31, 2008 $	For the six-month period ended December 31, 2009 $	For the six-month period ended December 31, 2008 $
Net income (loss) and comprehensive income (loss) before discontinued operations for the period	(209)	615	(200)	1,225
Net income (loss) and comprehensive income (loss) for the period	(209)	(328)	(200)	202
Weighted average number of common shares:				
Basic	44,483,857	42,834,001	44,409,540	42,834,001
Diluted	44,576,165	42,834,001	44,586,857	42,834,001
Earnings (loss) before discontinued operations per common share:				
Basic	0.00	0.01	0.00	0.03
Diluted	0.00	0.01	0.00	0.03
Earnings (loss) per common share:				
Basic	0.00	(0.01)	0.00	0.00
Diluted	0.00	(0.01)	0.00	0.00

The weighted average number of potentially dilutive instruments, comprised of shares issuable in respect of convertible warrants, stock options, and put options, were 92,308 and 177,317 respectively for the three and six-month periods ended December 31, 2009 (three and six-month periods ended December 31, 2008 – nil and nil).

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

	For the three-month period ended December 31, 2009 $	For the three-month period ended December 31, 2008 $	For the six-month period ended December 31, 2009 $	For the six-month period ended December 31, 2008 $
Decrease (increase) in amounts receivable	6,649	(10,159)	12,349	(18,244)
Decrease (increase) in prepaid expenses and deposits	(279)	453	(440)	105
Decrease in restricted cash	4	5	4	455
Increase (decrease) in accounts payable and accrued liabilities	1,171	173	(708)	1,684
Increase (decrease) in deferred revenue	470	(2,253)	(1,433)	(5,293)
	8,015	(11,781)	9,772	(21,293)
During the period, the Company paid and received the following:				
Interest paid	367	318	555	1,266
Interest received	1	-	92	73
Taxes paid	312	40	312	40

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

17 Revenues and segmented information

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

	For the three-month period ended December 31, 2009	For the three-month period ended December 31, 2008	For the six-month period ended December 31, 2009	For the six-month period ended December 31, 2008
	$	$	$	$
Production revenue	3,916	18,984	10,714	33,640
Distribution revenue	3,552	2,107	7,302	3,562
Producer and service fee revenues	805	137	2,466	616
Other	1,154	286	1,893	567
	9,427	21,514	22,375	38,385

18 Seasonality

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

The Company's film and television revenues vary significantly from quarter to quarter and are driven by contracted deliveries with the primary broadcasters. Although with the Company's continued diversification of its revenue mix, particularly in the distribution revenue stream, some of the quarterly unevenness is improving slightly and becoming more predictable. Distribution revenues are contract and demand driven and can also fluctuate significantly from period to period.

(expressed in thousands of Canadian dollars, except for shares and amounts per share)

19 Subsequent events

(a) On January 29, 2010, the Company completed a non-brokered private placement of 1,875,000 units at a price of $0.80 per unit for $1,500 gross proceeds. The January 29, 2010 Unit Offering consisted of one common share and one-half common share purchase warrant. Each whole share purchase warrant is exercisable into one common share at a price of $1.15 per common share, expiring on January 26, 2012.

(b) On January 15, 2010, the holders of the Put Options in Media Fund exercised their rights and accordingly the Company issued 425,420 common shares at a price of $0.92 per common share from treasury in exchange for the retirement of the Put Options.