Q1 2011

Management Discussion and Analysis
of Financial condition and Results of Operations
For the Three Months Ended September 30, 2010 and September 30, 2009
(Unaudited)

DHX MEDIA LTD.

Q1 2011
September 30, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of November 12, 2010, should be read in conjunction with DHX Media Ltd.'s* (the "**Company**" or "**DHX**") *unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2010 and 2009, as well as the Company's annual MD&A and audited consolidated financial statements for the years ended June 30, 2010 and 2009. The unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2010 and 2009 have been prepared in accordance with Canadian generally accepted accounting principles.*

The Company's auditors, Pricewaterhouse Coopers LLP, have not reviewed the unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2010 and 2009.

DHX is a public company incorporated under the Canadian Business Corporations Act whose common shares are traded on the Toronto Stock Exchange ("**TSX**") admitted on May 19, 2006 (symbol DHX). Additional information relating to the Company can be found on its website at www.dhxmedia.com or on SEDAR at www.sedar.com. The Company delisted its shares from the AIM market of the London Stock Exchange effective October 1, 2009.

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. Figures in this MD&A are shown as millions (for example, $100,000 is shown as $0.10 million) and are approximate and have been rounded to the nearest ten thousand.

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

Statements about the Company's future plans and intentions, results, levels of activity, performance, goals or achievements, or other future events constitute forward-looking statements. Wherever possible, words such as "may," "will," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," or "potential" or the negative or other variations of these words, or other similar words or phrases, have been used to identify these forward-looking statements. These statements reflect Management's current beliefs and are based on information currently available to Management.

Forward-looking statements involve significant risk, uncertainties, and assumptions. Many factors could cause actual results, performance, or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and readers should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based on what Management believes to be reasonable assumptions, the Company cannot assure readers that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this MD&A, and the Company assumes no obligation to update or revise them to reflect new events or circumstances. Many factors could cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements, including: general economic and market segment conditions, competitor activity, product capability and acceptance, international risk and currency exchange rates, and technology changes. An assessment of the risks that could cause actual results to materially differ from current expectations is contained in the "Risk Assessment" section of this MD&A. For a more detailed assessment of the risks that could cause actual results to materially differ from current expectations see the "Risk Assessment" section of the annual MD&A for the years ended June 30, 2010 and 2009 posted on SEDAR at www.sedar.com.

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

Business of the Company

DHX is a leading independent supplier and distributor of television and film productions. The Company was originally the result of the combination of The Halifax Film Company Limited ("**Halifax Film**") and Decode Entertainment Inc. ("**Decode**") during Fiscal 2006 and at the time of initial public offering. Since that time DHX has added Studio B Productions ("**Studio B**") on December 4, 2007, imX Communications Inc. ("**imX**") on July 20, 2008, and W!ldbrain Entertainment Inc. ("**DHX Wildbrain**") on September 14, 2010 (See "Wildbrain Acquisition" and "Acquisitions" sections of this MD&A and the annual MD&A for the years ended June 30, 2010 and 2009 posted on SEDAR at www.sedar.com). As previously announced in the Company's September 2010 press release relating to rebranding, all the Company's subsidiaries have been rebranded under the name DHX Media. Consistent with this initiative, throughout this MD&A and going forward the locations have been relabelled as follows: Halifax Film and imX are now referred as "**DHX Halifax**", Decode as "**DHX Toronto**", and Studio B as "**DHX Vancouver**".

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

DHX's content library includes over 2,375 half-hours of programming and over 60 individual titles produced. The Company has over 15 children's series currently in first window broadcast on multiple major cable and broadcast networks in North America and internationally, including, *Yo Gabba Gabba, Waybuloo, Super Why, The Mighty Jungle, Bo on the Go!, Franny's Feet, dirtgirlworld, How to be Indie, Animal Mechanicals, Kid vs. Kat,* and *Martha Speaks*. 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 currently in its Season 18. *Canada's Super Speller* was recently awarded two 2010 Gemini Awards for Best Children's or Youth Non-fiction Program or Series, and Best Host in a Pre-school Children's or Youth Program or Series. The Company operates from its offices and production facilities in Halifax, Toronto, Vancouver, and Los Angeles, producing content for distribution in domestic and international markets which is marketed via its Toronto based sales group.

Revenue Model

The Company historically earns revenues primarily from four categories: 1) proprietary production, includes Canadian and other rights proprietary programs (which as of the Q2 2010 MD&A has been reclassified out of #3, producer and service fee revenue), 2) distribution of its proprietary and third party titles, 3) producer and service fees, which includes production services for third parties and equity investments, and 4) other revenues which include rental of studios and office facilities, music and royalty revenue, licensing revenue on titles in the DHX library including new for Q1 2011 *Yo Gabba Gabba Live! There's a party in my City* ("**Yo Gabba Gabba Live!**") stage tour revenues, 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 programs in which it retains Canadian and other limited participation rights and, in certain instances, from production services for productions whose copyright is owned by third parties and equity investments.

Production Revenue

The Company derives proprietary production revenues, which includes other proprietary titles with Canadian and other rights, from the grant of initial broadcast rights for the initial showing of commissioned productions and pre-licensing of territories. These fees are typically collected partially upon commissioning of a production, during production, and finally once a completed production is delivered for broadcast, and at some point in time after delivery as a holdback (See "Critical Accounting Policies and Estimates" section of this MD&A for details on revenue recognition).

Distribution Revenue

The Company is able to retain the ownership rights to its proprietary and other proprietary titles, which permits the Company to generate further revenues from the distribution of the Company's productions. In addition to generating revenues from the sale of initial broadcast rights, the Company is able to concurrently generate revenues from the sale of broadcast rights in other jurisdictions and on other platforms (such as DVD and video) for specified periods of time. Distribution revenue also includes theatrical and other revenues generated on its feature films.

Producer and Service Fee Revenue

As reclassified in Q2 2010, this category includes revenue accounted for using the percentage of completion method for revenues for service and corporate overhead fees earned for producing productions.

Other Revenue

Other revenue includes rental of studios, equipment, and office facilities, music and royalty including merchandising and licensing (**"M&L"**), new media revenue, and new for Q1 2011 and onward revenue from the licensing of *Yo Gabba Gabba* and *Yo Gabba Gabba Live!*.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three months ended September 30, 2010, and 2009 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2010 and 2009, and from the audited consolidated financial statements for the years ended June 30, 2010 and 2009 and can be found at www.sedar.com or DHX's website at www.dhxmedia.com. **Each reader should read the following information in conjunction with those statements and the related notes.**

	Three Months Ended September 30, 2010 ($000) (except per share data)	Three Months Ended September 30, 2009 ($000) (except per share data)
Consolidated Statements of Income and Comprehensive Income Data:[1]		
Revenues	**12,247**	12,948
Direct costs and amortization of film and television produced	**7,315**	8,091
Gross margin	**4,932**	4,857
Selling, general, and administrative	**3,366**	3,440
Impairment in value of certain investment in film and television programs	**100**	159
Income before the following	**1,138**	946
Loss from strategic investments	**(10)**	(53)
Equity loss	**(71)**	-
Foreign exchange gain (loss)	**146**	(208)
Amortization, interest and other expenses, net	**(514)**	(584)
Provision for income taxes	**(234)**	(92)
Net income and comprehensive income	**455**	9
Basic earnings per common share	**0.01**	0.00
Diluted earnings per common share	**0.01**	0.00
Weighted average common shares outstanding		
Basic	**61,627**	44,335
Diluted	**62,033**	44,513
	As at September 30, 2010 ($000)	**As at June 30, 2010 ($000)**
Consolidated Balance Sheet Data:		
Cash and short-term investments	**21,398**	22,018
Investment in film and television programs	**37,635**	29,892
Total assets	**145,283**	133,304
Total liabilities	**64,491**	53,125
Shareholders' equity	**80,792**	80,179

[1]The financial information for the three months ended September 30, 2010 in the table includes a full year's results for DHX Halifax, DHX Toronto, and DHX Vancouver, but only 16 days activity for DHX Wildbrain (see–"Wildbrain Acquisition" section of this MD&A for the three months ended September 30, 2010 and 2009 posted on SEDAR at www.sedar.com for further details on the DHX Wildbrain acquisition). The financial information for the three months ended September 30, 2009 in the table includes full results for DHX Halifax, DHX Toronto, DHX Vancouver, but no activity for DHX Wildbrain.

SELECTED CONSOLIDATED QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the last eight quarters with the last one being the most recent quarter ended September 30, 2010. 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, 2010 and 2009 as filed on www.sedar.com or DHX's website at www.dhxmedia.com, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. ***The operating results for any quarter should not be relied upon as an indication of results for any future period.***

	Fiscal 2011[1]	Fiscal 2010[1]				Fiscal 2009[1]		
(All numbers are in thousands except per share data)	**Q1[3] 30-Sep $**	**Q4[3] 30-Jun $**	**Q3[3] 31-Mar $**	**Q2[3] 31-Dec $**	**Q1[3] 30-Sep $**	**Q4[3] 30-Jun $**	**Q3[3] 31-Mar $**	**Q2[3] 31-Dec $**
Revenue	12,247	9,081	9,015	9,427	12,948	11,523	12,061	21,514
Gross Margin[2]	4,932	4,196	3,338	4,018	4,857	6,224	4,571	6,330
EBITDA and Adjusted EBITDA[2 & 3]	1,722	1,024	479	935	1,718	3,680	1,144	2,650
Net Income (Loss) and Comprehensive Income (Loss) before Discontinued Operations	455	(78)	(535)	(209)	9	157	461	615
Net Income (Loss) and Comprehensive Income (Loss)	455	(78)	(535)	(209)	9	(271)	444	(328)
Basic Earnings (Loss) Before Discontinued Operations Per Common Share	0.01	0.00	(0.01)	(0.01)	0.00	0.00	0.01	0.02
Diluted Earnings (Loss) Before Discontinued Operations Per Common Share	0.01	0.00	(0.01)	(0.01)	0.00	0.00	0.01	0.02
Basic Earnings (Loss) Per Common Share	0.01	0.00	(0.01)	(0.01)	0.00	0.00	0.01	(0.01)
Diluted Earnings (Loss) Per Common Share	0.01	0.00	(0.01)	(0.01)	0.00	0.00	0.01	(0.01)

[1]Q1 2011 includes full quarterly results for: DHX Halifax, DHX Toronto, and DHX Vancouver, but only 16 days of DHX Wildbrain. The remaining financial information includes full quarterly results for: DHX Halifax, DHX Toronto, and DHX Vancouver, but does not include DHX Wildbrain.

[2]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).

[3]The Adjusted EBITDA figures shown above were adjusted for the impairment in value of certain investments in film and television programs and foreign exchange gain (loss) as management believes the adjusted figures to be a more meaningful indicator of operating performance (see "Reconciliation of Historical Results to EBITDA and Adjusted EBITDA" of this MD&A).

Results for the three months ended September 30, 2010 (“Q1 2011”) compared to the three months ended September 30, 2009 (“Q1 2010”)

Revenues

Revenues for Q1 2011 were $12.25 million, down slightly (5%) from $12.95 million for Q1 2010. The decrease in Q1 2011 was mainly due to fewer deliveries and lower Q1 2011 distribution revenues and was generally offset by increases in royalty and producer and service fee revenues.

Proprietary production revenues: Proprietary production revenues for Q1 2011 of $4.26 million were down 37% compared to $6.80 million for Q1 2010. The overall decrease was made up of a 31% decrease to $1.36 million (Q1 2010-$1.97 million) in proprietary production revenue for DHX Halifax, a 79% decrease to $0.93 million for Q1 2011 (Q1 2010-$4.42 million) for DHX Toronto, and a 380% increase to $1.97 million for DHX Vancouver (Q1 2010-$0.41 million).

For Q1 2011, the Company accounted for 29.0 half-hours - $4.26 million of proprietary film and television program production revenue, a 69% decrease versus the 95.0 half-hours for Q1 2010, where the programs have been delivered and the license periods have commenced for consolidated entities. Included in these totals for Q1 2011 are nil half-hours - $0.93 million (note in Q1 2011 the Company delivered 30 half-hours of *Waybuloo* Season I to Treehouse which have already been accounted for in prior quarter delivery totals) (Q1 2010-36.0 half-hours - $1.21 million) for other proprietary titles where the Company has Canadian rights and other rights, which are being accounted for using the percentage of completion method. Q1 2011 proprietary deliveries were in line with scheduled deliveries and Management’s expectations.

The breakdown for proprietary deliveries and dollar value subtotals for locations for consolidated entities for Q1 2011 and Q1 2010 was as follows:

		Q1 2011		Q1 2010	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
DHX Toronto:					
Dirt Girl World	I		-		6.0
Franny's Feet	III		-		9.0
The Latest Buzz	III		-		13.0
Poppets Town	I		-		13.0
Super Why (CBC)	I		-		N/A [1]
Subtotals		$ -	-	$ 3.62	41.0
DHX Vancouver:					
Kid vs. Kat	II		13.0		-
Subtotals		$ 1.97	13.0	$ -	-
DHX Halifax:					
Animal Mechanicals	III		1.0		-
Bo on the Go!	III		-		5.0
Canada's Super Speller	I		-		10.0
Pirates	II		8.0		-
Searching for Soul: Making of Keystone Choir	Documentary		-		2.0
That's So Weird	II		5.0		-
The Guard	I		-		N/A [1]
This Hour Has 22 Minutes	XVII		-		1.0
This Hour Has 22 Minutes	XVIII		2.0		-
Subtotals		$ 1.36	16.0	$ 1.97	18.0
Other Proprietary Titles with Canadian and Other Rights					
DHX Toronto:					
Waybuloo (RDF Rights)-(30 half-hours to Treehouse)	I		N/A [1]		16.0
Subtotals		$ 0.93	N/A [1]	$ 0.80	16.0
DHX Vancouver:					
Martha Speaks (TVO)	I		-		N/A [1]
Martha Speaks (TVO)	II		-		20.0
Subtotals		$ -	-	$ 0.41	20.0
Total Consolidated Entities		**$ 4.26**	**29.0**	**$ 6.80**	**95.0**

[1] *N/A – Not applicable as deliveries of half-hours have either already been counted when title delivered in the first instance or in the case of the shows using percentage of completion method, are not yet delivered.*

Producer and service fee revenues: For Q1 2011, Management was pleased with the growth in this category as the Company earned $2.55 million for producer and service fee revenues, an increase of 54% over the $1.66 million for Q1 2010. For Q1 2011, the Company earned $0.21 million for *Monster High* Seasons 1-4, $0.04 million for *Fashionistas* Season 1, $0.06 million for *Oki's Oasis* Season 1, $0.01 million for *Disrespectoids* Season 1, $0.61 million for *The Ricky Gervais Show* Season 2, $0.03 million for *Happiness is a Warm Blanket* DVD, $0.16 million for *The Ricky Gervais Show* Season 1, $1.25 million for *My Little Pony* Season 1, $0.05 million for *My Little Pony* Season 2, $0.04 million for *Killer Mountain*, a movie of the week and $0.09 million for *Ice Road Terror*, a movie of the week.

Distribution revenues: For Q1 2011, distribution revenues were down 21% to $2.95 million from $3.75 million for Q1 2010, generally due to timing of license periods for existing contracts on hand. For Q1 2011, the Company slightly experienced the lagging effect on distribution revenues of fewer Fiscal 2010 deliveries. For Q1 2011, the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: *The Latest Buzz* Seasons I-III, *Animal Mechanicals* Seasons I and II, *Grandpa in my Pocket* Seasons I and II, *Super Why!* Season I, *Kid vs. Kat* Season II, *How to be Indie* Season I, and *Waybuloo* Season I.

Music and royalty revenues (new for Q1 2011 including M&L on Yo Gabba Gabba): For Q1 2011, music and royalty revenues, including M&L, increased 943% to $2.19 million (Q1 2010-$0.21 million). Overall, music and royalty revenues, including M&L, were up 943% mainly due to the addition of DHX Wildbrain which has significant licensing revenue, specifically for *Yo Gabba Gabba*. The breakdown for this category was $0.13 million for traditional DHX music and royalty revenues, $1.95 million for gross *Yo Gabba Gabba Live!* revenues, and $0.11 for other M&L on *Yo Gabba Gabba*.

New Media Revenues: For Q1 2011, new media revenues decreased 49% to $0.18 million (Q1 2011-$0.35 million) as there was a lower volume of projects through the DHX interactive unit.

Rental revenues: For Q1 2011, rental revenues were $0.12 million, down 33% from Q1 2010 of $0.18 million, as a result of lower rental revenues of studio and office facilities to third parties of the Company's DHX Halifax Children's Studio, rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia, and rental of office and equipment of the Company's Toronto, Ontario office.

Gross Margin

Gross margin for Q1 2011 was $4.93 million, an increase in absolute dollars of 2% compared to $4.86 million for Q1 2010. Management was pleased with the overall margin at 40% of revenue for Q1 2011 which was at the high end of Management's expectations.

For Q1 2011, the margins for each revenue category in absolute dollars and as a margin percentage are as follows: production revenue margin of $1.39 million or 33%, net producer and service fee revenue margin of $0.76 million or 30%, distribution revenue margin of $1.90 million or 64% ($1.64 million or 56% when $0.26 million for the amortization of acquired libraries is removed), and rental revenue margin of $0.12 million. For Q1 2011, music and royalty revenue, including M&L, less direct costs were $0.76 million. The breakdown for music and royalty, including M&L, margin was $0.12 million for traditional DHX music and royalty revenues, $0.61 million for gross *Yo Gabba Gabba Live!* revenues, and $0.03 for other M&L on *Yo Gabba Gabba*. The production, distribution, producer service fee, rental, and music and royalty, including M&L, revenue streams were all significant contributors to the absolute dollar margin for Q1 2011.

In particular, production, producer and service fee revenue, and distribution in terms of absolute dollars contributed $1.39 million, $0.76 million, and $1.90 million respectively or 82% of the total margin. Production margin at 33%, based on product delivery mix, was at the high end of Management's range but in line with expectations. Producer and service fee margins can vary greatly and at 30% is in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 64% is on the higher end of Management's expectations.

Operating Expenses

Operating expenses for Q1 2011 were $3.79 million compared to $3.91 million for Q1 2010, a decrease of 2%. SG&A costs for Q1 2011 were down 2% at $3.37 million compared to $3.44 million for Q1 2010. Specifically, SG&A costs for DHX Wildbrain for the 16 days from date of acquisition to September 30, 2010 were $0.28 million. Management was pleased that SG&A costs were down especially given the addition of DHX Wildbrain. Management was also pleased with Q1 2011 SG&A costs excluding DHX Wildbrain at $3.09 million, down 10% (ahead of expected reductions at 5%) as compared to Q1 2010.

Impairment in Value of Certain Investment in Film and Television Programs

During Q1 2011, the Company recorded an impairment in value of certain investments in film and television programs of $0.10 million (Q1 2010-$0.16 million).

Loss from Strategic Investments

For Q1 2011, loss from strategic investments activities of $0.01 million related to a unrealized capital loss from short-term investments held for trading, versus a $0.05 million loss for Q1 2010.

EBITDA

In Q1 2011, EBITDA was $1.72 million, in line with Management's expectations and Q1 2010. For Q1 2011, this was generally due to the increase in gross margin dollars of $0.07 million and a decrease in SG&A of $0.80 million, offset by a $0.15 million decrease in non-cash stock based compensation.

Amortization

For Q1 2011, amortization was down slightly to $0.76 million (Q1 2010-$0.78 million). For Q1 2011, the amortization of acquired libraries was $0.26 million (Q1 2010-$0.29 million) which relates to the library titles that have a maximum 20 year life for amortization purposes, have minimal ongoing cash costs associated with selling, and are viewed as long-term assets. For Q1 2011, amortization of PP&E was $0.23 million (Q1 2010-$0.22 million). For Q1 2011, amortization of intangible assets was

$0.27 million (Q1 2010-$0.27 million) which relates to the intangible assets acquired as part of the acquisitions of Decode and Studio B.

Foreign Exchange Gain (Loss)

For Q1 2011, due to fluctuation of the Canadian dollar against the USD, GBP, and Euro since June 30, 2010, foreign exchange gain was $0.15 million (versus a $0.21 million foreign exchange loss for Q1 2010). The balance for Q1 2011 was made up of $0.15 million realized foreign exchange loss (Q1 2010-$0.10 million foreign exchange loss) on revenue and expense items translated at average rates for the period and $0.30 million in non-cash unrealized foreign exchange gain (Q1 2010-$0.11 million unrealized foreign exchange loss) for balance sheet translations at the exchange rates in effect at each balance sheet date.

Interest

Interest for Q1 2011 decreased to $0.01 million expense versus $0.07 million expense for Q1 2010. Interest consists of $0.02 million for interest expense on long-term debt and $0.03 million for interest and bank charges (Q1 2010-$0.04 million and $0.04 million, respectively), offset by interest income of $0.04 million (Q1 2010-$0.01 million).

Equity Loss and Non-Controlling Interest

For Q1 2011, the Company recorded an equity loss of $0.07 million for its investment in Tribal Nova (Q1 2010-nil). For Q1 2011 the Company recorded nil for non-controlling interest (Q1 2010-nil).

Income Taxes

Income tax expense for Q1 2011 was $0.23 million (Q1 2010-$0.09 million expense) made up of $0.02 million expense (Q1 2010-$0.02 million) for large corporation taxes, $0.31 million expense (Q1 2010-$0.01 million expense) for current income taxes, and future income tax recovery of $0.10 million (Q1 2010-$0.06 million expense).

Net Income and Comprehensive Income

Net income and comprehensive income for Q1 2011 was $0.45 million, compared to $0.01 million for Q1 2010, or an improvement of $0.44 million in absolute dollars. For Q1 2011, the overall improvement of $0.44 million was due to changes over Q1 2010 of the following amounts: and a $0.15 million increase in provision for income taxes, offset by a gross margin increase of $0.08 million, a decrease in operating expenses, net of income from strategic investments of $0.16 million, and a $0.35 million decrease in net interest and other expenses, which includes amortization, impairment in value of certain investment in film and television, and equity loss.

Liquidity and Capital Resources

	September 30, 2010 $	June 30, 2010 $
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash and short-term investments…………………………………	**21,398**	22,018
Long-term assets ……………………………………………..……	**49,772**	45,380
Working capital…………………………………………….……	**33,606**	37,936
Long-term liabilities………………………………………………	**2,586**	3,137
Working capital ratio [(1)]…………………………………………	**1.54**	1.75

	Three Months Ended September 30, 2010 $	Three Months Ended September 30, 2009 $
Cash Inflows (Outflows) by Activity:		
Operating activities…………………………………………………	**1,589**	7,478
Investing activities…………………………………………………	**(11,925)**	15
Financing activities…………………………………………………	**5,713**	(6,879)
Net cash inflows (outflows)………………………………………	**(4,623)**	614
Adjusted Operating Activities[2]	**2,066**	1,115

(1) Working capital ratio is current assets divided by current liabilities.

(2) For the three months ended September 30, 2010 Adjusted Operating Activities was an inflow of $2,066 (Three Month Ended 30, 2009 – $1,115 inflow) calculated as cash inflows from operating activities of $1,589 (2009-$7,478) adjusted by proceeds from interim production financing of $477 (2009-$(6,363) repayment of). See "Use of Non-GAAP Financial Measures" section of this MD&A for a definition of Adjusted Operating Activities.

Changes in Cash

Cash at September 30, 2010 was $11.30 million, down $4.62 million compared to $15.92 million as of June 30, 2010.

For the three month period ended September 30, 2010 cash flows generated from operating activities were $1.59 million. Cash flows from operating activities resulted from net income of $0.45 million and adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, impairment in value of certain investments in film and television programs, equity loss, stock-based compensation, unrealized loss on short-term investments, and net change in non-cash working capital balances related to operations of $4.05 million, $0.26 million, $0.23 million, $0.27 million, $0.10 million, $0.07 million, $0.16 million, $0.01 million, and $2.51 million respectively. Cash flows were adjusted $6.12 million for investments in film and television programs, $0.30 million for unrealized foreign exchange gain, and $0.10 million for future income tax recovery.

For the three month period ended September 30, 2010 cash flows generated from financing activities were $5.71 million. Cash flows used in financing activities resulted primarily from repayments of long-term debt of $0.14 million. This was offset by cash generated of proceeds from bank indebtedness of $5.37 million and proceeds from interim production financing of $0.48 million.

For the three month period ended September 30, 2010 cash flows from investing activities were a use of cash of $11.92 million. Cash flows used in investing activities were $8.00 million for business acquisition, $4.00 million for acquisitions of short-term investments, and $0.43 million for PP&E acquisitions. Cash flows generated in investing activities were $0.51 million net cash advances from investees.

Working Capital

Working capital ("**Working Capital**") represents the Company's current assets less current liabilities. Working Capital decreased by $4.28 million as at September 30, 2010 over June 30, 2010, mainly as a result of the DHX Wildbrain acquisition (see Wildbrain Acquisition section of this MD&A). The working capital ratio remained strong at 1.54 for September 30, 2010.

Management was pleased with cash flow provided from Operating Activities of $1.59 million and cash flow from Adjusted Operating Activities of $2.07 million for the three month period ended September 30, 2010 (the three month period ended September 30, 2009-$1.12 million cash flow provided by Adjusted Operating Activities), as shown in Liquidity and Capital Resources Chart in this MD&A and defined in "Use of Non-GAAP Financial Measures" section of this MD&A. Along with EBITDA, cash flow from Operating Activities and Adjusted Operating Activities are the key metrics for Management in assessing operational performance.

Based on the Company's current revenue expectations for Fiscal 2011 and 2012, which are based on contracted and expected production, distribution, and other revenue, the Company believes cash generated from operations and existing resources will be sufficient to satisfy Working Capital needs for at least the next twelve months. Management believes the current Working Capital surplus totalling $33.66 million is sufficient to execute its current business plan.

Royal Bank Revolving Operating and Production Credit Facility

As of September 30, 2010, bank indebtedness was $5.63 million (June 30, 2010 - $0.25 million) (the "**RBC Revolving Operating Credit Facility**"). The maximum amount of the RBC Revolving Operating Credit Facility for general working capital purposes is $3.51 million against which, $1.54 million was drawn at September 30, 2010. In addition, the Royal bank has increased the Company's RBC Revolving Operating Credit Facility by a maximum additional $4.0 million USD ($4.1 million CAD) against which $3.98 million USD ($4.09 million CAD) was drawn at September 30, 2010 for the DHX Wildbrain acquisition. A general security agreement over all property of the Company and a $4.0 million GIC has been pledged as security for the expanded RBC Revolving Operating Credit Facility. The RBC Revolving Operating Facility bears interest at Royal Bank of Canada ("Royal Bank") prime plus 1.25% (June 30, 2010 – Royal Bank prime plus 1.25%). 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 November 30, 2010. The Company is well under way with negotiations on an expanded operating facility and expects to have an announcement on this front within the next two quarters.

The Company also has a revolving production credit facility ("**The RBC Revolving Production Credit Facility**") with the Royal Bank with a maximum authorized amount of $39.38 million as of September 30, 2010. The RBC Revolving Production Credit Facility is the aggregate of interim production financing of individual programs financed through the Royal Bank which are subject to individual approved tranches (collectively the "**RBC Individual Approved Tranches**"). The RBC Revolving Production Credit Facility matures at various dates twenty-four months following the first drawdown of funds in respect of each RBC Individual Approved Tranche. The maturity dates for the RBC Individual Approved Tranches vary, but the outside maturity date is April 2012.

Capital Management

The Company's objectives when managing capital are to provide an adequate return to shareholders, safeguard its assets, maintain a competitive cost structure and continue as a going concern in order to pursue the development, production and distribution of its film and television properties. To maximize ongoing development and growth effort, the Company did not pay out dividends during the year ended June 30, 2010. The Company is not anticipating paying out dividends during the year ended June 30, 2011.

To facilitate the management of its capital structure, the Company prepares annual expenditure operating budgets that are updated as necessary depending on various factors, including industry conditions and operating cash flow. The annual and updated budgets are reviewed by the board of directors.

The Company monitors capital using a number of financial ratios, specifically for the RBC Revolving Operating and Revolving Production Credit Facilities, including but not limited to:

- The Revolving Coverage Ratio, defined as consolidated EBITDA to interest expense (defined as interest on long-term debt); and
- The Net Worth Ratio, defined as funded debt to consolidated net worth.

The following table illustrates the financial ratios calculated on a rolling twelve-month basis as at:

	Measure targets	**September 30, 2010**	**June 30, 2010**
Coverage Ratio	> 4.0x	15.5x	15.8x
Net Worth Ratio	< 3.0x	0.5x	0.6x

The Company has been in compliance with these ratios since the inception of the RBC Revolving Operating and Revolving Production Credit Facilities.

Contractual Obligations

As of September 30, 2010

Payments Due by Period (All amounts are in thousands)	Total	Fiscal 2011	Fiscal 2012-2013	Fiscal 2014-2015	After Fiscal 2016
	$	$	$	$	$
Bank indebtedness [(1)]	5,626	5,626	-	-	-
Capital lease for equipment [(2)]	664	226	438	-	-
Long-term debt payments (principal and interest) [(3)]	2,893	257	652	609	1,375
Non-controlling interest	96	96			
Operating leases [(4)]	5,280	846	1,360	1,059	2,015
Total Contractual Obligations	14,559	7,051	2,450	1,668	3,390

(1) RBC Revolving Operating Credit Facility with a maximum amount of $7.63 million bearing interest at bank prime plus 1.25%. See note 8 to the unaudited interim consolidated financial statements for the three months ended September 30, 2010 for details.

(2) Pursuant to capital leases for video editing, leaseholds, and other office equipment, the obligations bear interest ranging from 5.2% to 8.4% and mature from May 2011 to February 2013. Principal balances are included in note 10 to the unaudited interim consolidated financial statements for the three months ended September 30, 2010.

(3) See note 10 to the unaudited interim consolidated financial statements for the three months ended September 30, 2010 for details.

(4) Pursuant to operating leases. See note 12 to the unaudited interim consolidated financial statements for the three months ended September 30, 2010 for details.

Outlook

The Company's September 30, 2010 balance sheet remains strong with more than $21.0 million in cash and short-term investments on hand against only $5.6 million of bank indebtedness. Management is focusing on its core strengths of developing, producing, and distributing the best possible quality Children's and Family programs with goals of increasing cash flows from operations and profitability through existing production and distribution streams and emerging music and M&L opportunities, specifically its new initiatives in licensing relating to *Yo Gabba Gabba*. With its remaining net cash on hand the Company is also seeking acquisition targets to compliment its core strengths. Possible opportunities would include licensing expertise, additional production capacity and film and television libraries with a proven track record of positive cash flows.

Management feels the economic climate is improving and remains optimistic for Fiscal 2011 and beyond. Children's programming is off prime time and therefore not as reliant on advertising dollars, and the fact that most of our customer base has a Governmental regulatory mandate to deliver a minimum requirement of children's programming, Management is optimistic that for Fiscal 2011 and 2012 opportunities for proprietary children's programming will continue to improve.

With one quarter of Fiscal 2011 behind us, the Company is generally on track with its previously stated outlook (see the Outlook section of the annual MD&A for the years ended June 30, 2010 and 2009 found on www.sedar.com or www.dhxmedia.com). For clarity, the remaining balance of those targets have been adjusted slightly herein based on the relevant current forecasts for the nine months remaining in Fiscal 2011.

For the remainder of Fiscal 2011, the Company's target output range is 150-200 half-hours of combined proprietary programs and other proprietary titles with Canadian and other rights. For 2011, the Company is targeting an average license fee per half-hour in the range of $0.08-$0.15 million with a goal of being at or above the mid point of the range, which would represent 15-60% growth over 2010. For Q1 2011, the Company's average license fee per half-hour is currently tracking in line with these expectations at $0.15 million. Overall, for Fiscal 2011 the Company is targeting 15-40% growth in proprietary production revenue over 2010.

For the remainder of Fiscal 2011, Management is projecting a target for distribution revenues to be in the range of $5.5-10 million as the Company may continue to see the lagging effect of fewer 2010 proprietary deliveries. The Company remains optimistic it will continue to add third party distribution titles to supplement lower proprietary inventory levels. In Q1 2011, the Company has already seen significant distribution revenue pickups from such third-party distribution titles as: *Grandpa in my Pocket* Season II, Season II *Spectacle: With Elvis Costello…*, and *How to be Indie* Season I.

For the remainder of 2011, Management's target range is $6.5-$12.5 million for contracted and expected producer and service fee revenues, representing for Fiscal 2011 a range of 20-100% growth over 2010.

For the remainder of Fiscal 2011, the Company is targeting 10-50% growth over 2010 in the category of music and royalty revenue, including M&L. For the remainder of 2011 new media revenue is expected to grow by 25-50% over 2010 and rental revenues are expected to be generally in line with 2010 levels.

Consistent with the Outlook section in the Company's annual MD&A (see the "Outlook section" of the annual MD&A for the years ended June 30, 2010 and 2009 found at www.sedar.com or www.dhxmedia.com), Management is providing the following additional outlook for DHX Wildbrain which, for clarity, the ranges included below are not included in the targets above. As noted in the Wildbrain Acquisition section of this MD&A, on September 14, 2010 the Company acquired DHX Wildbrain. Management continues to expect DHX Wildbrain will contribute in aggregate between $8-$15 million (up from $8-$12 million in Outlook Section of the annual MD&A for the year ended June 30, 2010) in revenues and approximately $1.0-$1.5 million (up from $0.75-$1.25 million in Outlook section of the annual MD&A for the year ended June 30, 2010) in EBITDA from the date of closing (September 14, 2010) to the end of Fiscal 2011.

For 2011, Management expects overall gross margin to range from 35-40% range with a goal to being near the high end of the range. Management continues to target additional SG&A reductions of 5% on the pre-DHX Wildbrain figures for the remainder of 2011 versus 2010. For all of Fiscal 2011, amortization of acquired library and development expense when considered together and amortization of PP&E and intangibles also considered together, are expected to be in the ranges of $1.0-$1.50 million and $2.0-$2.5 million respectively. For all of Fiscal 2011, stock-based compensation, interest expense, interest income, and equity loss are expected to be in the following ranges respectively: $0.50-$1.00 million, $0.10-$0.30 million, $0.10-$0.50 million, and $0.03-$0.10 million.

Media Fund

On January 15, 2010, the holders of the Media Fund (Atlantic) Ltd. ("**Media Fund**") Put Options exercised their rights and exchanged the Put Options for common shares of the Company. As such, the Company has acquired effectively all of the outstanding shares in Media Fund. The consideration for the exchange of the Media Fund Put Options was 425,420 shares of the Company valued at $391 (see note 3(b) of the audited consolidated financial statements for the year ended June 30, 2010 for further details).

Investment in Tribal Nova and Woozworld

On April 30, 2010 ("Tribal Nova Transaction Date"), the Company's investment in Tribal Nova Inc. ("Tribal Nova") was restructured. In exchange for 670,000 Class A preferred shares of Tribal Nova, the Company received 670,000 preferred shares, representing 4% of Woozworld Inc. ("Woozworld"). The Company also received 4,360,000 Class D preferred shares representing 34% of the shares of Tribal Nova, in exchange for the Company's remaining 1,344,898 Class A preferred shares. The Company recorded a net gain of $348 on the restructuring of its investment for the year ended June 30, 2010. The Company recorded its investment in Tribal Nova at $2.06 million and its investment in Woozworld at $0.33 million. The $2.06 million investment in Tribal Nova has been allocated to the identifiable intangible assets based on their preliminary estimated fair values as follows: $1.65 million to source code, $0.41 million to license contracts and subscription lists. Amortization of these intangibles for the three month period ended September 30, 2010 was $0.06 million (three month period ended September 30, 2009 - $nil) (year ended June 30, 2010 was $0.04 million) and is included in the equity loss and is added to $.01 million for equity loss pickup for Tribal Nova for the three month period ended September 30, 2010 (three month period ended September 30, 2009 - $nil). The Company will finalize the allocation upon completion of a final review of the intangible assets recorded and any resulting changes will be adjusted against the corresponding category of asset. The investment in Tribal Nova is now being accounted for using the equity method (see note 6 of the unaudited interim financial statements for the three months ended September 30, 2010 and 2009 for further details) and the investment in Woozworld is being accounted for at cost and is shown in long term investment.

Wildbrain Acquisition

On September 14, 2010, the Company acquired all the outstanding shares in W!ldbrain Entertainment Inc. ("**DHX Wildbrain**"), a privately owned company, based in Los Angeles California, for $8.23 million. DHX Wildbrain operates an animation studio in Los Angeles and is the co-owner of acclaimed children's television series and live touring show *Yo Gabba Gabba!*. Further consideration is payable in USD as an earn out payment calculated as 50% of cash receipts from the *Yo Gabba Gabba!* property over $10.50-11.50 million (the ultimate threshold amount within the range of $10.50-11.50 million of cash receipts will be determined based on a minimum of $10.00 million in cash receipts plus, once achieved, $0.50 million per year in operating expenses) for a period of 36 months from closing (see note 3(a) of the unaudited interim financial statements for the three months ended September 30, 2010 and 2009 for further details).

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

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management of the Company regularly reviews its estimates and assumptions based on historical experience and various other assumptions that it believes would result in reasonable estimates given the circumstances. Actual results could differ from those estimates under different assumptions. The following is a discussion of accounting policies that require significant Management judgments and estimates. For a discussion of all of the Company's accounting policies, including the items outlined below, refer to note 1 of the audited consolidated financial statements for the years ended June 30, 2010 and 2009 on www.sedar.com or DHX's website at www.dhxmedia.com.

Revenue Recognition

Production and Distribution Revenue

The Company recognizes revenues from the licensing of film and television programs when: a) the Company has persuasive evidence of a contractual arrangement; b) the production has been completed; c) the contractual delivery arrangements have been satisfied; d) the licensing period has commenced; e) the fee is fixed or determinable; and f) collectibility of proceeds is reasonably assured.

Cash payments received or advances currently due pursuant to a broadcast license or distribution arrangement are recorded as deferred revenue until all of the foregoing conditions of revenue recognition have been met.

Revenues from production services for third parties and new media revenue on the Company's proprietary productions 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.

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.

Royalty Revenue

Royalty revenue (which for Q1 2011 includes licensing revenue from *Yo Gabba Gabba* and the *Yo Gabba Gabba Live!* Tour) is accrued for royalty streams the Company has a history of receiving revenue on and is recognized in periods in accordance with statements received from third party agents and or based on historical average.

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.

Investment in Film and Television Programs

Investment in film and television programs represents the unamortized costs of film and television programs which have been produced by the Company or for which the Company has acquired distribution rights. Investment in film and television programs also includes acquired film and television libraries. Costs of acquiring and producing film and television programs are capitalized,

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

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

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

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

Stock-based Compensation

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

The fair value of options is determined using the Black Scholes option pricing model that takes into account, as of the grant date, the exercise price, the expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock, and the risk-free interest rate over the expected life of the option. The resulting fair value of the options is expensed on a straight-line basis over their vesting periods. Cash consideration received from employees when options are exercised and the value of options accumulated in contributed surplus is credited to share capital. Stock-based Compensation also includes awards of common shares to certain employees of the Company related to the achievement of certain financial benchmarks.

Investment in Production Companies and Other Equity Investments

The valuation of equity accounted investments is regularly reviewed by Management to ensure that any decline in market value that is considered other than temporary has been reflected in the related carrying value of the investment. In making that assessment, several factors are considered, including the amount by which the market value exceeds carrying value and investees' expected future cash flows and earnings. The Company recorded $0.07 million equity loss for the three months ended September 30, 2010 (nil for three months ended September 30, 2009) on the statement of income (loss) and comprehensive income (loss) for the respective periods.

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

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

Goodwill

The Company implements the recommendations of the Canadian Institute of Chartered Accounts (''CICA'') Handbook Section 3062, "Goodwill and Other Intangible Assets". Based on this standard, goodwill of the Company is tested for impairment annually on June 30, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. Impairment indicators include the existence of significant restructuring plans, the existence of significant adverse changes in the business climate, and the existence of significant write downs of assets. During the three months ended September 30, 2010, the Company recorded no amounts for impairment of goodwill (three months ended September 30, 2009-nil) (See note 11 to the audited financial statements for the years ended June 30, 2010 and 2009 for more details).

Provisions

Balance sheet provisions for amounts receivable and legal issues all require estimates and assumptions by Management that could be significant.

In certain instances, the provision for amounts receivable is based on specifically identified accounts where Management believes that collection is doubtful. These accounts are identified based on customer knowledge and past experience. In other instances, the provision for amounts receivable is based on an allowance for Federal and Provincial government tax credits receivable and is based on historic collection, excluding accounts that have been specifically provided for. Historically, Management's estimate of the required provision has been adequate. Provisions for legal issues are based on Management's best estimate of the probable outcome and resolution of legal matters.

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

Future Tax Assets and Liability

Management's assessment of the Company's ability to realize future income tax assets is performed on a legal entity basis and is based on existing tax laws and estimates of future taxable income. Where, in the opinion of Management, the value of future income tax assets exceeds the estimate of amounts expected to be realized, a valuation allowance or cushion is recorded to reduce the future income tax asset. If the Company's assessment changes in the future, the valuation allowance will increase or decrease accordingly, resulting in corresponding decreases or increases in income, respectively, in that period. The valuation allowance is in no way indicative of the availability of income tax losses or other timing differences to offset future profits earned. Rather, the valuation allowance reduces the future income tax asset to Management's estimate of the future tax asset that will be realized as a reduction of cash income taxes paid in the future.

The above estimates are revised accordingly as new or different circumstances arise. While Management believes the balance sheet provisions are adequate, using different assumptions or estimates could have a significant impact on the Company's results of operations, prospects, or financial condition.

Accounting Policy Changes

Future Accounting Standard Changes

In February 2008, Canada's Accounting Standards Board ("**AcSB**") confirmed that the use of International Financial Reporting Standards ("**IFRS**") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. After that date, IFRS will replace Canadian GAAP for those enterprises. The Company will thus apply IFRS in Fiscal 2012 and will issue its consolidated financial statements in accordance with IFRS, including Fiscal 2011 comparative figures using the same reporting standards, starting July 1, 2011.

In order to prepare for the initial opening comparative balance sheet under IFRS on July 1, 2011 (the "**Effective IFRS Date**"), the Company is following a three-phase transition plan: initial review and assessment, in-depth analysis, and implementation. The Company is currently in the initial review phase.

The second phase will begin shortly and its completion is planned for the end of Q3 2011. In this phase, the Company will perform a detailed analysis of IFRS, including the identification of the differences between IFRS and DHX's current accounting

policies, in order to prioritize the key areas that will be more significantly impacted by IFRS and to determine the options permitted under IFRS at the Effective IFRS Date and on an ongoing basis in order to finalize conclusion. This phase also includes detailed planning of IT and HR as they relate to IFRS. The Company anticipates the cost of this phase will be between $0.03-0.05 million for Fiscal 2011.

In the third phase, the Company will implement the accounting changes and any required modifications to internal procedures, controls, and systems so that they are in place and operating effectively for the first fiscal year under IFRS.

IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences in recognition, measurement, and disclosures. The International Accounting Standards Board and AcSB will also continue to issue new accounting standards during the conversion period. As a result of the upcoming changes, the final impact of IFRS on the Company's consolidated financial statements can only be determined once all of the IFRS applicable at the Effective IFRS Date are known.

Management is providing the Audit Committee with timely project status updates as well as indications, decision, and conclusions regarding IFRS options.

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.

Financial Instruments and Risk Management

The Company's financial instruments consist of cash, restricted cash, short-term investments, amounts receivable, long-term investment, bank indebtedness, interim production financing, accounts payable and accrued liabilities, long-term debt and obligations under capital leases, and other liability. The Company, through its financial assets and liabilities, has exposure to the following risks from its use of financial instruments: credit risk, interest rate risk, liquidity risk, and currency risk. Management monitors risk levels and reviews risk management activities as they determine to be necessary.

Credit Risk

Amounts receivable from the Canadian federal government and other government agencies in connection with production financing represents 68% of total amounts receivable at September 30, 2010 (September 30, 2009 - 71%). Certain of these amounts are subject to audit by the government agencies. Management believes that these amounts are fully collectible. Management believes that it is normal course for the industry for some amounts receivable to take considerable time to collect; for instance it is normal course for federal and provincial tax credits receivable to take up to 24 months to proceed through audit and collection. The Company adjusts amounts receivable from Canadian federal government and other government agencies including federal and provincial tax credits receivables in connection with production financing, quarterly for any known differences arising from internal or external audit of these amounts. An allowance against federal and provincial tax credits receivable has been recorded based on the Company's history of collection of these amounts.

The balance of trade amounts receivable are primarily with Canadian broadcasters and large international distribution companies. The Company has recorded an allowance for doubtful accounts of approximately 1% against the gross amounts of trade receivables, and management believes that the net amount of trade receivables is fully collectible.

Interest Rate Risk

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

Liquidity Risk

The Company manages liquidity by forecasting and monitoring operating cash flows and through the use of capital leases and revolving credit facilities (see notes 12, 13, and 14 of the audited consolidated financial statements for June 30, 2010 for further details). As at September 30, 2010, the Company had cash on hand of $11.30 million (June 30, 2010 - $15.92 million) and short-term investments of $10.10 million in government T-bills, a GIC, and government bonds (June 30, 2010 - $6.10 million in strategic equity investments).

Currency Risk

The Company's activities which expose it to currency risk involve the holding of foreign currencies as well as incurring production costs and earning revenues that are denominated in foreign currencies. For every 1% change in the USD, GBP, or Euros exchange rate versus the Canadian dollar there is less than a $0.10 million impact on net income (loss).

Risk Assessment

The following are the specific and general risks that could affect the Company that each reader should carefully consider. Additional risks and uncertainties not presently known to the Company or that the Company does not currently anticipate will be material, may impair the Company's business operations and its operating results and as a result could materially impact its business, results of operations, prospects, and financial condition. These specific and general risks are as follows: risks related to the nature of the entertainment industry, risks related to television and film industries, risks related to doing business internationally, loss of Canadian status, competition, limited ability to exploit filmed and television content library, protecting and defending against intellectual property claims, fluctuating results of operations, raising additional capital, concentration risk, reliance on key personnel, market share price fluctuations, risks associated with acquisitions and joint ventures, potential for budget overruns and other production risks, management estimates in revenues and earnings, stoppage of incentive programs, financial risks resulting from the Company's capital requirements, government incentive program, change in regulatory environment, litigation, technological change, labour relations, and exchange rates. *For further details see "Risk Factors" contained in the Company's Annual MD&A for the year ended June 30, 2010 and 2009 on www.sedar.com or DHX's website at www.dhxmedia.com.*

Disclosure Controls and Procedures

The Company's Chief Executive Officer (**"CEO"**) and Chief Financial Officer (**"CFO"**) are responsible for establishing and maintaining the entity's disclosure controls and procedures to provide reasonable assurance that all relevant information is gathered and reported to them on a timely basis so that appropriate decisions can be made regarding public disclosures.

The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures have concluded that, as at September 30, 2010, the entity's disclosure controls and procedures were effective. It should be noted that while the entity's CEO and CFO believed that the disclosure controls and procedures can provide a reasonable level of assurance, and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors and fraud. A control system, no matter how well designed or operated can provide only reasonable, not absolute assurance that the objectives of the control systems are met.

Internal Control over Financial Reporting ("ICFR")

The Company's CEO and CFO are responsible for designing ICFR or causing these controls to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance to Canadian GAAP.

Due to its inherent limitations, ICFR may not prevent or detect material misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management, under the supervision of the CEO and CFO conducted an evaluation of control design on ICFR as at September 30, 2010. Based on this evaluation, Management has concluded that the Company's ICFR were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the National Instrument 52-109 would have been known to them.

Changes in ICFR

There were no changes in the Company's ICFR that occurred during the three months ended September 30, 2010 that to Management's knowledge have materially affected or are reasonably likely to materially affect the entity's ICFR.

Use of Non-GAAP Financial Measures

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

comparison between periods. The following discussion explains the Company's use of EBITDA, Gross Margin, and Adjusted Operating Activities as measures of performance.

"**EBITDA**" and "**Adjusted EBITDA**" means earnings (loss) before interest, taxes, depreciation, amortization, stock-based compensation expense, and for Q4 2010 onward foreign exchange (loss) gain (as on final review with the Company's auditors it was determined the appropriate disclosure was to include this "below the line" in as a separate line on the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)) and impairment of certain investments in film and television programs ("Adjusted EBITDA"). Amortization includes amortization of PP&E, acquired libraries, and intangible assets. EBITDA and Adjusted EBITDA represents net income (loss) of the Company before amortization of PP&E, acquired libraries, and intangible assets, interest expense, interest income, non-controlling interest, equity income, development expenses, stock-based compensation expense, and foreign exchange (loss) gain. EBITDA and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes EBITDA and Adjusted EBITDA to be meaningful indicators of our performance that provides useful information to investors regarding our financial condition and results of operation.

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

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

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

Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income or loss determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. The following table reconciles income (loss) before income taxes and discontinued operations, EBITDA and Adjusted EBITDA, and Gross Margin, based on the audited financial statements of the Company for the years ended June 30, 2010 and 2009 and historical unaudited financial statements of the Company for the three months ended September 30, 2010 and 2009, June 30, 2010 and 2009, March 31, 2010 and 2009, December 31, 2009 and 2008, included elsewhere in this MD&A and the annual MD&A for the years ended June 30, 2010 and 2009 found on www.sedar.com and www.dhxmedia.com. For further description see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A.

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

	Q1-2011 ($000)	Q4-2010 ($000)	Q3-2010 ($000)	Q2-2010 ($000)
Income (loss) before income taxes and discontinued operations for the period	**689**	(554)	(666)	(185)
Interest expense	**52**	89	90	35
Interest (income) expense and loss (income) from strategic investments	**(34)**	(29)	(6)	(33)
Costs associated with abandoned transactions and non-controlling interest expense (income)	**-**	-	(5)	(15)
Equity loss	**71**	40	-	-
Gain on restructuring of investment	**-**	(348)	-	-
Foreign exchange loss (gain)[2]	**(146)**	53	102	224
Amortization	**766**	1,105	617	672
Impairment in value of certain investment in film and television programs	**100**	172	151	75
Development expenses	**68**	389	35	-
Stock-based compensation expense	**156**	107	161	162
EBITDA and Adjusted EBITDA[1 & 2]	**1,722**	**1,024**	**479**	**935**
Selling, general and administrative, net of stock-based compensation expense	**3,210**	3,172	2,859	3,083
Gross Margin[1 & 2]	**4,932**	**4,196**	**3,338**	**4,018**

	Q1-2010 ($000)	Q4-2009 ($000)	Q3-2009 ($000)	Q2-2009 ($000)
Income before income taxes and discontinued operations for the period	**101**	752	651	860
Interest expense	**77**	57	91	106
Interest (income) expense and loss (income) from strategic investments	**47**	(153)	9	80
Costs associated with abandoned transactions and non-controlling interest expense	**23**	215	16	1,151
Foreign exchange loss (gain)[2]	**208**	364	(481)	(363)
Amortization	**777**	1,183	643	573
Impairment in value of certain investment in film and television programs	**159**	494	-	-
Development expenses	**25**	333	45	39
Stock-based compensation expense	**301**	435	170	204
EBITDA and Adjusted EBITDA[1 & 2]	**1,718**	**3,680**	**1,144**	**2,650**
Selling, general and administrative, net of stock-based compensation expense	**3,139**	2,543	3,427	3,680
Gross Margin[1 & 2]	**4,857**	**6,223**	**4,571**	**6,330**

[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 Q4 2010 and onward, foreign exchange losses (gains) have been adjusted on 2010 final audit out of direct production costs and amortization of film and television produced and shown separately as a line item in the Consolidated Statement of Income (Loss) and Comprehensive Income (Loss). The Company has adjusted accordingly for all prior quarters reported.

DHX MEDIA LTD.

Q1 2011

Supplemental Information
For the Three Months Ended September 30, 2010

1. Summary of securities issued and options and warrants granted during the three months ended September 30, 2010 (expressed in thousands of Canadian dollars, except for shares and amounts per share)

a. Summary of securities issued

	Number of Common Shares	Value $
Balance at June 30, 2010 and September 30, 2010	**61,626,836**	**76,548**

b. Summary of options and warrants

Options	**Number of Options**	**Weighted-average exercise price**
Balance at June 30, 2010	**4,111,547**	**$1.33**
Granted to Employees	150,000	$0.96
Options cancelled - Elizabeth Stevenson	(40,000)	$1.62
Balance at September 30, 2010	**4,221,547**	**$1.31**

Warrants	**Number of Warrants**	**Weighted-average exercise price**
Balance at June 30, 2010 and September 30, 2010	**5,860,250**	**$1.95**

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

i. Authorized share capital

Unlimited common shares without nominal or par value;
100,000,000 preferred variable voting shares, redeemable at the option of the Company at any time at a millionth of a cent per share, no entitlement to dividends, voting.

ii. Shares outstanding and recorded value

61,626,836 common shares at a recorded value of $76,548;
100,000,000 preferred variable voting shares at a recorded value of nil.

iii. Description of options and warrants

See note 11 of the unaudited interim consolidated financial statements for the three months ended September 30, 2010 and September 30, 2009.

2. Directors and officers as at September 30, 2010

Directors

Sir Graham Day (1) (2)	Lead Director of DHX, Chair of Governance Committee
Michael Donovan (1)	Chairman, Board of Directors
J. William Ritchie (2)	Director, Chair of Compensation Committee
Donald Wright (2)	Director, Chair of Audit Committee
Joe Medjuck (2)	Director
Charles Bishop (1)	Director
Steven DeNure	Director
Neil Court	Director

Officers

Michael Donovan	CEO
Dana Landry	CFO
Steven DeNure	President and COO
Charles Bishop	President of Production and Development
Mark Gosine	VP Legal Affairs, Secretary and General Counsel
David Regan	EVP, Corporate Development & Investor Relations

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