Q1 2012

Management Discussion and Analysis
of Financial Condition and Results of Operations
For the Three Months Ended September 30, 2011 and September 30, 2010
(Unaudited)

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis (“**MD&A**”) prepared as of December 9, 2011, 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, 2011 and 2010, as well as the Company’s annual MD&A (“**2011 Annual MD&A**”)and audited consolidated financial statements for the years ended June 30, 2011 and 2010 (prepared in accordance with Canadian generally accepted accounting principles (“**CGAAP**”)(as found on www.sedar.com or on DHX’s website at www.dhxmedia.com). The unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2011 and 2010 have been prepared in accordance with international financial reporting standards (“**IFRS**”). In this MD&A, the term CGAAP refers to generally accepted accounting principles in Canada prior to the adoption of IFRS, and the term IFRS or GAAP refers to generally accepted accounting principles in Canada after the adoption of IFRS.*

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, 2011 and 2010.

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 in accordance with Canadian generally accepted accounting principles as set out in the CICA Handbook. In 2010, the CICA Handbook was revised to incorporate IFRS, and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011, and to provide comparative figures for 2011. Accordingly, the Company commenced reporting on this basis in its unaudited interim consolidated financial statements for the first quarter of 2012 (three months ended September 30, 2011).

As a result of the adoption of IFRS, certain trends in operating results presented under CGAAP may no longer be applicable under IFRS. In particular, the accounting for overall consolidation, share-based compensation, business combinations, cumulative translation adjustment, and deferred income taxes are significantly impacted by the changeover to IFRS – refer to “Accounting Policies and Transition to IFRS” section of this MD&A for additional information.

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 and the 2011 Annual MD&A.

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, distributor, and licensor 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” section of the 2011 Annual MD&A 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**”, Studio B as “**DHX Vancouver**”, and W!ldbrain as “**DHX Wildbrain**”.

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 2,500 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 is in production in its 19th Season. In addition, *The Mighty Jungle* was recently awarded a 2011 Gemini Award for Best Pre-School Program or Series. The Company operates from its offices and production facilities in Halifax, Toronto, and Vancouver, Canada, and Los Angeles, United States of America (“**USA**”), producing content for distribution in domestic and international markets which is marketed via its Toronto based sales group and licensed via its Los Angeles based licensing group.

Revenue Model

The Company historically earns revenues primarily from four categories: 1) proprietary production, which includes Canadian and other rights proprietary programs, 2) distribution of its proprietary and third party acquired titles, 3) producer and service fees, which includes production services for third parties and equity investments, and 4) merchandising and licensing (“**M&L**”) and other revenues which includes rental of studios and office facilities, music and royalty revenue, new media revenue, and licensing revenue on titles in the DHX library, including new for Fiscal 2011 and onward, *Yo Gabba Gabba Live!* (“**Yo Gabba Gabba Live!**”) stage tour revenues. 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 if it relates to television licences and in M&L if it relates to royalties or revenues generated from non-television licenses. 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 the 2011 Annual MD&A for details on revenue recognition).

Distribution Revenue

The Company is able to retain or obtain the ownership rights to its proprietary, other proprietary titles, and third party acquired 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 home entertainment) for specified periods of time. Distribution revenue also includes theatrical and other revenues generated on its feature films.

Producer and Service Fee Revenue

Producer and service fee revenue includes revenue accounted for using the percentage of completion method for revenues for service and corporate overhead fees earned for producing television shows and movies of the week ("**MOW**").

M&L and Other Revenue

M&L and other revenue includes rental of studios, equipment, and office facilities, music and royalty revenues, new media revenue, and new for 2011 and onward licensing revenues for *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, 2011 and 2010 has been derived from the Company's unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2011 and 2010, 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, 2011 ($000) (except per share data)	Three Months Ended September 30, 2010 ($000) (except per share data)
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Data:[1]	**IFRS**	**IFRS**
Revenues	**16,944**	12,227
Direct costs and amortization of film and television produced	**(11,844)**	(7,310)
Gross margin[2]	**5,100**	4,917
Selling, general, and administrative	**(3,668)**	(3,423)
Impairment in value of certain investment in film and television programs	**(135)**	(100)
Share of loss of associates	**(19)**	(71)
Amortization, finance and other income (expenses), net	**(797)**	(681)
Provision for income taxes	**(163)**	(213)
Net income	**318**	429
Cumulative translation income	**867**	54
Change in fair value of available for sale investments	**13**	(10)
Comprehensive income	**1,198**	473
Basic earnings per common share	**0.01**	0.01
Diluted earnings per common share	**0.01**	0.01
Weighted average common shares outstanding (expressed in thousands)		
Basic	**61,465**	61,627
Diluted	**61,535**	62,033
	As at September 30, 2011 ($000)	**As at June 30, 2011 ($000)**
	IFRS	**IFRS**
Consolidated Balance Sheet Data:		
Cash and short-term investments	**24,508**	25,585
Investment in film and television programs	**42,602**	39,184
Total assets	**149,890**	148,236
Total liabilities	**67,489**	66,766
Shareholders' equity	**82,401**	81,470

[1]The financial information for the three months ended September 30, 2011 in the table includes full quarterly results for DHX Halifax, DHX Toronto, DHX Vancouver, and DHX Wildbrain. The financial information for the month ended September 30, 2010 in the tables include full results for DHX Halifax, DHX Toronto, DHX Vancouver, but only 16 days activity for DHX Wildbrain (see–"Wildbrain Acquisition" section of this MD&A).

[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).

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, 2011. The information for the last three quarters of Fiscal 2010 is reported on a CGAAP basis (prior to the adoption of IFRS) while the information for the four quarters of Fiscal 2011 and the first quarter of Fiscal 2012 is reported on an IFRS basis. Accordingly, the financial information for the three quarters of Fiscal 2010 may not be comparable to subsequent periods.

	Fiscal 2012[1]	Fiscal 2011[1]				Fiscal 2010[1]		
(All numbers are in thousands except per share data)	Q1[3] 30-Sep $ IFRS	Q4[3] 30-Jun $ IFRS	Q3[3] 31-Mar $ IFRS	Q2[3] 31-Dec $ IFRS	Q1[3] 30-Sep $ IFRS	Q4[3] 30-Jun $ CGAAP	Q3[3] 31-Mar $ CGAAP	Q2[3] 31-Dec $ CGAAP
Revenue	16,944	11,518	12,283	19,381	12,227	9,081	9,015	9,427
Gross Margin[2]	5,100	4,740	5,512	7,103	4,917	4,196	3,338	4,018
EBITDA and Adjusted EBITDA[2 & 3]	1,662	1,168	1,464	2,919	1,636	1,024	479	935
Net Income (Loss)	318	(20)	370	854	429	(78)	(535)	(209)
Comprehensive Income (Loss)	1,198	(240)	560	371	473	(78)	(535)	(209)
Basic Earnings (Loss) Per Common Share	0.01	0.00	0.01	0.01	0.01	0.00	(0.01)	(0.01)
Diluted Earnings (Loss) Per Common Share	0.01	0.00	0.01	0.01	0.01	0.00	(0.01)	(0.01)

[1]Q1 2012 and Q2-Q4 2011 include full quarterly results for: DHX Halifax, DHX Toronto, DHX Vancouver, and DHX Wildbrain. Q1 2011 includes full quarterly results for: DHX Halifax, DHX Toronto, and DHX Vancouver, but only 16 days of DHX Wildbrain. The financial information for Fiscal 2010 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, 2011 ("Q1 2012") compared to the three months ended September 31, 2010 ("Q1 2011")

Revenues

Revenues for Q1 2012 were $16.94 million, up 39% from $12.23 million for Q1 2011. The increase in Q1 2012 was due to significant increases in producer and service fee and new media revenues, and an increase in M&L.

Proprietary production revenues: Proprietary production revenues for Q1 2012 of $4.20 million decreased slightly by 4% compared to $4.37 million for Q1 2011. The overall decrease was made up of a 30% decrease to $0.95 million (Q1 2011-$1.36 million) in DHX Halifax, a 190% increase to $2.64 million for Q1 2012 (Q1 2011-$0.91 million) for DHX Toronto, and a 69% decrease to $0.61 million for DHX Vancouver (Q1 2011-$1.97 million).

For Q1 2012, the Company added 33 half-hours to the library. The breakdown for Q1 2012 is 15.0 half-hours - $4.20 million of proprietary film and television program production revenue versus the 29.0 half-hours for Q1 2011, where the programs have been delivered and the license periods have commenced for consolidated entities and 18 half-hours in intellectual property ("**IP**") rights for third party produced titles (no half-hours in Q1 2011).

As part of the maturation of DHX, specifically the experience our in house international television distribution team has gained over the years along with the licensing expertise the Company picked up from the Wildbrain acquisition, the Company is strategically targeting third party produced titles for IP rights deploying this strategy. As noted above, the Company added 18.0 half-hours (6 half-hours for *How to be Indie* and 12 half-hours for the UK breakout property *Rastamouse*) for Q1 2012 (no half-hours in Q1 2011) to the library.

Included in the proprietary production revenue totals for Q1 2012 are no half-hours delivered but $0.91 million recognized in revenue (Q1 2011-no half-hours delivered but $1.04 million recognized in revenue) 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 2012 proprietary deliveries were in line with scheduled deliveries and Management's expectations.

The breakdown for content library deliveries (including proprietary deliveries and deliveries on IP rights for third party produced titles) and dollar value subtotals for locations for Q1 2012 and Q1 2011 was as follows:

		Q1 2012		Q1 2011	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
DHX Toronto:					
Super Why (CBC)	II		7.0		-
Subtotals		$ 2.34	7.0	$ -	-
DHX Vancouver:					
Kid vs. Kat	II		-		13.0
Subtotals		$ -	-	$ 1.97	13.0
DHX Halifax:					
American Refugees	Demo		1.0		-
Animal Mechanicals	III		-		1.0
Pirates	II		N/A [1]		8.0
That's So Weird!	II		-		5.0
That's So Weird!	III		4.0		-
This Hour Has 22 Minutes	XVIII		-		2.0
This Hour Has 22 Minutes	XIX		3.0		-
Subtotals		$ 0.95	8.0	$ 1.36	16.0
Other Proprietary Titles with Canadian and Other Rights					
DHX Toronto:					
Waybuloo (RDF Rights)	II		-		N/A [1]
Waybuloo (RDF Rights)	III		N/A [1]		-
Subtotals		$ 0.30	N/A	$ 0.91	N/A
DHX Vancouver:					
Ice Road Terror	MOW		N/A [1]		N/A [1]
Martha Speaks (TVO)	IV		N/A [1]		N/A [1]
Subtotals		$ 0.61	-	$ 0.13	N/A
Subtotals-Other Proprietary Titles with Canadian and Other Rights		0.91	-	1.04	-
Total Consolidated Entities		**$ 4.20**	**15.0**	**$ 4.37**	**29.0**
Third Party Produced Titles with IP Rights					
How to Be Indie			6.0		-
Rastamouse			12.0		-
			18.0		-
Total Half-hours			**33.0**		**29.0**

[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 2012, the Company earned $6.40 million for producer and service fee revenues, an increase of 164% versus the $2.42 million for Q1 2011. DHX Vancouver earned $2.13 million (Q1 2011-$1.30 million) and DHX Wildbrain earned $4.27 million for Q1 2012 (Q1 2011-$1.12 million). For Q1 2012, the breakdown for major projects over $0.10 million for DHX Vancouver was $1.26 million for *My Little Pony* Seasons 2-3 and $0.82 million for *Pound Puppies* Seasons 1-2. For Q1 2012, the breakdown for major projects over $0.10 million for DHX Wildbrain was $0.67 million for *Monster High* Seasons 5-6, $1.40 million for *The Ricky Gervais Show* Seasons 2-3, $0.20 million for *Oki's Oasis* Pilot, and $1.95 million for *How to Train Your Dragon* Season 1.

Distribution revenues: For Q1 2012, distribution revenues were down 54% to $1.37 million from $2.95 million for Q1 2011, generally due to timing of license periods for existing contracts on hand. The Company remains on track to achieve its previously stated Fiscal 2012 target for distribution revenue (see "Outlook" section of this MD&A for further details). For Q1 2012, 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: *Dirtgirlworld* Season 1, *Animal Mechanicals* Seasons 1-4, *Save Ums!* Seasons 1-2, *Super Why!* Season 1, *Kid vs. Kat* Seasons 1-2, *Bo on the Go!* Seasons 1-3, and *How to be Indie* Seasons 1-2.

Music and M&L royalty revenues: For Q1 2012, music, M&L, and royalty revenues increased 15% to $2.51 million (Q1 2011-$2.19 million). Overall, music, M&L, and royalty revenues were up 15% due specifically to increases in *Yo Gabba Gabba*

royalties. Traditional DHX music, M&L, and royalty revenues was up 108% to $0.27 million for Q1 2012 (Q1 2011-$0.13 million). Gross *Yo Gabba Gabba* revenues were $1.11 million based on timing of actual shows for *Yo Gabba Gabba Live!* versus Q1 2011 ($1.95 million) and $1.13 million, up considerably over Q1 2011 ($0.13 million), for other M&L. This growth is partially due to the inclusion of an entire quarter of activity for Q1 2012 versus only 16 days for Q1 2011.

New Media Revenues: For Q1 2012, new media revenues increased 1,217% to $2.37 million (Q1 2011-$0.18 million) including $1.90 million for UMIGO (you make it go) (Q1 2011-nil) and $0.47 million, up 161%, (Q1 2011-$0.18 million) for other new media projects.

Rental revenues: For Q1 2012, rental revenues were $0.09 million, down 25% from Q1 2011 of $0.12 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 and rental of office and equipment of the Company's Toronto, Ontario office.

Gross Margin

Gross margin for Q1 2012 was $5.10 million, an increase in absolute dollars of 4% compared to $4.92 million for Q1 2011. The overall margin at 30% of revenue for Q1 2012 was at the low end, but in line with Management's Q1 2012 expectations based on Q1 2012 scheduled revenue mix. Specifically, it is as a result of the higher weighting of producer fees and service revenues scheduled and delivered in the quarter as compared to other higher margin revenue streams and upon the adoption of IFRS, specifically the changes to consolidation, as certain production and service revenues are fully consolidated and shown gross under IFRS that were previously shown as net revenue amounts using the equity method. The resulting effect is an increase to revenue and direct production costs, but no net increase to gross margin dollars. Therefore, when the gross margin is calculated it results in the same gross margin dollar amount but a lower gross margin percentage. The Company expects this to smooth out somewhat over the remainder of Fiscal 2012, and for the gross margin percentage to increase to or near its recent historic averages.

For Q1 2012, the margins for each revenue category in absolute dollars and as a margin percentage were as follows: production revenue margin of $0.86 million or 20%, net producer and service fee revenue margin of $1.20 million or 19%, distribution revenue margin of $0.89 million or 65% ($0.52 million or 38% when $0.37 million for the amortization of acquired libraries is removed), new media margin at $0.69 million, and rental revenue margin of $0.09 million. For Q1 2012, music, M&L, and royalty revenue margin was $1.37 million or 55%. The breakdown for music, M&L, and royalty margin was $0.25 million for traditional DHX music and royalty and $1.12 million margin for *Yo Gabba Gabba* including *Yo Gabba Gabba Live!* tour.

In particular, production, producer and service fee revenue, distribution, and M&L on *Yo Gabba Gabba* in terms of absolute dollars contributed $0.86 million, $1.20 million, $0.89 million and $1.12 million, respectively or 80% of the total margin. Production margin at 20%, based on product delivery mix, was at the low end, but in line with Management's expectations. Producer and service fee margins can vary greatly and at 19% is at the low end of Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 65% is at the higher end of Management's expectations.

Other Expenses (Income)

SG&A

SG&A costs for Q1 2012 were up 7% at $3.67 million compared to $3.42 million for Q1 2011. Specifically, SG&A costs (excluding DHX Wildbrain) for DHX Toronto, DHX Vancouver, and DHX Halifax were $2.50 million (Q1 2011-$3.14 million) and SG&A costs for DHX Wildbrain for Q1 2012 were $1.17 million (Q1 2011-$0.28 million, however, was for only 16 days activity). Management was very pleased with SG&A costs for Q1 2012 (excluding DHX Wildbrain) at $2.50 million as these were down 20% (well ahead of Management's expectations of a 5% reduction) as compared to Q1 2011.

Amortization

For Q1 2012, amortization was up 14% to $0.88 million (Q1 2011-$0.77 million). For Q1 2012, the amortization of acquired libraries was up 46% to $0.38 million (Q1 2011-$0.26 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 2012, amortization of PP&E was up 21% to $0.29 million (Q1 2011-$0.24 million) based generally due to new equipment put in use during Q4 2011 at DHX Wildbrain. For Q1 2012, amortization of intangible assets was down 22% to $0.21 million (Q1 2011-$0.27 million) which relates to the intangible assets acquired as part of the acquisitions of Decode, Studio B, and DHX Wildbrain.

Development and Other Expenses

During Q1 2012 development expenses were $0.08 million (Q1 2011-$0.07 million). For Q1 2012, other expense was $0.06 million (Q1 2011-nil) for a write off of a UK value added tax account deemed not recoverable.

Impairment in Value of Certain Investment in Film and Television Programs

During Q1 2012, the Company recorded an impairment in value of certain investments in film and television programs of $0.13 million (Q1 2011-$0.10 million).

Share of Loss of Associates (Formerly Equity Income (Loss))

For Q1 2012, the Company recorded its share of loss of associates of $0.02 million for its investment in Tribal Nova (Q1 2011-$0.07 million loss). For Q1 2012, the $0.02 million loss was made up of $0.06 million in amortization of Tribal Nova intangibles offset by $0.04 million of income for the Company's share of Tribal Nova.

Finance Income and Expenses (Formerly Interest Income (Expense) and Foreign Exchange Gain (Loss))

For Q1 2012, the Company recorded net finance income of $0.22 million versus $0.15 million net finance income for Q1 2011. Q1 2012 net finance income consists of $0.03 million for finance costs on long-term debt and $0.02 million for finance and bank charges (Q1 2011-$0.04 million and $0.01 million, respectively), offset by finance income of $0.06 million (Q1 2011-$0.06 million) and foreign exchange gain of $0.21 million (Q1 2011-$0.15 million foreign exchange gain). The foreign exchange gain was due to fluctuations of the Canadian dollar against the USD, GBP, and Euro since June 30, 2011 and the breakdown for Q1 2012 was as follows: $0.08 million for realized foreign exchange gain (Q1 2011-$0.15 million foreign exchange loss) on revenue and expense items translated at average rates for the period and $0.13 million in non-cash unrealized foreign exchange gain (Q1 2011-$0.29 million unrealized foreign exchange gain) for balance sheet translations at the exchange rates in effect at each balance sheet date.

EBITDA

For Q1 2012, EBITDA was $1.66 million, up $0.02 million or 1% over $1.64 million for Q1 2011. For Q1 2012, this increase was due to the increase in gross margin dollars of $0.18 million and a positive change of $0.09 million for non-cash stock based compensation, offset by an increase in SG&A of $0.25 million.

Income Taxes

Income tax expense for Q1 2012 was $0.16 million (Q1 2011-$0.21 million) made up of $0.01 million expense (Q1 2011-$0.01 million) for large corporation taxes, $0.18 million (Q1 2011-$0.32 million) for current income taxes, and future income tax recovery of $0.03 million (Q1 2011-$0.12 million recovery).

Net Income and Comprehensive Income

Net income for Q1 2012 was $0.32 million, compared to $0.43 million for Q1 2011, or a decrease of $0.11 million in absolute dollars. For Q1 2012, the overall change of $0.11 million was due to changes over Q1 2011 of the following amounts: a gross margin increase of $0.18 million, a $0.10 million decrease in net interest and other expenses, and a $0.05 million reduction in recovery for income taxes, offset by an increase in other expenses (income) of $0.44 million.

Comprehensive income for Q1 2012 was $1.20 million, compared to $0.47 million for Q1 2011, or an increase of $0.73 million in absolute dollars, made up of an increase in cumulative translation income of $0.81 million and an increase in fair value of available-for-sale investments of $0.03 million offset by a decrease in net income of $0.11 million.

Liquidity and Capital Resources	September 30, 2011 $ IFRS	June 30, 2011 $ IFRS	July 1, 2011 $ IFRS
	(Amounts in Thousands, Except Balance Sheet Ratios)		
Key Balance Sheet Amounts and Ratios:			
Cash and short-term investments..................................	**24,508**	25,585	23,374
Long-term assets	**27,671**	27,384	25,051
Working capital...	**58,928**	58,230	58,265
Long-term liabilities...	**4,198**	4,144	3,137
Working capital ratio [(1)]..	**1.93**	1.93	2.05

	Three Months Ended September 30, 2011 $ IFRS	Three Months Ended September 30, 2010 $ IFRS
Cash Inflows (Outflows) by Activity:		
Operating activities..	**1,979**	1,495
Investing activities...	**(3,856)**	(12,366)
Financing activities..	**(2,389)**	5,606
Net cash inflows..	**(4,266)**	(5,265)
Adjusted Operating Activities[2]	**(771)**	1,865

(1) Working capital ratio is current assets divided by current liabilities (see the interim unaudited consolidated financial statements for the three months ended September 30, 2011 for new IFRS accumulation of current assets and current liabilities).

(2) For the three months ended September 30, 2011 Adjusted Operating Activities were an outflow of $771 (three months ended September 30, 2010 –$1,865 inflow) calculated as cash inflows from operating activities of $1,979 (2010-$1,495) adjusted by repayments of interim production financing of ($2,750) (2010-$370 inflow). 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, 2011 was $15.26 million, down $4.26 million as compared to $19.52 million at June 30, 2011.

For the three month period ended September 30, 2011 cash flows generated from operating activities were $1.98 million. Cash flows from operating activities resulted from net income of $0.32 million and adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, share of loss of associates, impairment in value of certain investments in film and television programs, share-based compensation, and net change in non-cash working capital balances related to operations of $3.90 million, $0.37 million, $0.30 million, $0.21 million, $0.02 million, $0.13 million, $0.23 million, and $4.00 million respectively. Cash flows used in operating activities were $7.34 million for investments in film and television, $0.13 million for unrealized foreign exchange gain, and $0.03 million for future income tax recovery.

For the three month period ended September 30, 2011 cash flows from financing activities were a use of cash of $2.39 million. Cash flows used in financing activities resulted primarily from repayments of long-term debt of $0.13 million, common shares repurchased and cancelled of $0.50 million, and a repayment of interim production financing of $2.75 million. This was offset by cash generated by proceeds from bank indebtedness of $0.99 million.

For the three month period ended September 30, 2011 cash flows from investing activities were a use of cash of $3.86 million. Cash flows used in investing activities were adjusted $7.19 million for the acquisition of short-term investments and $0.68 million for PP&E acquisitions. Cash flows generated in investing activities were $4.01 million from proceeds on disposal of short term investments.

Working Capital

Working capital ("**Working Capital**") represents the Company's current assets less current liabilities. Working Capital increased by $0.70 million as at September 30, 2011 over June 30, 2011.

Management was pleased with cash flow generated by Operating Activities of $1.98 million (2010-$1.50 million cash flow generated by Operating Activities). Adjusted Operating Activities was a use of cash of $0.77 million for the three month period ended September 30, 2011 (the three month period ended September 30, 2010-$1.86 million cash flow generated 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 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 $58.93 million is sufficient to execute its current business plan.

Royal Bank Revolving Master Credit Facility

As of September 30, 2011, the maximum amount of all the borrowing with the Royal Bank of Canada ("**RBC**") is $55.0 million ("**RBC Master Agreement**"). The RBC Master agreement matures January 31, 2012. As part of the RBC Master Agreement, bank indebtedness was $6.19 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, $2.19 million was drawn at September 30, 2011. In addition, RBC increased the Company's RBC Revolving Operating Credit Facility, for the Wildbrain Acquisition, by a maximum additional $4.0 million and was fully drawn at September 30, 2011. Under the extended RBC Master Agreement, this temporary increase in the RBC Operating Credit Facility will be replaced by the first drawdown of a term facility with a maximum amount of $10.0 million ("**RBC Acquisition Facility**") (see "Subsequent Events" section of this MD&A for further details) to fund acceptable acquisitions as defined in the RBC Master Agreement. Each advance under the RBC Acquisition Facility will be amortized over 3 years with quarterly payments of principal and monthly payments of interest. The availability of the RBC Revolving Operating Credit Facility and RBC Acquisition Facility is subject to the Company maintaining funded debt and fixed charge ratios and certain other covenants.

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 $40.28 million as of September 30, 2011, against which only $17.36 million has been drawn. The maturity dates for the RBC Individual Approved Tranches vary, but the outside maturity date is June 2013. Please see note 14 of the unaudited interim financial statements for the three months ended September 30, 2011 and 2010 for further details.

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, distribution, and licensing of its film and television properties. To maximize ongoing development and growth effort, the Company is not anticipating paying out dividends during the year ended June 30, 2012.

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 Master Credit Facility, including but not limited to:

- Funded Debt Ratio, defined as funded debt (the total of all obligations for borrowed money which bear interest or imputed interest (not including interim production financing), all capital lease obligations, and any contingent liabilities) ("**Funded Debt**") to consolidated EBITDA; and
- The Fixed Charge Ratio, defined as adjusted consolidated EBITDA (consolidated EBITDA less cash income taxes and unfunded capital expenditures) to fixed charges (consolidated interest expense, scheduled principal payments on Funded Debt, and Company distributions).

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

	Measure targets	**September 30, 2011**	**June 30, 2011**
Funded Debt Ratio	< 3.0x	1.4x	1.3x
Fixed Charge Ratio	> 1.25x	7.86x	6.22x

The Company has been in compliance with these and all previous ratios since the inception of the RBC Master Credit Facility.

Contractual Obligations

As of September 30, 2011

Payments Due by Period (All amounts are in thousands)	**Total**	**Fiscal 2012**	**Fiscal 2013-2014**	**Fiscal 2015-2016**	**After Fiscal 2017**
	$	**$**	**$**	**$**	**$**
Bank indebtedness [1]…………………………………………………	6,188	6,188	-	-	-
Capital lease for equipment [2]………………………………………	1,808	672	1,136	-	-
Long-term debt payments (principal and interest) [3]……………	2,508	241	614	576	1,077
Operating leases [4]…………………………………………………	6,769	1,560	2,655	1,093	1,461
Total Contractual Obligations	17,273	8,661	4,405	1,669	2,538

(1) RBC Revolving Operating Credit Facility with a maximum amount of $5.20 million bearing implied interest at bank prime plus 1.25%. See notes 14 and 27 to the unaudited interim consolidated financial statements for the three months ended September 30, 2011 for details.

(2) Pursuant to capital leases for video editing, leaseholds, and other office and production equipment, the obligations bear implied interest ranging from 4.0% to 9.8% and mature from November 2011 to October 2013. Principal balances are included in note 14 to the unaudited interim financial statements for the three month period ended September 30, 2011.

(3) See note 14 to the unaudited interim consolidated financial statements for the three month period ended September 30, 2011 for details.

(4) Pursuant to operating leases. See note 21 to the unaudited interim consolidated financial statements for the three month period ended September 30, 2011 for details.

Outlook

The Company's September 30, 2011 balance sheet remains strong with over $24.5 million in cash and short-term investments on hand, against approximately $6.2 million of bank indebtedness. With its remaining net cash (approximately $18.3 million) on hand and expanded RBC Acquisition Facility (after first drawdown for Wildbrain, $6.0 million of availability), the Company is also seeking acquisition targets to complement its core strengths. Possible opportunities would include additional licensing expertise, additional production capacity and film and television libraries with a proven track record of positive cash flows.

For the remainder of Fiscal 2012, Management will continue to focus on its core strengths of developing, producing, distributing, and licensing 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* and *Rastamouse*. As stated in the 2011 Annual MD&A, the Company is committed to growing its content library by its previously stated goal of 5-10% organically and through acquisitions of third party titles.

With combined production revenue (proprietary and producer and service fee) in excess of $10.6 million for Q1 2012, the Company is well on its way to achieving its 2012 targets (see pages 17-18 of the 2011 Annual MD&A for full 2012 Company targets). For the remainder of Fiscal 2012, DHX's target for the category of production revenue (proprietary and producer and service fee) is $25.0-$35.0 million. The Company's preferred target mix of production revenue is 60/40 proprietary to service. As stated in the 2011 Annual MD&A, Management's target mix for the first half of Fiscal 2012 was 30/70 (or perhaps 35/65) proprietary to service. For the three months ended September 30, 2011, this mix was 37/63, slightly ahead of expectations. The Company expects that for the back half of Fiscal 2012 this mix will likely be 40/60 proprietary to service. By the end of Fiscal 2013, the Company expects to achieve its 60/40 proprietary to service preferred target mix.

In addition to the 18 half-hours added for Q1 2012 for IP rights on third party produced titles, for the remainder of Fiscal 2012 the Company expects to add 30 half-hours (note: currently over 50 half-hours contracted to be added over the next 2 years) for third party produced titles where the Company has significant IP rights. These include, among other titles, the hit series *Rastamouse* out of the UK and *How to be Indie* out of Canada.

For Fiscal 2012, Management is holding its distribution revenues target to be generally in line with Fiscal 2011 in the range of $7.0-$9.0 million (Q1 2012-$1.36 million). The Company will continue to seek third party titles to add to proprietary inventory levels.

For Fiscal 2012, the Company is holding its target at $1.25-$2.0 million for the category of traditional DHX music and royalty revenue; is increasing its target range to $10-$13 million for licensing on *Yo Gabba Gabba* including *Yo Gabba Gabba Live!*; and is holding its target at $0.5-$1.0 million for licensing revenue on other and emerging properties. For Fiscal 2012, the Company is also holding its target at $4.0-$6.0 million for new media revenue including the property UMIGO and lowering slightly its target to $0.3-$0.5 million for rental revenue.

For Fiscal 2012, based on the adoption of IFRS and specifically changes to consolidation (See note 4 – "Transition to IFRS" of the interim unaudited consolidated financial statements for the three months ended September 30, 2011 for all IFRS transition details), Management is adjusting its expectations range for its overall gross margin to between 33-40% of overall revenue (down slightly from 35-42% reported in the 2011 Annual MD&A under CGAAP).

For the remainder of Fiscal 2012, Management continues to target additional SG&A reductions of 5% as compared to the last nine months of Fiscal 2011 SG&A.

The Company is holding its target for Fiscal 2012 for the following: amortization of acquired library and development expense when considered together, amortization of PP&E and intangibles also considered together, share-based compensation, finance expense, finance income, and share of loss of associates all are expected to be in the following ranges respectively: $1.6-$2.0 million, $2.0-$2.4 million, $0.5-$0.75 million, $0.2-$0.3 million, $0.2-$0.5 million, and $0.2-$0.4 million.

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 $8.45 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 6 of the unaudited interim financial statements for the three months ended September 30, 2011 and 2010 for further details).

Normal Course Issuer Bid

During the three months ended September 30, 2011, as part of the Company's previously announced normal course issuer bid, 606,500 common shares were repurchased for $0.50 million and cancelled (year ended June 30, 2011 – 51,000 for $0.04 million).

Subsequent events

On November 21, 2011, the Company announced its intentions to make a substantial issuer bid (the "**SIB**"), pursuant to which the Company will offer to purchase for cancellation up to $5 million in value of its common shares from shareholders. The SIB will proceed by way of a modified "Dutch Auction" and the range of SIB prices will be between $0.60 and $0.70 per share, with increments of $0.01 permitted within the range. The SIB will be for up to a maximum of approximately 14% of the total number of issued and outstanding common shares, based on a purchase price equal to the minimum purchase price per share of $0.60 and 60,554,996 common shares outstanding on November 18, 2011. If the purchase price is higher than the minimum, then a smaller of the percentage of the issued and outstanding shares will be purchased. The SIB will remain open for acceptance for at least 35 days from the date of commencement, unless with drawn or extended by the Company.

On November 28, 2011, the Company closed the first drawdown on the RBC Acquisition Facility for Wildbrain in the amount of $4.0 million. The amortization is 3 years maturing November 28, 2014 with quarterly payments of principal and monthly payments of interest. Concurrently, RBC's security over the $4.0 million GIC has been released.

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 Estimates

The preparation of the financial statements in conformity with IFRS requires Management to make estimates, judgements, and assumptions that Management believes are reasonable based upon the information available. These estimates, judgements, and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates (refer to page 2 of this MD&A for more information regarding forward-looking information). The following is a discussion of accounting policies that require significant Management judgements 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, 2011 and 2010 on www.sedar.com or DHX's website at www.dhxmedia.com. The following updates are provided for those areas that contain critical accounting estimates utilized in the preparation of DHX's unaudited interim consolidated financial statements that have changed as a result of DHX adopting IFRS on July 1, 2011.

- ***Share-based compensation***

  Share-based compensation expense is determined based on the estimated grant date fair value of stock option awards using the Black-Sholes option pricing model, which takes into account the exercise prices, the current price of the underlying stock, the expected life of the option, the expected volatility of the stock, and the expected forfeitures of options granted.

- ***Income taxes and deferred income taxes***

  Deferred tax assets and liabilities require Management's judgement in determining the amounts to be recognized. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognized with respect to the timing of deferred taxable income.

  The current income tax provision for the year is determined according to complex tax laws and regulations. Where the effect of these laws and regulations is unclear, estimates are used in determining the provision for current income taxes which are recognized in the consolidated financial statements. The Company considers the estimates, assumptions, and judgements to be reasonable but this can involve complex issues which may take an extended period to resolve. The final determination of prior years' tax provisions could be different from the estimates reflected in the financial statements.

- ***Impairment of investment in associates and long-term investment***

  In order to assess impairment, the fair value of the Company's investments in associates and held-to-maturity investments are determined using valuation techniques, as there are no published price quotations. The Company has used an earnings approach to value these investments based on earnings multiples for recent transactions involving similar businesses.

- ***Impairment of financial assets***

  At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

  - Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

  - Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of income. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income.

  Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for sale financial assets are not reversed.

Future Accounting Standard Changes

The IASB has issued IFRS 9, 10, 11, 12, and 13 effective for annual periods beginning on or after January 1, 2013, with early adoption permitted for IFRS 9. IFRS 9 introduces new classification and measurement requirements for financial instruments. IFRS 10 defines the principles of control and establishes the basis of when and how an entity should be included within a set of consolidated financial statements. IFRS 11, Joint Ventures – establishes principles to determine the type of joint arrangement and guidance for financial reporting activities required by the entities that have an interest in arrangements which are controlled jointly. IFRS 12, Disclosure of Interests in Other Entities – requires extensive disclosures relating to a company's interest in subsidiaries, joint arrangements, associates, and unconsolidated structured entities. IFRS 13, Fair Value Measurement – defines fair value, provides guidance in a single framework for measuring fair value and identifies the required disclosures pertaining to fair value measurement. DHX continues to assess the impact of IFRS 9, 10, 11, 12, and 13 on its consolidated statement of operations and financial position.

Accounting Policies and Transition to IFRS

The significant accounting policies of DHX are described in note 3 of the September 30, 2011 unaudited interim consolidated financial statements for the three months ended September 30, 2011 of DHX. ***Transition to IFRS***

Effective July 1, 2011 and as further described in the Company's unaudited interim consolidated financial statements and notes for Q1 2012, DHX began reporting its financial results in accordance with IFRS.

The following table summarizes DHX's key metrics for the year ended June 30, 2011 under IFRS, versus those previously reported under CGAAP:

		Fiscal 2011	
(unaudited)	CGAAP	Adj.	IFRS
(expressed in thousands of Canadian dollars)	$	$	$
Revenue	54,676	733	55,409
Direct production costs and amortization	32,409	728	33,137
Gross margin[1]	22,267	5	22,272
Other expenses (income)	20,097	131	20,228
Income before income taxes	2,170	(126)	2,044
Income taxes	457	(46)	411
Net income	1,713	(80)	1,633
Comprehensive income	1,713	(550)	1,163
Performance indicators			
EBITDA[1]	7,346	(159)	7,187
Cash flow from:			
Operating activities	11,890	3,417	15,307
Adjusted operating activities[1]	8,393	(478)	7,915

[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).

The key impacts of IFRS on certain key metrics are as follows:

a) Revenue and direct production costs and amortization

For the year-ended June 30, 2011, revenues increased by $733, direct production costs and amortization and increased by $728 as a result of certain subsidiaries which were considered variable interest entities under Canadian GAAP and were not subject to full consolidation and were reported in the financial statements under the equity method. These subsidiaries have been fully consolidated for IFRS purposes.

b) Other expenses (income)

For the year-ended June 30, 2011, other expenses increased by $131 as a result of a number of IFRS adjustments as follows:

- First, in accordance with IFRS transitional provisions, the Company elected to apply IFRS 3 – Business Combination prospectively to business combinations occurring after its transition date. Under IFRS transaction costs associated with the acquisition must be expensed, resulting in an increase in other expenses of $159 for the year-ended June 30, 2011.
- Second, under IFRS, the Company expenses the estimated fair value of stock options over the vesting period using the graded vesting method of amortization. As a result, other expenses decreased by $39, for the year-ended June 30, 2011.

- Thirdly, under IFRS, unrealized gains and losses on the Company's short-term investments, classified as available-for-sale investments, are included in other comprehensive income, rather than in net income, resulting in an increase in other expenses of $6 for the year-ended June 30, 2011.
- Finally and as noted above, the full consolidation of certain entities previously reported in the financial statements using the equity method resulting in an increase in other expense of $5 for the year-ended June 30, 2011.

c) Income taxes

Deferred income taxes were adjusted to give effect to the above noted adjustments, resulting in an increase in deferred income taxes recovered for the year ended June 30, 2011 of $46.

d) Net income and comprehensive income

The changes noted above result in a decrease in net income of $80 for the year ended June 30, 2010.

Additionally, there were two changes to comprehensive income:

Under Canadian GAAP, the Company used the temporal method of foreign exchange translation for its integrated wholly owned subsidiary, Wildbrain. Under the temporal method, non-monetary assets were converted to the presentation currency using historical foreign exchange rates and the resulting difference between the translation of the balance sheet and income statement was recorded in income statement. Under IFRS, the temporal method is not recognized and the translation methodology used to translate the financial statements of entities with presentation currencies other than Canadian dollars is driven by the determination of the functional currency in each entity in the group. Because the functional currency of Wildbrain has been determined to be the US dollar, the Company translated the assets and liabilities of Wildbrain at the exchange rate in effect at each balance sheet date. As a result, comprehensive income decreased by $476.

Secondly, as noted above, under IFRS, unrealized gains and losses on the Company's short-term investments, classified as available-for-sale investments, are included in other comprehensive, resulting in the reclassification of unrealized gains on available-for-sale investments from other expenses to comprehensive income. As a result, comprehensive income increased by $7.

e) EBITDA

While the transition to IFRS resulted in multiple changes to the statement of income, the net impact on EBITDA was a decrease of $159 for the year-ended June 30, 2011, representing the above-mentioned expensing of transaction costs associated with Wildbrain acquisition.

f) Cash flows from operating activities and cash flow from adjusting operating activities

For the year-ended June 30, 2011, cash flows from operating activities increased by $3,417 and cash flows from adjusted operating activities decreased by $478 as a result of the transition to IFRS. Both the increase in cash flows from operating activities and the decrease in cash flows from adjusting operating activities were primarily a result of the full consolidation of certain entities previously reported in the financial statements using the equity method.

The following is a summary of transition adjustments to the Company's shareholders' equity from Canadian GAAP to IFRS:

	June 30, 2011 $	July 1, 2010 $
Equity – CGAAP	82,059	80,179
IFRS adjustments increase (decrease)		
Business combinations	(159)	
Cumulative translation adjustment	(476)	
Deferred income taxes	46	
Equity –IFRS	81,470	80,179

The following represent the key changes to equity as a result of the transition to IFRS:

a) Business combinations

In accordance with IFRS transitional provisions, the Company elected to apply IFRS 3 – Business Combination prospectively to business combinations occurring after its transition date. The Company's acquisition Wildbrain was accounted for using the purchase method under Canadian GAAP and IFRS; however, under IFRS transaction costs associated with the acquisition must be expensed, resulting in a decrease in equity of $159 and nil as at June 30, 2011 and July 1, 2010, respectively.

b) Change in foreign exchange translation methodology

Under Canadian GAAP, the Company used the temporal method of foreign exchange translation for its integrated wholly owned subsidiary, Wildbrain. Under the temporal method, non-monetary assets were converted to the presentation currency using historical foreign exchange rates and the resulting difference between the translation of the balance sheet and income statement was recorded in income statement.

Under IFRS, the temporal method is not recognized and the translation methodology used to translate the financial statements of entities with presentation currencies other than Canadian dollars is driven by the determination of the functional currency in each entity in the group. Because the functional currency of Wildbrain has been determined to be the US dollar, the Company translated the assets and liabilities of Wildbrain at the exchange rate in effect at each balance sheet date. As a result, equity decreased by $476 and nil as at June 30, 2011 and July 1, 2010, respectively.

c) Deferred taxes

Deferred income taxes were adjusted to give effect to the above noted adjustments, resulting in an increase in equity of $46 and nil as at June 30, 2011 and July 1, 2010, respectively.

The table below provides the 2011 quarterly and full year consolidated statement of income under IFRS:

(unaudited)	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Fiscal 2011
(expressed in thousands of Canadian dollars)	$	$	$	$	$
Revenues	12,227	19,381	12,283	11,518	55,409
Direct costs and amortization of film and television produced	7,310	12,278	6,771	6,778	33,137
Gross margin	4,917	7,103	5,512	4,740	22,272
Other Expenses (Incomes)					
Amortization of acquired library	260	79	107	165	611
Amortization of property, plant and equipment and intangibles	506	511	527	590	2,134
Development expenses and other	68	368	215	224	875
Impairment in value of certain investment in film and television programs	100	350	-	-	450
Selling, general and administrative	3,423	4,262	4,132	3,758	15,575
Share of loss of associates	71	83	111	68	333
Finance income	(205)	125	(196)	291	15
Finance expense	52	19	124	40	235
Income (loss) before income taxes	642	1,306	492	(396)	2,044
Provision for (recovery of) income taxes	213	452	122	(376)	411
Net income for the periods	429	854	370	(20)	1,633

The table below provides the 2011 quarterly and full year consolidated statement of cash flow under IFRS:

(unaudited) (expressed in thousands of Canadian dollars)	Q1 2011 $	Q2 2011 $	Q3 2011 $	Q4 2011 $	Fiscal 2011 $
Cash provided by (used in)					
Operating activities					
Net income (loss) for the periods	429	854	370	(20)	1,633
Charges (credits) to income not involving cash					-
Amortization of film and television programs	4,046	4,338	2,266	2,449	13,099
Amortization of acquired library	260	79	107	165	611
Amortization of property, plant, and equipment	235	258	329	362	1,184
Amortization of intangible assets	272	252	198	227	949
Unrealized foreign exchange loss (gain)	(297)	98	(58)	178	(79)
Share of loss of associates	71	83	111	68	333
Impairment in value of certain investment in film and television programs	100	350	-	-	450
Share-based compensation	142	77	85	185	489
Interest on promissory notes	2	1	1	1	5
Recovery of deferred income taxes	(124)	(122)	(182)	(139)	(567)
	5,136	6,268	3,227	3,476	18,107
Net investment in film and television programs	(6,895)	(6,222)	(1,637)	(1,892)	(16,646)
Net change in non-cash working capital related to operations	3,254	272	5,181	5,123	13,830
Cash provided by operating activities - continuing operations	1,495	318	6,771	6,707	15,291
Cash provided by operating activities					
Financing activities					
Proceeds from issuance of common shares and warrants, net of issuance costs	-	-	(100)	(20)	(120)
Proceeds of shares related to employee share purchase plan	-	2	4	22	28
Proceeds from repayment of employee share purchase loan	-	1	-	1	2
Common shares repurchased and cancelled	-	-	-	(43)	(43)
Proceeds from (repayment of) bank indebtedness	5,376	435	(87)	(774)	4,950
Proceeds from (repayment of) interim production financing	370	3,418	(3,975)	(7,205)	(7,392)
Repayment of long-term debt	(140)	(135)	(135)	(134)	(544)
Cash provided by (used in) financing activities - continuing operations	5,606	3,721	(4,293)	(8,153)	(3,119)
Cash provided by (used in) financing activities					
Investing activities					
Business acquisition, net of cash acquired	(7,936)	-	-	(80)	(8,016)
Acquisitions of short-term investments	(4,002)	-	(3)	(5)	(4,010)
Proceeds on disposal of short-term investments	-	10	1,006	3,014	4,030
Acquisitions of property, plant, and equipment	(428)	(259)	(279)	(978)	(1,944)
Net cash advances from (to) investees	-	-	-	-	-
Cash provided by (used in) investing activities	(12,366)	(249)	724	1,951	(9,940)
Net change in cash during the periods	(5,265)	3,790	3,202	505	2,232
Cash – Beginning of periods	17,276	12,011	15,801	19,003	17,276
Cash – End of periods	12,011	15,801	19,003	19,508	19,508

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 61% of total amounts receivable at September 30, 2011 (September 30, 2010 - 69%). Certain of these amounts are subject to audit by the government agencies. Management believes that the net amounts recorded 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 and annually 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 less than 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 10, 11, and 12 of the audited consolidated financial statements for June 30, 2011 for further details). As at September 30, 2011 the Company had cash on hand of $15.26 million (June 30, 20111 - $19.53 million) and short-term investments of $9.25 million in an RBC GIC and government bonds (June 30, 2010 - $6.06 million).

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 approximately 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 2011 Annual MD&A 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, 2011, 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 with IFRS.

ICFR has been designed based on the framework issued by COSO to provide reasonable assurance regarding the reliability of DHX's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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, 2011. 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, 2011 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 IFRS or GAAP, the Company uses various non-GAAP financial measures, which are not recognized under IFRS or 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, foreign exchange (loss) gain 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, share of loss of associates (formerly, 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 produced. 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, EBITDA and Adjusted EBITDA, and Gross Margin, based on the unaudited interim financial statements of the Company for Q1 2012 and Q1 2011 found on www.sedar.com and www.dhxmedia.com. For further description see "Use of Non-GAAP Financial Measures" elsewhere in this MD&A. **In addition, the table reconciles EBITDA reported under IFRS to those previously reported under CGAAP.**

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

	Q1-2012 ($000) IFRS
Income before income taxes for the period	481
Finance expense	56
Finance income	(63)
Share of loss of associates	19
Foreign exchange gain[2]	(209)
Amortization	878
Impairment in value of certain investment in film and television programs	135
Development expenses and other	135
Share-based compensation expense	230
EBITDA and Adjusted EBITDA[1 & 2]	**1,662**
Selling, general and administrative, net of share-based compensation expense	3,438
Gross Margin[1 & 2]	**5,100**

	Q1-2011		
	($000) IFRS	($000) Adjustments	($000) CGAAP
Income (loss) before income taxes for the period	642	(47)	689
Finance expense	52	-	52
Finance income	(59)	(25)	(34)
Share of loss of associates	71	-	71
Foreign exchange gain[2]	(146)	-	(146)
Amortization	766	-	766
Impairment in value of certain investment in film and television programs	100	-	100
Development expenses and other	68	-	68
Share-based compensation expense	142	(14)	156
EBITDA and Adjusted EBITDA[1 & 2]	**1,636**	**(86)**	**1,722**
Selling, general and administrative, net of share-based compensation expense	3,281	71	3,210
Gross Margin[1 & 2]	**4,917**	**(15)**	**4,932**

[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 2012

Supplemental Information
For the Three Months Ended September 30, 2011

1. Summary of securities issued and options and warrants granted during the three months ended September 30, 2011 (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, 2011	**61,596,615**	**76,437**
Shares issued as part of employee share purchase plan	3,061	3
Normal course issuer bid shares repurchased and cancelled	(606,500)	(501)
Balance at September 30, 2011	**60,993,176**	**75,939**

b. Summary of options and warrants

Options	Number of Options	Weighted-average exercise price
Balance at June 30, 2011	**4,020,000**	**$1.07**
Granted to an employee	300,000	$0.83
Options expired	(125,000)	$1.33
Balance at September 30, 2011	**4,195,000**	**$1.04**

Warrants	Number of Warrants	Weighted-average exercise price
Balance at June 30, 2011 and September 30, 2011	**937,500**	**$1.15**

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

60,993,176 common shares at a recorded value of $75,939;

100,000,000 preferred variable voting shares at a recorded value of nil.

iii. Description of options and warrants

See note 16(f) and 16(g) of the unaudited interim consolidated financial statements for the three months ended September 30, 2011 and September 30, 2010.

2. Directors and officers as at September 30, 2011

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
Laura Formusa (3)	Director
Robert Sobey (3)	Director

Officers

Michael Donovan	CEO
Dana Landry	CFO
Steven DeNure	President and COO
Mark Gosine	EVP, 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.
(3) Appointed at Annual General Meeting on December 16, 2010.