Q1 2013

Management Discussion and Analysis
Of Financial Condition and Results of Operations
For the Three Months Ended September 30, 2012 ("Q1 2013")
(Unaudited)

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of November 12, 2012, should be read in conjunction with DHX Media Ltd.'s* (the "**Company**" or "**DHX**") *unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2012 and 2011, as well as the Company's latest annual MD&A ("**2012 Annual MD&A**") and audited consolidated financial statements for the years ended June 30, 2012 and 2011 (as found on www.sedar.com or on DHX's website at www.dhxmedia.com). The unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2012 and 2011 have been prepared in accordance with international financial reporting standards ("**IFRS**").*

The Company's auditors, Pricewaterhouse Coopers LLP, have not reviewed the unaudited interim condensed consolidated financial statements and accompanying notes for the three months ended September 30, 2012 and 2011.

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 prepares its financial statements 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 condensed 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, withholding taxes payable, and deferred income taxes are significantly impacted by the changeover to IFRS – refer to "Accounting Policies and Transition to IFRS" section of the 2012 Annual MD&A (found on www.sedar.com or on DHX's website at www.dhxmedia.com 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", "pursue", "continue", "seek", 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 the 2012 Annual MD&A and "Risk Factors" section of the Company's recently filed "Management Information Circular".

The foregoing is not an exhaustive list and other risks are detailed from time to time in other continuous disclosure filings of the Company, including, among other filings, the Company's recent "Management Information Circular" and "Final Short Form Prospectus". 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, W!ldbrain Entertainment Inc. ("**DHX Wildbrain**") on September 14, 2010, and recently on October 22, 2012 the business of Cookie Jar Entertainment ("**DHX Cookie Jar**").

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 8,500 half hours of programming. DHX is recognized for brands such as *Caillou*, *Richard Scarry's Busytown Mysteries*, *Inspector Gadget*, *Johnny Test*, *Animal Mechanicals*, *Kid vs. Kat*, *Super WHY!*, *Rastamouse*, and *Yo Gabba Gabba!*. The Company also provides programming for Cookie Jar TV, the weekend morning block on CBS. DHX's European licensing brand representation agency business, Copyright Promotions Licensing Group, ("**CPLG**"), represents numerous entertainment, sport and design brands. The Company's prime-time production slate also includes notable achievements in the comedy genre, including the award-winning Canadian prime-time comedy series *This Hour Has 22 Minutes*, which is produced for the CBC and is now in its 20th season. In addition, *The Mighty Jungle* was awarded a 2011 Gemini Award for *Best Pre-School Programme*. DHX has offices in Toronto, Los Angeles, Vancouver, Halifax, London, Paris, Barcelona, Lisbon, Milan, Munich, and the Netherlands.

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 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 *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.

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 note 3 of the audited consolidated financial statements for the years ended June 30, 2012 and 2011 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, home entertainment, and digital platforms) for specified periods of time. Distribution revenue also includes theatrical and other revenues generated on its feature films and movies of the week ("**MOW's**").

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 MOW's.

M&L and Other Revenue

M&L revenue includes DHX's owned brands (*Yo Gabba Gabba!*, *Rastamouse*, among others, and now *Caillou*, and *Johnny Test*) and licensing revenues from CPLG for brand representation. Other revenue includes rental of studios, equipment, and office facilities, music and royalty revenues, and new media revenue.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below for the three months ended September 30, 2012 and 2011 has been prepared in accordance with IFRS, and is derived from the Company's unaudited interim condensed consolidated financial statements and accompanying notes for the months ended September 30, 2012 and 2011, 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, 2012 ($000) (except per share data)	Three Months Ended September 30, 2011 ($000) (except per share data)
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Data:		
Revenues	**13,515**	16,944
Direct production costs and amortization of film and television produced	**(8,091)**	(11,844)
Gross margin[1]	**5,424**	5,100
Selling, general, and administrative	**(4,066)**	(3,668)
Impairment in value of investment in film and television programs	-	(135)
Share of loss of associates	**(25)**	(19)
Amortization, finance and other expenses, net	**(1,560)**	(797)
(Provision for) recovery of income taxes	**155**	(163)
Net income (loss)	**(72)**	318
Cumulative translation adjustment	**(515)**	867
Change in fair value of available-for-sale investments, net of tax	**93**	13
Comprehensive income (loss)	**(494)**	1,198
Basic earnings (loss) per common share	**0.00**	0.01
Diluted earnings (loss) per common share	**0.00**	0.01
Weighted average common shares outstanding (expressed in thousands)		
Basic	**53,071**	61,465
Diluted	**53,071**	61,535
	As at September 30, 2012 ($000)	**As at June 30, 2012 ($000)**
Consolidated Balance Sheet Data:		
Cash and short-term investments	**20,097**	22,489
Investment in film and television programs	**46,054**	44,163
Total assets	**137,965**	134,961
Total liabilities	**59,067**	56,061
Shareholders' equity	**78,898**	78,900

[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).

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, 2012. 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, 2012 and 2011 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 2013	Fiscal 2012				Fiscal 2011		
(All numbers are in thousands except per share data)	Q1 30-Sep $	Q4 30-Jun $	Q3 31-Mar $	Q2 31-Dec $	Q1 30-Sep $	Q4 30-Jun $	Q3 31-Mar $	Q2 31-Dec $
Revenue	13,515	14,409	16,619	24,675	16,944	11,518	12,283	19,381
Gross Margin[1]	5,424	5,818	6,116	7,685	5,100	4,740	5,512	7,103
EBITDA and Adjusted EBITDA[1 & 2]	1,845	1,715	2,117	3,640	1,662	812	1,465	2,918
Net Income (Loss)	(72)	348	546	1,835	318	(204)	237	854
Comprehensive Income (Loss)	(494)	770	230	1,538	1,198	(424)	427	371
Basic Earnings Per Common Share[3]	0.00	0.01	0.01	0.03	0.01	0.00	0.00	0.01
Diluted Earnings Per Common Share[3]	0.00	0.01	0.01	0.03	0.01	0.00	0.00	0.01

[1]Certain of the comparative Non-GAAP Financial Measures ("**NGFM**") are adjusted for all necessary adjustments, consisting of normal recurring adjustments and any changes in the current definition of NGFM (see "Use of Non-GAAP Financial Measures" section of this MD&A for further details).

[2]The Adjusted EBITDA figures shown above were adjusted for the impairment in value of certain investments in film and television programs, share of loss associates, development expenses, and other one-time charges including non-cash share-based compensation expense, 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).

[3]Note that for Q4 2012 basic and diluted earnings per common share is $0.01, however, due to rounding, the calculation for Fiscal 2012 basic and diluted earnings per common share is $0.05 (please see note 24 of the audited consolidated financial statements for the years ended June 30, 2012 and 2011 for further details).

Results for the three months ended September 30, 2012 ("Q1 2013") compared to the three months ended September 30, 2011 ("Q1 2012")

Revenues

Revenues for Q1 2013 were $13.51 million, down 20% from $16.94 million for Q1 2012. The decrease in Q1 2013 was generally due to decreases in proprietary revenue and scheduled timing of *Yo Gabba Gabba! Live!* and timing of deliverables for certain new media revenues.

Proprietary production revenues: Proprietary production revenues for Q1 2013 were $1.52 million, a decrease of 64% compared to $4.20 million for Q1 2012. The overall decrease, mainly due to scheduled timing of deliveries, was made up of a 68% decrease to $1.13 million (Q1 2012-$3.56 million) in Children's and Family, a decrease to nil for Q1 2013 (Q1 2012-$0.04 million) for Drama, and a decrease to $0.39 million for Comedy (Q1 2012-$0.60 million).

For Q1 2013, the Company added 15 half-hours to the library. The breakdown for Q1 2013 is 8.0 half-hours - $1.52 million of proprietary film and television program production revenue versus the 15.0 half-hours for Q1 2012, where the programs have been delivered and the license periods have commenced for consolidated entities and 7.0 half-hours in intellectual property ("**IP**") rights for third party produced titles (18.0 half-hours in Q1 2012). Q1 2013 proprietary deliveries were in line with scheduled deliveries and Management's expectations.

As part of the maturation of DHX, specifically the experience gained by our in house international television distribution team along with the licensing within DHX Wildbrain, we continue to strategically target third party produced titles for IP rights. As noted above, for Q1 2013, the Company added to the library 6.0 half-hours for *Rastamouse* and 1.0 half-hour for *She-Zow*. For Q1 2012, the Company added 6.0 half-hours for *How to be Indie* and 12.0 half-hours for *Rastamouse*.

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 2013 and Q1 2012 was as follows:

Title	Season or Type	Q1 2013 $ Million	Q1 2013 Half-hours	Q1 2012 $ Million	Q1 2012 Half-hours
Children's and Family:					
Proprietary					
Monster Math Squad	I		N/A [1]		-
Monster Math Squad	II		6.0		-
Pirates	II		-		N/A [1]
Super WHY! (CBC)	II		-		7.0
That's So Weird!	III		-		4.0
Subtotals		$ 0.54	6.0	$ 2.64	11.0
Other Proprietary Titles with Canadian and Other Rights					
Doozers	I		N/A [1]		-
Martha Speaks (TVO)	IV		-		N/A [1]
Waybuloo (RDF Rights)	III		-		N/A [1]
Subtotals		$ 0.59	-	$ 0.92	-
Third Party Produced Titles with IP Rights					
How to Be Indie			-		6.0
Rastamouse			6.0		12.0
She-Zow			1.0		-
Subtotals			7.0		18.0
Total Children's and Family		**$ 1.13**	**13.0**	**$ 3.56**	**29.0**
Drama:					
Proprietary					
American Refugees	Demo		-		1.0
Subtotals		$ -	-	$ 0.05	1.0
Other Proprietary Titles with Canadian and Other Rights					
Ice Road Terror	MOW		-		N/A [1]
Subtotals		$ -	-	$ (0.01)	-
Total Drama		**$ -**	**-**	**$ 0.04**	**1.0**
Comedy:					
Proprietary					
This Hour Has 22 Minutes	XIX		-		3.0
This Hour Has 22 Minutes	XX		2.0		-
Total Comedy		**$ 0.39**	**2.0**	**$ 0.60**	**3.0**
Total Proprietary		$ 0.93	8.0	$ 3.29	15.0
Total Other Proprietary Titles with Canadian and Other Rights		$ 0.59	-	$ 0.91	-
Total Third Party Produced Titles with IP Rights		$ -	7.0	$ -	18.0
		$ 1.52	**15.0**	**$ 4.20**	**33.0**

[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, may not yet be delivered.*

Producer and service fee revenues: For Q1 2013, the Company earned $6.84 million for producer and service fee revenues, an increase of 7% versus the $6.40 million for Q1 2012, which marks the 5th consecutive quarter of growth in this category when compared to the same quarter for the previous fiscal period. DHX Vancouver earned $4.25 million, an increase of 100% (Q1 2012-$2.13 million), and DHX Wildbrain earned $2.59 million, a decrease of 39%, for Q1 2013 (Q1 2012-$4.27 million). For Q1

2013, the breakdown for major projects over $0.10 million for DHX Vancouver was $0.91 million for *My Little Pony* Seasons 2-4, $1.83 million for *Little Pet Shop* Season I, and $1.51 million for *Pound Puppies* Seasons 1-3. For Q1 2013, the breakdown for major projects over $0.10 million for DHX Wildbrain was $0.73 million for *Monster High* Season 13 and $1.68 million for *Oki's Oasis* Season 1.

Distribution revenues: For Q1 2013, distribution revenues were generally in line (down 3%) to $1.33 million from $1.37 million for Q1 2012. For Q1 2013, 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: *Super WHY!* Seasons 1-2, *Martha Speaks* Seasons 1-2, *Grandpa in my Pocket* Seasons 1-3, *Pirates* Seasons 1-2, *Ha Ha Hairies* Season 1, and *Rastamouse* Season 1.

M&L and music royalty revenues: For Q1 2013, M&L, music, and royalty revenue decreased 6% to $2.36 million (Q1 2012-$2.51 million). Traditional DHX music, M&L, and royalty revenue was up 203% to $0.82 million for Q1 2013 as compared to Q1 2012 of $0.27 million. For Q1 2013, there were no scheduled *Yo Gabba Gabba! Live!* tour stops as compared to Q1 2012 of several tour stops representing $1.11 million in revenue. For Q1 2013, Management was encouraged that *Yo Gabba Gabba!* M&L was $1.54 million, up 54% from $1.13 million for Q1 2012.

New Media Revenues: For Q1 2013, new media revenues decreased 41% to $1.39 million (Q1 2012-$2.37 million) including a 40% decrease to $1.13 million for UMIGO (you make it go), based on scheduled timing of certain deliverables, as compared to Q1 2012 of $1.90 million and a decrease to $0.26 million (Q1 2012-$0.47 million) for other new media projects.

Rental revenues: For Q1 2013, rental revenues were $0.07 million, down 22% from Q1 2012 of $0.09 million, as a result of lower rental revenues of studio and office facilities to third parties of the Company's Toronto, Ontario office.

Gross Margin

Gross margin for Q1 2013 was $5.42 million, an increase in absolute dollars of 6% compared to $5.10 million for Q1 2012. DHX is pleased to report the overall gross margin for Q1 2013 at 40% of revenue was above the high end of Management's expectations, driven by a strong quarter for margins on production and M&L revenues.

For Q1 2013, the margins for each revenue category in absolute dollars and as a margin percentage were as follows: production revenue margin of $0.61 million or 40%, net producer and service fee revenue margin of $2.12 million or 31%, distribution revenue margin of $0.51 million or 38% ($0.29 million or 22% when $0.22 million for the amortization of acquired libraries is removed), new media margin at $0.33 million or 24%, and rental revenue margin of $0.07 million or 100%. For Q1 2013, M&L, music, and royalty revenue margin was $1.78 million or 75%. The breakdown for M&L, music, and royalty margin was $0.63 million, up 152% (Q1 2012-$0.25 million), for traditional DHX music and royalty and $1.15 million, up 3% (Q1 2012-$1.12 million), for *Yo Gabba Gabba!*.

In particular, production, producer and service fee revenue, distribution, and M&L on *Yo Gabba Gabba!* in terms of absolute dollars contributed $0.61 million, $2.12 million, $0.51 million and $1.15 million, respectively or 81% of the total margin. Production margin at 40%, based on product delivery mix, was at the high end of Management's expectations. Producer and service fee margins can vary greatly and at 31% is at the high end of Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 38% is at the low end of Management's expectations.

Operating Expenses (Income)

SG&A

SG&A costs for Q1 2013 were up 11% at $4.07 million compared to $3.67 million for Q1 2012. SG&A costs include the non-cash item of $0.49 million of share-based compensation (Q1 2012-$0.23 million) which included a one-time charge of $0.39 million related to warrants granted in connection with the Cookie Jar Acquisition. SG&A costs excluding share-based compensation were $3.58 million, up slightly (4%) compared to Q1 2012 of $3.44 million. Specifically, SG&A cash costs (excluding DHX Wildbrain) were $2.22 million, down 2% compared to Q1 2012 of $2.27 million and SG&A costs for DHX Wildbrain for Q1 2013 were up 15% to $1.36 million (Q1 2012-$1.17 million) based on increased sales and marketing activities for M&L.

Amortization

For Q1 2013, amortization was down 3% to $0.85 million (Q1 2012-$0.88 million). For Q1 2013, the amortization of acquired libraries was down 42% to $0.22 million (Q1 2012-$0.38 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 2013, amortization of PP&E was up 45% to $0.42 million (Q1 2012-$0.29 million). For Q1 2013, amortization of intangible assets remained the same at $0.21 million (Q1 2012-0.21 million) which relates to the intangible assets acquired as part of the acquisitions of DHX Toronto, DHX Vancouver, and DHX Wildbrain.

Development Expenses and Other One-time Charges

During Q1 2013, development expenses were down 38% to $0.05 million (Q1 2012-$0.08 million). During Q1 2013, other expenses were $0.52 million for one-time charges related to acquisition costs of the Cookie Jar Acquisition and no amounts for litigation costs (Q1 2012 – nil and $0.06 million, respectively).

Impairment in Value of Investment in Film and Television Programs

During Q1 2013, the Company did not record an impairment in value of investments in film and television programs (Q1 2012 - $0.14 million).

Share of Loss of Associates

For Q1 2013, the Company recorded its share of loss of associates of $0.03 million for its investment in Tribal Nova (Q1 2012-$0.02 million). For Q1 2013, the $0.03 million loss was made up of $0.06 million in amortization of Tribal Nova intangibles and an income pickup of $0.03 million for the Company's share of Tribal Nova.

Finance Income and Expenses

For Q1 2013, the Company recorded net finance expense of $0.14 million versus $0.22 million net finance income for Q1 2012. Q1 2013 net finance expense consists of $0.02 million for finance costs on long-term debt and capital leases (Q1 2012-$0.03 million), $0.07 million for finance and bank charges (Q1 2012-$0.02 million), a foreign exchange loss of $0.05 million (Q1 2012-$0.21 million foreign exchange gain), and finance income of nil (Q1 2012-$0.06 million).

EBITDA and Adjusted EBITDA

For Q1 2013, Adjusted EBITDA was $1.85 million, up $0.19 million or 11% over $1.66 million in EBITDA for Q1 2012. For Q1 2013, Adjusted EBITDA includes add backs for one-time charges, noted herein, relating to the Cookie Jar Acquisition totalling $0.91 million ("**CJ One-time Charges"**), consisting of $0.39 million, shown in share-based compensation in SG&A, for warrants granted and $0.52 million for acquisition costs, shown in development expenses and other.

Income Taxes

Income tax for Q1 2013 was a recovery of $0.16 million (Q1 2012-$0.16 million expense) made up of no amounts (Q1 2012-$0.19 million expense) for current income tax, and deferred income tax recovery of $0.16 million (Q1 2012-$0.03 million recovery).

Net Income (Loss) and Comprehensive Income (Loss)

For Q1 2013, net income normalized for CJ One-time Charges of $0.75 million (net of tax effect of $0.16 million) was $0.68 million (or $0.01 million basic and diluted earnings per share), up 113% as compared to $0.32 million net income for Q1 2012. Q1 2013 stated net loss was $0.07 million, compared to $0.32 million income for Q1 2012, or a decrease of $0.39 million in absolute dollars or 122%.

Comprehensive loss for Q1 2013 was $0.49 million, compared to $1.20 million income for Q1 2012, or a decrease of $1.69 million in absolute dollars, made up of a decrease in cumulative translation adjustments of $1.38 million and a decrease in net income of $0.39 million, offset by an increase in fair value of available-for-sale investments of $0.08 million.

Liquidity and Capital Resources	**September 30, 2012** **$**	**June 30, 2012** **$**
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash and short-term investments	**20,097**	22,489
Long-term assets	**24,864**	24,905
Working capital	**59,056**	59,600
Long-term and other liabilities	**5,022**	5,605
Working capital ratio (1)	**2.09**	2.18
	Three Months Ended September 30, 2012 **$**	**Three Months Ended September 30, 2011** **$**
Cash Inflows (Outflows) by Activity:		
Operating activities	**(2,991)**	**1,846**
Investing activities	**(645)**	**(3,856)**
Financing activities	**1,305**	**(2,389)**
Effect of foreign exchange rate changes on cash	**(74)**	**133**
Net cash inflows (outflows)	**(2,405)**	**(4,266)**
Adjusted Operating Activities[2]	**(767)**	**(904)**

(1) Working capital ratio is current assets divided by current liabilities (see the interim unaudited condensed consolidated financial statements for the three months ended September 30, 2012 and 2011).

(2) For the three months ended September 30, 2012 Adjusted Operating Activities were an outflow of ($767) (three months ended September 30, 2011 – ($904)) calculated as cash outflows from operating activities of ($2,991) (2011-$1,846 inflow) adjusted by proceeds from interim production financing of $2,224 (2011-repayment of ($2,750)). See “Use of Non-GAAP Financial Measures” section of this MD&A for a definition of Adjusted Operating Activities.

Changes in Cash

Cash at Q1 2013 was $16.76 million, as compared to $19.17 million at June 30, 2012.

For Q1 2013 cash flows used in operating activities were $2.99 million. Cash flows provided by operating activities resulted from adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, unrealized foreign exchange loss, share of loss of associates, and share-based compensation of $1.69 million, $0.22 million, $0.42 million, $0.21 million, $0.04 million, $0.02 million, and $0.49 million, respectively. Cash flows used in operating activities were net loss of $0.07 million, $0.15 million for recovery of deferred income taxes, $3.02 million for the net change in non-cash working capital balances related to operations, and $2.84 million for net investments in film and television, as Q1 is typically the start of the fall television season and, this year in particular, there are three series starting up and two pilots underway.

For Q1 2013 cash flows from financing activities were $1.30 million. Cash flows used in financing activities resulted primarily from repayment of bank indebtedness of $0.41 million and repayments of long-term debt and obligations under capital leases of $0.51 million. Cash flows from financing activities were provided by proceeds from interim production financing of $2.22 million.

For Q1 2013 cash flows from investing activities were a use of cash of $0.65 million for PP&E acquisitions.

Working Capital

Working capital (“**Working Capital**”) represents the Company’s current assets less current liabilities. Working Capital decreased by $0.54 million as at September 30, 2012 versus June 30, 2012.

Based on the Company’s current revenue expectations for Fiscal 2013, which are based on contracted and expected production, distribution, M&L, 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 $59.06 million is sufficient to execute its current business plan.

Royal Bank Revolving Master Credit Facility

As of September 30, 2012, the maximum amount of all the borrowing with the Royal Bank of Canada ("**RBC**") was $55.0 million ("**Existing RBC Master Agreement**"). As part of the Existing RBC Master Agreement, bank indebtedness of $2.25 million was outstanding at September 30, 2012 (June 30, 2012 - $2.66 million).

The Existing RBC Master Agreement included a term facility with a maximum amount of $10.0 million upon which $3.00 million was drawn at September 30, 2012 (June 30, 2012 – $3.33 million).

Also, as part of the Existing RBC Master Agreement, the Company had a revolving production credit facility with the Royal Bank with a maximum authorized amount of $40.28 million as of September 30, 2012, against which only $11.25 million was drawn (June 30, 2012 - $13.70 million).

On October 22, 2012, upon closing ("**Cookie Jar Closing**") of the Cookie Jar Acquisition ("**Cookie Jar Acquisition**") (see Subsequent Events section of this MD&A for further details) all the existing RBC facilities under the RBC Master Agreement were paid in full and replaced with the new Syndicated Master Credit Agreement (the "**Syndicated Master Credit Agreement**").

New Syndicated Master Credit Agreement

Concurrently with the Cookie Jar Closing, DHX entered into a new credit facility with a syndicate of Canadian banks led by Royal Bank Capital Markets that replaced the existing indebtedness of DHX and Cookie Jar, other than production-specific financing obtained by DHX and Cookie Jar's subsidiaries. The Syndicated Master Credit Agreement consists of two senior secured credit facilities (the "**Credit Facilities**") in an aggregate principal amount of up to $70 million, including a term loan credit facility in the aggregate amount of $50 million (the "**Term Facility**"), fully drawn down on closing, and a revolving loan credit facility in the aggregate amount of up to $20 million (the "**Revolving Facility**") ($5.5 million of which was drawn at the Cookie Jar Closing). The Term Facility was used to repay certain indebtedness of DHX and its subsidiaries, including certain indebtedness of Cookie Jar assumed as part of the Cookie Jar Acquisition, and to pay fees and expenses incurred in connection with the Cookie Jar Acquisition. The Revolving Facility is available for working capital and general corporate purposes.

DHX and certain of its subsidiaries as guarantors provided a first priority security interest in respect of all of the capital stock of the subsidiaries of DHX and the guarantors and all present and after-acquired real and personal property of DHX and the guarantors in favour of the lender as security for the Credit Facilities. The Term Facility will mature four years from the closing date of the Credit Facilities and is subject to annual amortization payments (as a percentage of the initial amount of the Term Facility) of (i) 7% in 2013, (ii) 8% in 2014, (iii) 12% in 2015 and (iv) 13% in 2016, all payable in equal quarterly installments in each case with the balance payable in full on the maturity date. The Revolving Facility is payable in full on the maturity date of the Term Facility.

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 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, as at September 30, 2012, under 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, 2012**	**June 30, 2012**
Funded Debt Ratio	< 3.0x	0.79x	0.93x
Fixed Charge Ratio	> 1.25x	3.76x	5.50x

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, 2012

Payments Due by Period (All amounts are in thousands)	**Total**	**Fiscal 2013**	**Fiscal 2014-2015**	**Fiscal 2016-2017**	**After Fiscal 2018**
	$	**$**	**$**	**$**	**$**
Bank indebtedness [(1)]…………………………………………	2,250	2,250	-	-	-
Capital lease for equipment [(2)]……………………………………	423	249	174	-	-
Long-term debt payments (principal and interest) [(3)]……………	5,351	1,339	2,667	547	798
Operating leases [(4)]…………………………………………………	4,756	1,107	1,634	1,126	889
Total Contractual Obligations	12,780	4,945	4,475	1,673	1,687

(1) RBC Revolving Operating Credit Facility with a maximum amount of $3.51 million bearing implied interest at bank prime plus 1.25%. On Cookie Jar Closing, this amount was fully repaid.

(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 February 2013 to March 2014. Principal balances are included in note 14 to the audited consolidated financial statements for the year ended June 30, 2012.

(3) See note 14 to the audited consolidated financial statements for the year ended June 30, 2012 for details, approximately $3.0 million of which was repaid as part of the Cookie Jar Closing.

(4) Pursuant to operating leases. See note 22 to the audited consolidated financial statements for the year ended June 30, 2012 for details.

Outlook

The Company's September 30, 2012 balance sheet remains strong with over $20.1 million in cash and short-term investments on hand, against only approximately $2.3 million of bank indebtedness. Management continues 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*. 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.

As stated herein, on October 22, 2012, DHX completed the Cookie Jar Acquisition and as such the following outlook has been revised to include expected results for both DHX (prior to the Cookie Jar Acquisition) and DHX Cookie Jar.

For the remaining nine months of Fiscal 2013 ("**Remainder of Fiscal 2013**"), DHX's revised target for the category of production revenue (proprietary and producer and service fee) is $45.0-$60.0 million with a combined target gross margin of 20%-35% (Fiscal 2012-26% combined margin). It is worth noting that the Cookie Jar margin on production has historically been 10-15%. DHX's combined proprietary pipeline continues to build and is now stronger as we add 3-5 expected new shows in the coming 12-18 months from the Cookie Jar development slate. Management is encouraged by the progress made on several fronts including, among other Children's and Family projects, 2 new pilots in Comedy and expects to announce new commissions and existing series renewals over the coming quarters.

In addition, consistent with the Company's strategy to grow its content library, for Fiscal 2013, the Company expects to add 25-50 half-hours (note: approximately 50 half-hours contracted to be added over the next 12-18 months with offers out on more than 35 additional half-hours) for third party produced titles where the Company has significant IP rights. These include, among other titles, the hit series *Rastamouse, She-Zow,* and *Grandpa in my Pocket,* and now *Deadtime Stories* from DHX Cookie Jar. As such, for the Remainder of Fiscal 2013, DHX's revised target for the category of distribution (library) revenues is $19-25 million.

For the Remainder of Fiscal 2013, DHX's revised target for M&L on owned brands (*Yo Gabba Gabba!*, including *Yo Gabba Gabba! Live!*, and *Rastamouse* among other traditional DHX brands and now including *Caillou*, *Richard Scarry's Busy Town Mysteries*, and *Johnny Test*) is from $13-17 million. In addition, for the Remainder of Fiscal 2013, DHX's revised target for music and royalty revenue is $1-2 million.

For the Remainder of Fiscal 2013, as a result of the Cookie Jar Acquisition, the Company's newly acquired European M&L brand representation group (CPLG) is targeting $9-12 million in revenues for M&L represented. It is worth noting that because CPLG is a licensing agency business, there is very little direct cost of goods sold (historically 5-15%) and the majority of the expenses against this category are SG&A and are included in DHX's revised SG&A targets noted below.

For the Remainder of Fiscal 2013, new media revenue is targeted in the range of $3.0-$5.0 million including the property UMIGO and other revenues including rentals are expected to be in the range of $0.4-$0.6 million.

For 2013, Management expects revised gross margins for each revenue category to range as follows: 20-35% for combined production, 35-65% for distribution, 35-70% for owned M&L, 50-75% for music and royalty, 85-95% for M&L represented, 20-35% for new media, and 90-95% for rental.

For the Remainder of Fiscal 2013, DHX expects SG&A to range from $26-28 million, including $8-9 million for CPLG, $3-4 million for one-time restructuring costs associated with severances, lease terminations, and contract buyouts in achieving the Company's synergies related to the Cookie Jar Acquisition, and $0.5-1.0 million for additional one-time Cookie Jar Acquisition costs.

For Fiscal 2013, amortization of all categories and development expense when considered together are expected to be in the range of $3.5-$4.5 million. For Fiscal 2013, share-based compensation and other expenses are expected to be in the following ranges respectively: $0.75-$1.0 million and $0.5-$1.0 million. For the Remainder of Fiscal 2013, as a result of the new Credit Facilities, finance expense is expected to range from $1.75-2.25 million.

Update on Cookie Jar Integration

As noted herein, the Cookie Jar Acquisition was completed on October 22, 2012 and Management immediately began to implement its integration plan. Management is pleased to report that the Company has identified and is on target to achieve or exceed its previously stated goal of $8.0 million in run rate synergies.

These synergies are generally comprised of the following:

- Workforce harmonization savings of $6.0 million;
- Lease termination savings of $0.8 million;
- Information technology (“**IT**”) savings of $0.25 million;
- Travel, general and office savings of $0.5 million;
- Marketing and trade show costs savings of $0.25 million; and
- Insurance and administration savings of $0.2 million.

Timing of the synergies noted above is as follows:

- The workforce and IT changes have been communicated and implemented and are anticipated to largely take effect by June 30, 2013;
- The lease terminations have been generally decided and are expected to be completed by February 2013;
- The remaining changes above (travel, marketing, insurance, and administration) are related to policy changes and efficiencies created as a result of redundancies of the Cookie Jar Acquisition and are expected to take full effect by June 30, 2013.

Further, since Management now has a clear line of sight on the previously stated goal of $8 million in run rate synergies, we are continuing to evaluate areas of the business for additional savings opportunities. Management is hopeful it will be able to report success in these efforts, if achieved, as soon as practical in the coming quarters.

Restructuring costs associated with achieving the savings are expected to total approximately $3-4 million. These costs are expected to be incurred on quarterly basis as follows:

- Q2 2013 - $2-2.5 million
- Q3 2013 - $0.75-1.0 million
- Q4 2013 - $0.25-0.5 million.

Subsequent Events

Cookie Jar Acquisition

On October 22, 2012, the Company announced the closing of the acquisition of the business of Cookie Jar Entertainment (“**Cookie Jar**”) pursuant to the share purchase agreement entered into on August 20, 2012. The consideration for the Cookie Jar Acquisition was made up of a combination of approximately 36 million shares, $5.0 million cash, and the assumption of approximately $65.5 million of debt.

The Cookie Jar Acquisition has significantly strengthened DHX's industry position in television production and distribution, interactive content and entertainment licensing. Cookie Jar is one of the industry's leaders in the creation, production and marketing of animated and live-action programming. Its library of nearly 6,000 half-hour episodes of television features some of the world's most recognizable children's series including *Richard Scarry's Busytown Mysteries*, *Caillou*, *The Doodlebops*, *Inspector Gadget* and *Johnny Test*. Cookie Jar programmes Cookie Jar TV, the weekend morning block on CBS. CPLG, Cookie

Jar’s full-service international licensing agency, represents numerous entertainment, sport and design brands such as *Strawberry Shortcake*, *Richard Scarry*, *St. Andrews Links* and *Skylanders*.

DHX expects that the combination of DHX and Cookie Jar libraries, and expertise in licensing and distribution that both companies have developed, will provide significant advantages to the combined company for the benefit of DHX’s business and Shareholders. These advantages include:

- significantly strengthened capabilities in the rapidly growing digital segment;
- broadened relationships with distributors including Amazon, Comcast, DISH, Hulu, Netflix, Samsung, Telmex and Vivendi;
- creation of substantial scale with the addition of Cookie Jar's approximately $57.5 million in revenue (unaudited, in accordance with International Financial Reporting Standards, for the year ended August 31, 2011);
- greater diversification of revenue streams across operating segments with a greater proportion of revenue derived from higher margin segments;
- combination of two portfolios of globally recognized brands that can be seen in approximately 160 countries;
- increase to content library of children's programming by a factor of more than three times, from approximately 2,550 to approximately 8,550 half-hour episodes;
- expanded global merchandising opportunities and licensing capabilities for DHX’s owned properties as well as third-party brand management and licensing opportunities;
- ability to programme Cookie Jar TV on the CBS network in the United States on Saturday mornings;
- significant cost synergies, currently estimated to be $8 million annually, leading to greater fixed cost coverage and margins;
- improved market position and negotiating strength; and
- increased market capitalization may increase potential investor audience and potential for improved liquidity in shares.

Offering

On October 3, 2012, the Company announced the closing of its previously announced public offering of 13,002,000 subscription receipts (“**the Subscription Receipts**”) after full exercise of the underwriter’s overallotment option, at a price of $1.50 per subscription receipt (the “**Offering**”). The net proceeds of $18.29 million from the Offering (after deducting the underwriters' fees and Offering expenses of $1.21 million) was used to reduce indebtedness resulting from the Cookie Jar Acquisition.

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 year or period. Actual results can differ from those estimates (refer to page 2 of this MD&A for more information regarding forward-looking information). For

a discussion of all of the Company's accounting policies, refer to note 3 of the audited consolidated financial statements for the years ended June 30, 2012 and 2011 on www.sedar.com or DHX's website at www.dhxmedia.com.

Future Accounting Standard Changes

The IASB has issued IFRS 10, 11, 12, and 13 effective for annual periods beginning on or after January 1, 2013. The IASB has also issued IFRS 9 effective for annual periods beginning on or after January 1, 2015, with early adoption permitted. 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.

Financial Instruments and Risk Management

The Company's financial instruments consist of 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 the 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 62% of total amounts receivable at September 30, 2012 (June 30, 2012 - 62%). Certain of these amounts are subject to audit by the government agencies. 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.

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, certain long-term debt, and a portion of cash bear interest at floating rates. A 1% fluctuation would have an approximate $0.25 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 note 14 of the audited consolidated financial statements for June 30, 2012 for further details). As at September 30, 2012 the Company had cash on hand of $16.76 million (June 30, 2012 - $19.17 million) and short-term investments of $3.34 million in Canadian government grade bonds (June 30, 2012 - $3.32 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) and minimal effect on balance sheet items.

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 2012 Annual MD&A on www.sedar.com or DHX's website at www.dhxmedia.com.*

Disclosure Controls and Procedures and Internal Control over Financial Reporting

The Company's Chief Executive Officer (**"CEO"**) and Chief Financial Officer (**"CFO"**) have designed or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure and to provide reasonable assurance that the information required to be disclosed in reports that are filed or submitted under Canadian securities legislation is recorded, processed, summarized, and reported within the time period specified in those rules.

The CEO and the CFO have also designed, or caused to be designed under their supervision, internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

In its annual filings dated September 28, 2012, the CEO and the CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures, and internal control over financial reporting, concluded that as at June 30, 2012, both the Company's disclosure controls and procedures, and internal control over financial reporting were operating effectively. It should be noted that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected.

There were no changes in internal controls over financial reporting during the three months ended September 30, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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, Adjusted EBITDA, Gross Margin, and Adjusted Operating Activities as measures of performance.

"**EBITDA**" means earnings (loss) before interest, taxes, depreciation, amortization, share-based compensation expense, finance expense (income), share of loss of associates, development expense, and impairment of certain investments in film and television programs; and "**Adjusted EBITDA**" also includes adjustments for other one-time charges. Amortization includes amortization of PP&E, acquired libraries, and intangible assets. 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 condensed consolidated financial statements for the three months ended September 30, 2012 and 2011 of the Company 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.

	Q1-2013	Q1-2012
	($000)	($000)
Income (loss) before income taxes for the period..........	(227)	481
Finance expense (income), net..................................	137	(216)
Share of loss of associates.......................................	25	19
Amortization	850	878
Impairment in value of certain investment in film and television programs..	-	135
Development and other expenses (including one-time adjustments of $515 (Q1 2012-nil))[2]............................	573	135
Share-based compensation expense (including a one-time adjustment of $390 (Q1 2012-nil))[3]...........................	487	230
EBITDA[1]..	N/A[4]	**1,662**
Adjusted EBITDA [1, 2, 3]..	***1,845***	***1,662***
Selling, general and administrative, net of share-based compensation expense..	3,579	3,438
Gross Margin[1]	**5,424**	**5,100**

[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]Development and other expenses included one-time adjustments to arrive at Adjusted EBITDA for acquisition costs related to the Cookie Jar Acquisition of $0.52 million.

[3]Share-based compensation includes a one-time adjustment to arrive at Adjusted EBITDA of $0.39 million for the fair value of the conditional warrants granted to consultants of the Company.

[4]Not applicable as for Q1 2013, due to the one-time adjustments noted herein, Management believes Adjusted EBITDA to be a more meaningful indicator of operating performance.

DHX MEDIA LTD.

Q1 2013

Supplemental Information

1. Summary of securities issued and options and warrants granted during the three months ended September 30, 2012 (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, 2012	**53,069,712**	**65,841**
Shares issued as part of employee share purchase plan	2,443	3
Balance at September 30, 2012	**53,072,155**	**65,844**

b. Summary of options and warrants

Options	Number of Options	Weighted-average exercise price
Balance at June 30, 2012	**4,343,750**	**$0.90**
Options expired	(430,000)	1.62
Balance at September 30, 2012	**3,913,750**	**$0.82**

Warrants	Number of Warrants	Weighted-average exercise price
Balance at June 30, 2012 and September 30, 2012	**1,000,000**	**0.78**

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

53,072,155 common shares at a recorded value of $65,844;
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 audited consolidated financial statements for the years ended June 30, 2012 and June 30, 2011.

2. Directors and officers as at September 30, 2012

Directors	
Sir Graham Day (1) (2) (3)	Lead Director of DHX, Chair of Governance Committee
Michael Donovan (1)	Chairman, Board of Directors
J. William Ritchie (2) (3)	Director
Donald Wright (2) (3)	Director, Chair of Audit Committee
Joe Medjuck (2) (3)	Director
Laura Formusa	Director
Robert Sobey (3)	Director, Chair of the Compensation Committee

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) Member of the Compensation Committee