Fiscal 2011

Management Discussion and Analysis

DHX MEDIA LTD.

Year Ended
June 30, 2011 ("Fiscal 2011")

MANAGEMENT DISCUSSION AND ANALYSIS

*The following Management Discussion & Analysis ("**MD&A**") prepared as of September 16, 2011, should be read in conjunction with DHX Media Ltd.'s* (the "**Company**" or "**DHX**") *audited consolidated financial statements and accompanying notes for the years ended June 30, 2011 and 2010. The audited consolidated financial statements and accompanying notes for the years ended June 30, 2011 and 2010 have been prepared in accordance with Canadian generally accepted accounting principles.*

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

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

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

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

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

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" sections of this Annual MD&A and the annual MD&A for the year ended June 30, 2010 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 heading into its 19th Season in the fall of 2011. 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 this 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 years ended June 30, 2011, 2010, and 2009 has been derived from the Company's audited consolidated financial statements and accompanying notes for the years ended June 30, 2011, 2010, and 2009, and can be found at www.sedar.com or DHX's website at www.dhxmedia.com. **Each reader should read the following information in conjunction with those statements and the related notes.**

	Fiscal 2011	Fiscal 2010	Fiscal 2009
	($000)	($000)	($000)
	(except per share data)	(except per share data)	(except per share data)
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) Data:[1]			
Revenues	**54,676**	40,471	61,969
Direct costs and amortization of film and television produced	**32,409**	24,062	39,791
Gross margin	**22,267**	16,409	22,178
Selling, general, and administrative	**15,449**	12,984	13,787
Impairment in value of certain investment in film and television programs	**450**	557	494
Income before the following	**4,882**	1,522	6,736
Income (loss) from strategic investments	**(28)**	(47)	122
Costs associated with abandoned transactions	**-**	-	(1,360)
Equity loss	**(553)**	(40)	-
Gain on restructuring of investment	**-**	348	-
Foreign exchange gain (loss)	**54**	(587)	409
Amortization, interest and other expenses, net	**(2,185)**	(2,500)	(2,689)
Recovery of (provision for) income taxes	**(457)**	491	(1,375)
Net income (loss) and comprehensive income (loss) before discontinued operations	**1,713**	(813)	1,843
Discontinued operations, net of income tax	**-**	-	(1,468)
Net income (loss) and comprehensive income (loss)	**1,713**	(813)	375
Basic earnings (loss) before discontinued operations per common share	***N/A***	*N/A*	0.04
Diluted earnings (loss) before discontinued operations per common share	***N/A***	*N/A*	0.04
Basic earnings (loss) per common share	**0.03**	(0.02)	0.01
Diluted earnings (loss) per common share	**0.03**	(0.02)	0.01
Weighted average common shares outstanding (expressed in thousands)			
Basic	**61,622**	48,580	43,066
Diluted	**61,944**	48,580	43,096
N/A - Not applicable			
Consolidated Balance Sheet Data:			
Cash and short-term investments	**24,722**	22,018	11,086
Investment in film and television programs	**39,596**	29,892	35,827
Total assets	**146,501**	133,304	148,803
Total liabilities	**64,442**	53,125	88,253
Shareholders' equity	**82,059**	80,179	60,550

[1]The financial information for the year ended June 30, 2011 in the table includes a full year's results for DHX Halifax, DHX Toronto, and DHX Vancouver, but only 289 days activity for DHX Wildbrain (see–"Wildbrain Acquisition" section of this MD&A). The financial information for the years ended June 30, 2010 and 2009 in the tables include full results for DHX Halifax, DHX Toronto, DHX Vancouver, but no activity for DHX Wildbrain.

Results for Fiscal 2011 compared to the year ended June 30, 2010 ("Fiscal 2010")

Revenues

Revenues for Fiscal 2011 were $54.68 million, up 35% from $40.47 million for Fiscal 2010. The increase in Fiscal 2011 was generally due to increases in producer and service fee and M&L revenues offset by decreases in proprietary production and distribution revenues.

Proprietary production revenues: Proprietary production revenues for Fiscal 2011 of $15.37 million were down 16% compared to $18.27 million for Fiscal 2010. The overall decrease was made up of no change in DHX Halifax at $5.93 million (Fiscal 2010-$5.93 million), a 62% decrease to $4.29 million for Fiscal 2011 (Fiscal 2010-$11.23 million) for DHX Toronto, and a 364% increase to $5.15 million for DHX Vancouver (Fiscal 2010-$1.11 million).

For Fiscal 2011, the Company accounted for 138.0 half-hours - $15.37 million of proprietary film and television program production revenue versus the 248.5 half-hours for Fiscal 2010, where the programs have been delivered and the license periods have commenced for consolidated entities. Included in these totals for Fiscal 2011 are 56.0 half-hours - $4.36 million (Fiscal 2010-113.0 half-hours - $4.96 million) for other proprietary titles where the Company has Canadian rights and other rights, which are being accounted for using the percentage of completion method (note, in addition, for Fiscal 2011 the Company delivered 30 half-hours of *Waybuloo* Season II to Treehouse which have already been accounted for in prior year delivery totals). Fiscal 2011 proprietary deliveries were in line, albeit at the low end of Management's expectations.

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

		Fiscal 2011		Fiscal 2010	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
DHX Toronto:					
Dirtgirlworld	I		-		26.0
Franny's Feet	III		-		13.0
The Latest Buzz	III		-		26.0
Poppets Town	I		-		20.0
Super Why (CBC)	I		-		N/A [1]
Super Why (CBC)	II		3.0		N/A [1]
Subtotals		$ 1.01	3.0	$ 7.38	85.0
DHX Vancouver:					
Kid vs. Kat	II		26.0		-
Subtotals		$ 4.07	26.0	$ -	-
DHX Halifax:					
Animal Mechanicals	III		9.0		7.5
Befriend & Betray	Pilot		4.0		-
Bo on the Go!	III		-		5.0
Canada's Super Speller	I		-		10.0
Pirates	I		N/A [1]		8.0
Pirates	II		14.0		-
Searching for Soul: Making of Keystone Choir	Documentary		-		2.0
That's So Weird	II		13.0		-
The Guard	I		-		N/A [1]
This Hour Has 22 Minutes	XVII		-		18.0
This Hour Has 22 Minutes	XVIII		13.0		-
Subtotals		$ 5.93	53.0	$ 5.93	50.5
Other Proprietary Titles with Canadian and Other Rights					
DHX Toronto:					
Waybuloo (RDF Rights)	III		50.0		83.0
Subtotals		$ 3.28	50.0	$ 3.85	83.0
DHX Vancouver:					
Ice Road Terror	MOW		3.0 [2]		-
Killer Mountain	MOW		3.0 [2]		-
Martha Speaks (TVO)	I		-		N/A [1]
Martha Speaks (TVO)	II		-		30.0
Martha Speaks (TVO)	IV		N/A [1]		-
Subtotals		$ 1.08	6.0	$ 1.11	30.0
Subtotals-Other Proprietary Titles with Canadian and Other Rights		4.36	56.0	4.96	113.0
Total Consolidated Entities		**$ 15.37**	**138.0**	**$ 18.27**	**248.5**

[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.*

[2]*As of Q4 2011, DHX reclassified these amounts to other proprietary titles as the Company owns Canadian and other rights for these shows. For the Q1 2011- Q3 2011 MD&A's, revenues from these shows were shown in producer and service fee revenue in error.*

Producer and service fee revenues: For Fiscal 2011, Management was very pleased with the growth in this category as the Company earned $15.48 million for producer and service fee revenues, an increase of 107% over the $7.48 million for Fiscal 2010. DHX Vancouver earned $7.14 million and DHX Wildbrain earned $8.34 million for Fiscal 2011 (Fiscal 2010 was entirely DHX Vancouver). For Fiscal 2011, the breakdown for major projects over $0.10 million for DHX Vancouver was $5.83 million for *My Little Pony* Seasons 1-2 and $1.31 million for *Pound Puppies* Seasons 1-2. For DHX Wildbrain the breakdown was $2.23 million for *Monster High* Seasons 1-5, $0.24 million for *Oki's Oasis* Pilot, $3.09 million for *The Ricky Gervais Show* Seasons 1-3, $0.15 million for *Japan Day* commercial, $0.12 million for *Sideway (Game) Project*, $0.28 million for *Hard Times of R.J. Berger* Season 2, $1.08 million for *How to Train Your Dragon* Season 1, and $0.44 million for *Go Time* Pilot.

Distribution revenues: For Fiscal 2011, distribution revenues were down 28% to $8.02 million from $11.20 million for Fiscal 2010, generally due to timing of license periods for existing contracts on hand and the lagging effect on distribution revenues of fewer proprietary deliveries. For Fiscal 2011, the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: *Dirtgirlworld* Season 1, *The Latest Buzz* Seasons 1-3, *Animal Mechanicals* Seasons 1-3, *Martha Speaks* Seasons 1-2, *Grandpa in my Pocket* Seasons 1-3, *Super Why!* Season 1, *Kid vs. Kat* Seasons 1-2, *How to be Indie* Seasons 1-2, and *Waybuloo* Seasons 1-2.

Intellectual property ("**IP**") rights on third party produced titles: 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. The Company is aggressively pursuing and adding half-hours to the library deploying this strategy. Due to our strong balance sheet and position in the industry, we are able to add significant exploitation and distribution rights through this avenue without taking great risks on capital. This strategy remains consistent with our previously stated goal of increasing, by 5-10% annually, the Company's library totals for new titles upon which the Company owns IP rights.

The breakdown for the third party produced half-hours where the Company owns significant IP rights at the beginning of and end of Fiscal 2011 was as follows (including life to date totals and half-hours delivered to the library in the year):

	Fiscal 2011	
	Half-hours	
Third party produced titles life to June 30, 2010	**218.0**	1
Deliveries during the year:		
Grandpa in my Pocket	7.0	
How to be Indie	20.0	
Rastamouse	13.0	
Subtotals	40.0	
Third party produced titles life to June 30, 2011	**258.0**	2

[1] Life to June 30, 2010 deliveries include half-hours on the following titles: 39- Adrenaline Project, 26- Grandpa in my Pocket, 26-How to be Indie, 46-My Spy Family, 39-Oliver's Adventures, 26- Our Hero, 2-Sideshow Christmas, and 14-Spectacle with Elvis Costello.

[2] Additionally the Company has committed deals for additional third party produced titles to be added to the library totalling 71 half-hours including the following titles: Rastamouse, She Zow, How to be Indie and Ha Ha Hairies. These deliveries are expected to occur in 2012 and 2013.

Music and royalty revenues (including M&L on Yo Gabba Gabba, new for Fiscal 2011): For Fiscal 2011, music and royalty revenues, including M&L, increased 444% to $12.73 million (Fiscal 2010-$2.34 million). Overall, music and royalty revenues, including M&L, were up 444% due to the addition of DHX Wildbrain which has significant licensing revenue, specifically for *Yo Gabba Gabba*. Traditional DHX music and royalty revenues, including M&L, was $1.60 million for Fiscal 2011 (Fiscal 2010-$2.34 million). Gross *Yo Gabba Gabba Live!* revenues were $8.06 million and $3.07 million for other M&L on *Yo Gabba Gabba*.

New Media Revenues: For Fiscal 2011, new media revenues increased 462% to $2.64 million (Fiscal 2010-$0.47 million) including $2.45 million for the start of UMIGO (yo<u>u</u> <u>m</u>ake <u>i</u>t <u>go</u>). The Company has teamed with WTTW, Chicago's premier public television station, to develop UMIGO, a transmedia property, in collaboration with the Michael Cohen Group, LLC. UMIGO will launch as a web-based property and is intended to later transition into a television series and line of consumer products. UMIGO will test the boundaries of even the most creative imaginations while providing a solid foundation in mathematics. The multi-platform strategy will make UMIGO accessible to children and families of all social-economic levels.

Rental revenues: For Fiscal 2011, rental revenues were $0.44 million, down 38% from Fiscal 2010 of $0.71 million, as a result of lower rental revenues of studio and office facilities to third parties of the Company's DHX Halifax Children's Studio, rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia, and rental of office and equipment of the Company's Toronto, Ontario office.

Gross Margin

Gross margin for Fiscal 2011 was $22.26 million, an increase in absolute dollars of 36% compared to $16.41 million for Fiscal 2010. Management was pleased with the overall margin at 41% of revenue for Fiscal 2011, which was at the high end of its expectations.

For Fiscal 2011, the margins for each revenue category in absolute dollars and as a margin percentage were as follows: production revenue margin of $6.35 million or 41%, net producer and service fee revenue margin of $3.40 million or 22%, distribution revenue margin of $5.88 million or 73% ($5.27 million or 66% when $0.61 million for the amortization of acquired libraries is removed), new media margin at $0.31 million, and rental revenue margin of $0.44 million. For Fiscal 2011, music, M&L, and royalty revenue margin was $5.88 million. The breakdown for music, M&L, and royalty margin was $1.57 million for traditional DHX music and royalty and $4.31 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 $6.35 million, $3.40 million, $5.88 million and $4.31 million, respectively or 90% of the total margin. Production margin at 41%, based on product delivery mix, was at the high end of Management's range but in line with expectations. Producer and service fee margins can vary greatly and at 22% is in line with Management's expectations. Distribution margin can fluctuate greatly from title-to-title and at 73% is above Management's expectations.

Operating Expenses

Operating expenses for Fiscal 2011 were $17.39 million compared to $14.89 million for Fiscal 2010, an increase of 17%.

SG&A

SG&A costs for Fiscal 2011 were up 19% at $15.45 million compared to $12.99 million for Fiscal 2010. Specifically, SG&A costs (excluding DHX Wildbrain) for DHX Toronto, DHX Vancouver, and DHX Halifax were $11.81 million (Fiscal 2010 $12.99 million) and SG&A costs for the 289 days from date of acquisition to June 30, 2011 were $3.64 million (Fiscal 2010 nil). Management was pleased with Fiscal 2011 SG&A costs (excluding DHX Wildbrain) at $11.81 million, which was down 9%, ahead of Management's expectation of 5%, as compared to Fiscal 2010.

Development Expenses and Other

During Fiscal 2011 development expenses were $0.55 million (Fiscal 2010 $0.45 million). During Fiscal 2011, other expenses were $0.33 million (Fiscal 2010 nil) as a result of a one time charge for legal fees and litigation costs relating to a normal course legal matter settled during the year.

Impairment in Value of Certain Investment in Film and Television Programs

During Fiscal 2011, the Company recorded an impairment in value of certain investments in film and television programs of $0.45 million (Fiscal 2010-$0.56 million).

Loss from Strategic Investments

For Fiscal 2011, loss from strategic investments activities of $0.03 million (2010-$0.05 million), comprised of $0.05 million related to an unrealized capital loss from short-term investments held for trading (Fiscal 2010-nil), offset by $0.02 million for realized capital gain ($0.05 million loss for Fiscal 2010).

EBITDA

For Fiscal 2011, EBITDA was $7.35 million, up significantly by $3.19 million or 77% over the $4.16 million for Fiscal 2010. For Fiscal 2011, this was generally due to the increase in gross margin dollars of $5.86 million, offset by a net increase in SG&A and non-cash stock based compensation of $2.67 million.

Amortization

For Fiscal 2011, amortization was down 14% to $2.74 million (Fiscal 2010-$3.18 million). For Fiscal 2011, the amortization of acquired libraries was $0.61 million (Fiscal 2010-$0.90 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 Fiscal 2011, amortization of PP&E was $1.18 million (Fiscal 2010-$1.20 million). For Fiscal 2011, amortization of intangible assets was $0.95 million (Fiscal 2010-$1.08 million) which relates to the intangible assets acquired as part of the acquisitions of Decode, Studio B, and new for Fiscal 2011 DHX Wildbrain.

Gain on Restructuring of Investment

For Fiscal 2011, the Company recorded no amounts relating to restructuring of its long-term investment (Fiscal 2010-$0.35 million gain in a restructuring of its investment related to Tribal Nova) (see "Investments in Tribal Nova and Woozworld" section of this MD&A).

Foreign Exchange Gain (Loss)

For Fiscal 2011, due to fluctuations of the Canadian dollar against the US dollar ("**USD**"), Great Britain Pound ("**GBP**"), and Euro since June 30, 2010, foreign exchange gain was $0.05 million (versus a $0.59 million foreign exchange loss for Fiscal 2010). The breakdown for Fiscal 2011 was as follows: $0.26 million for realized foreign exchange loss (Fiscal 2010-$0.15 million foreign exchange loss) on revenue and expense items translated at average rates for the period and was offset by a $0.31 million in non-cash unrealized foreign exchange gain (Fiscal 2010-$0.44 million unrealized foreign exchange loss) for balance sheet translations at the exchange rates in effect at each balance sheet date.

Interest

Interest for Fiscal 2011 decreased to $0.05 million expense versus $0.22 million expense for Fiscal 2010. Interest consists of $0.09 million for interest expense on long-term debt and $0.14 million for interest and bank charges (Fiscal 2010-$0.12 million and $0.17 million, respectively), offset by interest income of $0.18 million (Fiscal 2010-$0.07 million).

Equity Loss and Non-Controlling Interest

For Fiscal 2011, the Company recorded equity losses of $0.55 million made up of $0.33 million for its investment in Tribal Nova (Fiscal 2010-$0.04 million) and $0.22 million for its investment in production companies (Fiscal 2010-nil). For Fiscal 2011 the Company recorded nil for non-controlling interest (Fiscal 2010-$0.01 million loss from non-controlling interest).

Income Taxes

Income tax for Fiscal 2011 was a $0.46 million expense (Fiscal 2010-$0.49 million recovery) made up of $0.06 million expense (Fiscal 2010-$0.06 million) for large corporation taxes, $0.92 million expense (Fiscal 2010-$0.15 million recovery) for current income taxes, and future income tax recovery of $0.52 million (Fiscal 2010-$0.40 million recovery).

Net Income (Loss) and Comprehensive Income (Loss)

Net income and comprehensive income for Fiscal 2011 was $1.71 million, compared to $0.81 million loss for Fiscal 2010, or an improvement of $2.52 million in absolute dollars. For Fiscal 2011, the overall improvement of $2.52 million was due to changes over Fiscal 2010 of the following amounts: a gross margin increase of $5.86 million, added to a $0.11 million decrease in net interest and other expenses, which includes amortization, impairment in value of certain investment in film and television, and equity loss, offset by an increase in operating expenses of $2.50 million and a $0.95 million increase in provision for income taxes.

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 June 30, 2011. 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, 2011 and 2010 as filed on www.sedar.com or DHX's website at www.dhxmedia.com, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the audited consolidated financial statements and the notes to those statements. ***The operating results for any quarter should not be relied upon as an indication of results for any future period.***

	Fiscal 2011[1]				Fiscal 2010[1]			
(All numbers are in thousands except per share data)	**Q4[3] 30-Jun $**	**Q3[3] 31-Mar $**	**Q2[3] 31-Dec $**	**Q1[3] 30-Sep $**	**Q4[3] 30-Jun $**	**Q3[3] 31-Mar $**	**Q2[3] 31-Dec $**	**Q1[3] 30-Sep $**
Revenue	10,891	12,279	19,259	12,247	9,081	9,015	9,427	12,948
Gross Margin[2]	4,740	5,507	7,088	4,932	4,196	3,338	4,018	4,857
EBITDA and Adjusted EBITDA[2 & 3]	1,257	1,464	2,903	1,722	1,024	479	935	1,718
Net Income (Loss) and Comprehensive Income (Loss)	76	352	830	455	(78)	(535)	(209)	9
Basic Earnings (Loss) Per Common Share	0.00	0.01	0.01	0.01	0.00	(0.01)	(0.01)	0.00
Diluted Earnings (Loss) Per Common Share	0.00	0.01	0.01	0.01	0.00	(0.01)	(0.01)	0.00

[1]Q2, Q3, and 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 June 30, 2011 (“Q4 2011”) compared to the three months ended March 31, 2010 (“Q4 2010”)

Revenues

Revenues for Q4 2011 were $10.90 million, up 20% from $9.07 million for Q4 2010. The increase in Q4 2011 was due to increases in proprietary production revenue and M&L revenues.

Proprietary production revenues: Proprietary production revenues for Q4 2011 of $2.78 million increased 27% compared to $2.19 million for Q4 2010. The overall increase was made up of a 44% decrease to $0.36 million (Q4 2010-$0.64 million) in DHX Halifax, a 12% decrease to $1.34 million for Q4 2011 (Q4 2010-$1.52 million) for DHX Toronto, and a significant increase to $1.08 million for DHX Vancouver (Q4 2010-$0.03 million).

For Q4 2011, the Company accounted for 30.0 half-hours - $2.78 million of proprietary film and television program production revenue versus the 34.0 half-hours for Q4 2010, where the programs have been delivered and the license periods have commenced for consolidated entities. Included in these totals for Q4 2011 are 26 half-hours - $1.41 million (Q4 2010-26.0 half-hours - $1.41 million) for other proprietary titles where the Company has Canadian rights and other rights, which are being accounted for using the percentage of completion method. Q4 2011 proprietary deliveries were at the low end, although in line, with scheduled deliveries and Management’s expectations.

The breakdown for proprietary deliveries and dollar value subtotals for locations for consolidated entities for Q4 2011 and Q4 2010 was as follows:

		Q4 2011		Q4 2010	
Title	**Season or Type**	**$ Million**	**Half-hours**	**$ Million**	**Half-hours**
Consolidated Entities					
DHX Toronto:					
Dirtgirlworld	I		-		N/A [1]
Poppets Town	I		-		N/A [1]
Super Why (CBC)	III		3.0		-
Subtotals		$ 1.01	3.0	$ 0.14	-
DHX Halifax:					
Animal Mechanicals	III		N/A [1]		5.0
Pirates	I		-		3.0
Pirates	II		1.0		-
Subtotals		$ 0.36	1.0	$ 0.64	8.0
Other Proprietary Titles with Canadian and Other Rights					
DHX Toronto:					
Waybuloo (RDF Rights)	III		20.0		26.0
Subtotals		$ 0.33	20.0	$ 1.38	26.0
DHX Vancouver:					
Ice Road Terror	MOW		3.0 [2]		-
Killer Mountain	MOW		3.0 [2]		-
Martha Speaks (TVO)	II		-		N/A [1]
Martha Speaks (TVO)	IV		N/A [1]		-
Subtotals		$ 1.08	6.0	$ 0.03	N/A [1]
Subtotals-Other Proprietary Titles with Canadian and Other Rights		1.41	26.0	1.41	26.0
Total Consolidated Entities		**$ 2.78**	**30.0**	**$ 2.19**	**34.0**

[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.*

[2]*As of Q4 2011, DHX reclassified these amounts to other proprietary titles as the Company owns Canadian and other rights for these shows. For the Q1 2011- Q3 2011 MD&A's, revenues from these shows were shown in producer and service fee revenue in error.*

Producer and service fee revenues: For Q4 2011, the Company earned $3.52 million for producer and service fee revenues, a slight decrease of 5% versus the $3.72 million for Q4 2010. DHX Vancouver earned $1.48 million and DHX Wildbrain earned $2.04 million for Q4 2011 (Q4 2010 was entirely DHX Vancouver). For Q4 2011, the breakdown for major projects over $0.10 million for DHX Vancouver was $0.84 million for *My Little Pony* Seasons 1-2 and $1.31 million for *Pound Puppies* Seasons 1-2 and was offset by $0.67 million in reclasses. For Q4 2011, the breakdown for major projects over $0.10 million for DHX Wildbrain was $0.48 million for *Monster High* Seasons 1-5, $0.16 million for *The Ricky Gervais Show* Seasons 1-2, and $1.08 million for *How to Train Your Dragon* Season 1.

Distribution revenues: For Q4 2011, distribution revenues were down 18% to $1.83 million from $2.22 million for Q4 2010, generally due to timing of license periods for existing contracts on hand. For Q4 2011, the Company recognized revenue on several contracts throughout its existing library and delivered episodes of newer titles. Some of the more significant sales were on the following titles: *Dirtgirlworld* Season 1, *The Latest Buzz* Seasons 1-3, *Animal Mechanicals* Seasons 1-3, *Martha Speaks* Seasons 1-2, *Grandpa in my Pocket* Seasons 1-3, *Super Why!* Season 1, *Kid vs. Kat* Seasons 1-2, *How to be Indie* Seasons 1-2, and *Waybuloo* Seasons 1-2.

IP rights on third party produced titles: (For further details on strategy and other information, please refer to the results for Fiscal 2011 compared to Fiscal 2010 "Intellectual property (IP) rights on third party produced titles" section).

The breakdown for the third party produced half-hours where the Company owns significant IP rights for Q4 2011 was as follows:

	Q4 2011
	Half-hours
Third party produced titles life to March 31, 2011	**248.0**
Deliveries during the period:	
How to be Indie	10.0
Third party produced titles life to June 30, 2011	**258.0**

Music and royalty revenues (including M&L on Yo Gabba Gabba): For Q4 2011, music, M&L, and royalty revenues increased 109% to $1.88 million (Q4 2010-$0.90 million). Overall, music, M&L, and royalty revenues were up 109% due to the addition of DHX Wildbrain, specifically for *Yo Gabba Gabba*. Traditional DHX music, M&L, and royalty revenues was $0.30 million for Q4 2011 (Q4 2010-$0.90 million). Gross *Yo Gabba Gabba* revenues were $0.34 million for *Yo Gabba Gabba Live!* and $1.24 million for other M&L.

New Media Revenues: For Q4 2011, new media revenues increased to $0.78 million (Q4 2010 - $0.14 million reversal) including $0.76 million for UMIGO (see Fiscal 2011 *New Media Revenues* section of this MD&A for further details).

Rental revenues: For Q4 2011, rental revenues were $0.11 million, down 39% from Q4 2010 of $0.18 million, as a result of lower rental revenues of studio and office facilities to third parties of the Company's DHX Halifax Children's Studio, rental of currently unused office space in the Company's headquarters in Halifax, Nova Scotia, and rental of office and equipment of the Company's Toronto, Ontario office.

Gross Margin

Gross margin for Q4 2011 was $4.73 million, an increase in absolute dollars of 13% compared to $4.20 million for Q4 2010. Management was pleased with the overall margin at 43% of revenue for Q4 2011, which was above its expectations.

For Q4 2011, the margins for each revenue category in absolute dollars and as a margin percentage were as follows: production revenue margin of $1.43 million or 51%, net producer and service fee revenue margin of $0.08 million or 2% (Note: this is net of approximately $0.75 million in adjustments to direct production costs recorded on year end audit preparation. Without these Q4 2011 adjustments, the normalized margin would have been 24%, in line with Management's expectations), distribution revenue margin of $1.45 million or 79% ($1.29 million or 70% when $0.16 million for the amortization of acquired libraries is removed), new media margin at $0.05 million, and rental revenue margin of $0.11 million. For Q4 2011, music, M&L, and royalty margin was $1.63 million. The breakdown for music, M&L, and royalty margin was $0.29 million for traditional DHX music, M&L, and royalty, and $1.34 million margin for *Yo Gabba Gabba* including *Yo Gabba Gabba Live!*.

Operating Expenses

Operating expenses for Q4 2011 were $4.06 million, down 2% compared to $4.13 million for Q4 2010.

SG&A

SG&A costs for Q4 2011 were up 12% at $3.68 million compared to $3.28 million for Q4 2010. Specifically, SG&A costs (excluding DHX Wildbrain) for DHX Toronto, DHX Vancouver, and DHX Halifax were $2.65 million (Q4 2010-$3.28 million) and SG&A costs for DHX Wildbrain for Q4 2011 were $1.03 million (Q4 2010-nil). Management was very pleased that SG&A costs for Q4 2011 (excluding DHX Wildbrain) at $2.65 million, were down 19% (well ahead of Management's expectations of 5%) as compared to Q4 2010.

Development Expenses and Other

During Q4 2011 development expenses were $0.33 million (Q4 2010-$0.45 million). For Q4 2011, the Company recorded a reversal of $0.10 million against other expenses (Q4 2010-nil).

Impairment in Value of Certain Investment in Film and Television Programs

During Q4 2011, the Company did not record an impairment in value of certain investments in film and television programs (Q4 2010-$0.17 million).

Loss from Strategic Investments

For Q4 2011, loss from strategic investments activities netted to nil, comprised of $0.02 million related to an unrealized capital loss from short-term investments held for trading (Q4 2010-nil), offset by $0.02 million related to a realized capital gain (Q4 2010-$0.03 million loss).

EBITDA

For Q4 2011, EBITDA was $1.26 million, up $0.24 million or 24% over $1.02 million for Q4 2010. For Q4 2011, this increase was due to the increase in gross margin dollars of $0.55 million and a positive change of $0.07 million for non-cash stock based compensation, offset by an increase in SG&A of $0.38 million.

Gain on Restructuring of Investment

For Q4 2011, the Company recorded no amounts relating to restructuring of its long-term investment (Q4 2010-$0.35 million gain on restructuring of its investment related to Tribal Nova) (see “Investments in Tribal Nova and Woozworld” section of this MD&A).

Amortization

For Q4 2011, amortization was down 32% to $0.75 million (Q4 2010-$1.11 million). For Q4 2011, the amortization of acquired libraries was $0.16 million (Q4 2010-$0.29 million) which relates to the library titles that have a maximum 20 year life for amortization purposes, have minimal ongoing cash costs associated with selling, and are viewed as long-term assets. For Q4 2011, amortization of PP&E was $0.36 million (Q4 2010-$0.55 million). For Q4 2011, amortization of intangible assets was $0.23 million (Q4 2010-$0.27 million) which relates to the intangible assets acquired as part of the acquisitions of Decode, Studio B, and DHX Wildbrain.

Foreign Exchange Gain (Loss)

For Q4 2011, due to fluctuations of the Canadian dollar against the USD, GBP, and Euro since March 31, 2011, foreign exchange loss was $0.11 million (Q4 2010-$0.06 million foreign exchange loss). The breakdown for Q4 2011 was as follows: $0.08 million for realized foreign exchange loss (Q4 2010-$0.17 million foreign exchange gain) on revenue and expense items translated at average rates for the period and $0.03 million in non-cash unrealized foreign exchange loss (Q4 2010-$0.23 million unrealized foreign exchange loss) for balance sheet translations at the exchange rates in effect at each balance sheet date.

Interest

For Q4 2011, the Company recorded net interest income of $0.03 million versus $0.03 million expense for Q4 2010. Net interest income consists of $0.02 million for interest expense on long-term debt and $0.02 million for interest and bank charges (Q4 2010-$0.03 million and $0.06 million, respectively), offset by interest income of $0.07 million (Q4 2010-$0.06 million).

Equity Loss

For Q4 2011, the Company recorded equity losses of $0.28 million made up of $0.06 million for its investment in Tribal Nova (Q4 2010-$0.04 million) and $0.22 million for its investment in production companies (Q4 2010-nil).

Income Taxes

Income tax for Q4 2011 was $0.36 million recovery (Q4 2010-$0.48 million recovery) made up of $0.02 million expense (Q4 2010-$0.01 million expense) for large corporation taxes, $0.25 million recovery (Q4 2010-$0.22 million recovery) for current income taxes, and future income tax recovery of $0.13 million (Q4 2010-$0.27 million recovery).

Net Income (Loss) and Comprehensive Income (Loss)

Net income and comprehensive income for Q4 2011 was $0.07 million, compared to $0.08 million loss for Q4 2010, or an increase of $0.15 million in absolute dollars. For Q4 2011, the overall change of $0.15 million was due to changes over Q4 2010 of the following amounts: a gross margin increase of $0.53 million and a decrease in operating expenses, net of income from strategic investments of $0.10 million, offset by a $0.36 million increase in net interest and other expenses, which includes amortization, impairment in value of certain investment in film and television, and equity loss, and a $0.12 million reduction in recovery for income taxes.

Liquidity and Capital Resources	**Fiscal 2011**	**Fiscal 2010**
	$	**$**
	(Amounts in Thousands, Except Balance Sheet Ratios)	
Key Balance Sheet Amounts and Ratios:		
Cash and short-term investments	**24,722**	22,018
Long-term assets	**53,758**	45,380
Working capital	**31,420**	37,936
Long-term liabilities	**3,119**	3,137
Working capital ratio (1)	**1.51**	1.75
Cash Inflows (Outflows) by Activity:		
Operating activities	**11,890**	16,370
Investing activities	**(9,925)**	(5,275)
Financing activities	**777**	(5,981)
Net cash inflows	**2,742**	5,114
Adjusted Operating Activities[2]	**8,394**	(4,608)

(1) Working capital ratio is current assets divided by current liabilities.
(2) For the year ended June 30, 2011 Adjusted Operating Activities were an inflow of $8,394 (year ended June 30, 2010 –$4,608 outflow) calculated as cash inflows from operating activities of $11,890 (2010-$16,370) adjusted by repayments of interim production financing of ($3,496) (2010-$(20,978). See "Use of Non-GAAP Financial Measures" section of this MD&A for a definition of Adjusted Operating Activities.

Changes in Cash

Cash at June 30, 2011 was $18.66 million, as compared to $15.92 million at June 30, 2010. For Fiscal 2011 the cash balance increased $2.74 million when comparing it to the cash balance as at June 30, 2010.

For Fiscal 2011 cash flows generated from operating activities were $11.89 million. Cash flows from operating activities resulted from net income of $1.71 million and adding back non-cash items of amortization of film and television programs, acquired library, PP&E, intangible assets, equity loss, impairment in value of certain investments in film and television programs, unrealized loss on short-term investments, stock-based compensation, and net change in non-cash working capital balances related to operations of $13.10 million, $0.61 million, $1.19 million, $0.95 million, $0.55 million, $0.45 million, $0.05 million, $0.53 million, and $10.85 million respectively. Cash flows were adjusted $17.25 million for investments in film and television programs, $0.31 million for unrealized foreign exchange gain, $0.02 million for realized gain on disposal of short-term investments, and $0.52 million for future income tax recovery.

For Fiscal 2011 cash flows generated from financing activities were $0.78 million. Cash flows used in financing activities resulted primarily from repayments of long-term debt of $0.54 million, common shares repurchased and cancelled of $0.04 million, repayment of interim production financing of $3.50 million, and an adjustment to share issuance costs of $0.12 million. This was offset by cash generated by proceeds of shares related to employee share purchase plan of $0.03 million, and proceeds from bank indebtedness of $4.95 million.

For Fiscal 2011 cash flows from investing activities were a use of cash of $9.92 million. Cash flows used in investing activities were $8.17 million for the acquisition of DHX Wildbrain, $4.01 million for the acquisition of short-term investments, and $1.94 million for PP&E acquisitions. Cash flows generated in investing activities were $0.17 million net cash advances from investees and $4.03 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 decreased by $6.52 million as at June 30, 2011 over June 30, 2010, mainly as a result of the DHX Wildbrain acquisition (see Wildbrain Acquisition section of this MD&A). The working capital ratio remained strong at 1.51 for June 30, 2011.

Management was very pleased with cash flow provided from Operating Activities of $11.89 million (2010-$16.37 million) and cash flow from Adjusted Operating Activities of $8.40 million for 2011 (2010-($4.61) million cash flow used 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 $31.42 million is sufficient to execute its current business plan.

Royal Bank Revolving Master Credit Facility

As of June 30, 2011, the maximum amount of all the borrowing with the Royal Bank of Canada ("**RBC**") is $55,000 ("**RBC Master Agreement**"). The RBC Master agreement matures November 30, 2011. As part of the RBC Master Agreement, bank indebtedness was $5,200 (June 30, 2010 - $250) (the "**RBC Revolving Operating Credit Facility**"). The maximum amount of the RBC Revolving Operating Credit Facility for general working capital purposes is $3,510 against which, $1,200 was drawn at June 30, 2011. In addition, RBC increased the Company's RBC Revolving Operating Credit Facility, for the Wildbrain Acquisition, by a maximum additional $4,000 and was fully drawn at June 30, 2011. Under the extended RBC Master Agreement, this temporary increase in the RBC Operating Credit Facility will be replaced by a first drawdown of a term facility with a maximum amount of $10,000 ("**RBC Acquisition Facility**") 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 June 30, 2011, against which only $17.45 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 11 of the audited financial statements for the years ended June 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 (note these are new for Fiscal 2011):

- 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	**June 30, 2011**
Funded Debt Ratio	< 3.0x	1.2x
Fixed Charge Ratio	> 1.25x	6.44x

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 June 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)……	5,200	5,200	-	-	-
Capital lease for equipment (2)……	1,897	886	1,011	-	-
Long-term debt payments (principal and interest) (3)……	2,588	321	614	576	1,077
Operating leases (4)……	6,444	1,745	2,145	1,093	1,461
Total Contractual Obligations ……	16,129	8,152	3,770	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 note 10 to the audited consolidated financial statements for the year ended June 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 12 to the audited interim financial statements for the year ended June 30, 2011.

(3) See note 12 to the audited consolidated financial statements for the year ended June 30, 2011 for details.

(4) Pursuant to operating leases. See note 17 to the audited consolidated financial statements for the year ended June 30, 2011 for details.

Outlook

The Company's year ended June 30, 2011 balance sheet remains strong with nearly $25.0 million in cash and short-term investments on hand, against only approximately $5.0 million of bank indebtedness. With its remaining net cash (approximately $20.0 million) on hand and expanded RBC Acquisition Facility, 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 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*. The Company has rededicated itself to rebuilding and growing its content library by its previously stated goal of 5-10% organically and through acquisitions of third party titles.

For Fiscal 2012, DHX's target for the category of production revenue (proprietary and producer and service fee) is $35.0-$45.0 million with a combined target gross margin of 25%-35% (Fiscal 2011-32% combined margin). The Company's preferred target mix of production revenue is 60/40 proprietary to service. For the year ended June 30, 2011, this mix was 50/50. The Company's proprietary pipeline is building, and Management is encouraged by the progress made on several fronts and expects to announce new commissions and existing series renewals over the coming quarters. Although the Company is making significant progress on its pipeline, the typical length of the development cycle is significant, especially for Children's and Family television, sometimes taking 2-3 years, and as such it will most likely take 18-24 months to fully achieve this preferred 60/40 proprietary to service target mix.

For the first half of Fiscal 2012 this mix based on scheduled deliveries versus producer and service fee contracts will likely be 30/70 (or perhaps 35/65) proprietary to service. 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. Management remains optimistic for Fiscal 2012 and 2013, based on its existing pipeline of more than 280 half-hours of proprietary content either currently in production, ordered (or about to be ordered), or in late stage development. This pipeline represents a solid two years' worth of proprietary content that is expected to be recognized into revenues as delivered.

In addition, consistent with the Company's strategy to grow its content library, for Fiscal 2012, the Company expects to add over 40 half-hours (note: currently over 70 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 targeting distribution revenues to generally be in line with Fiscal 2011 in the range of $7.0-$9.0 million. The Company will continue to seek third party titles to add to proprietary inventory levels. Management believes this strategy is already paying off as evidenced by *Rastamouse*, which is off to a strong start with multi-territory international television pre-sales and licensing potential.

For Fiscal 2012, the Company is targeting $1.25-$2.0 million in the category of traditional DHX music and royalty revenue, a range of $8-$12 million for licensing on *Yo Gabba Gabba* including *Yo Gabba Gabba Live!* and $0.5-$1.0 million for licensing revenue on other and emerging properties. For Fiscal 2012, new media revenue is targeted in the range of $4.0-$6.0 million including the property UMIGO and rental revenues are expected to be in the range of $0.4-$0.8 million.

For 2012, Management expects overall gross margin to range from 35-42% range. For Fiscal 2012, Management continues to target additional SG&A reductions of 5% as compared to Fiscal 2011 SG&A.

For Fiscal 2012, amortization of acquired library and development expense when considered together and amortization of PP&E and intangibles also considered together, are expected to be in the ranges of $1.6-$2.0 million and $2.0-$2.4 million respectively. For Fiscal 2012, stock-based compensation, interest expense, interest income, and equity loss are expected to be in the following ranges respectively: $0.5-$0.75 million, $0.2-$0.3 million, $0.2-$0.5 million, and $0.2-$0.4 million.

Investment in Tribal Nova and Woozworld

On April 30, 2010 ("Tribal Nova Transaction Date"), the Company's investment in Tribal Nova Inc. ("Tribal Nova") was restructured. In exchange for 670,000 Class A preferred shares of Tribal Nova, the Company received 670,000 preferred shares, representing 4% of Woozworld Inc. ("Woozworld"). The Company also received 4,360,000 Class D preferred shares representing 34% of the shares of Tribal Nova, in exchange for the Company's remaining 1,344,898 Class A preferred shares (see note 3(b) of the audited financial statements for the years ended June 30, 2011 and 2010).

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 3(a) of the audited financial statements for years ended June 30, 2011 and 2010 for further details).

Normal Course Issuer Bid

During the year ended June 30, 2011, as part of the Company's previously announced normal course issuer bid, 51,000 common shares were repurchased for a gross amount of $0.04 million and cancelled. Subsequent to June 30, 2011, 606,500 common shares have been repurchased for a gross amount of $0.48 million, with 175,000 common shares cancelled and 431,500 common shares scheduled to be cancelled.

Seasonality

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

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

Critical Accounting Policies and Estimates

The preparation of the financial statements in conformity with Canadian GAAP requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management of the Company regularly reviews its estimates and assumptions based on historical experience and various other assumptions that it believes would result in reasonable estimates given the circumstances. Actual results could differ from those estimates under different assumptions. The following is a discussion of accounting policies that require significant Management judgments and estimates. For a discussion of all of the Company's accounting policies, including the items outlined below, refer to note 1 of the audited consolidated financial statements for the years ended June 30, 2011 and 2010 on www.sedar.com or DHX's website at www.dhxmedia.com.

Revenue Recognition

Production and Distribution Revenue

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

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

Producer and Service Fee and New Media Revenue

Revenues from production services for third parties and new media revenue on the Company's proprietary productions are recognized on a percentage-of-completion basis. Associated production costs are charged against earnings as the revenue is recognized. Percentage-of-completion is based upon the proportion of costs incurred in the current period to total expected costs. A provision is made for the entire amount of future estimated losses, if any, on production-in-progress.

Royalty Revenue

Royalty revenue (which beginning in Fiscal 2011 includes licensing revenue from *Yo Gabba Gabba* and the *Yo Gabba Gabba Live!* Tour) is accrued for royalty streams the Company has a history of receiving revenue on and is recognized in periods in accordance with statements received from third party agents and or based on historical experience. Associated *Yo Gabba Gabba* tour, production, and merchandising costs are charged against earnings as the revenue is recognized. A provision is made for the amount of future estimated losses, if any, on production-in-progress.

Variable Interest Entities

The Company follows Accounting Guideline 15 – Consolidation of Variable Interest Entities ("**AcG 15**"). AcG 15 provides criteria for the identification of Variable Interest Entities (**"VIEs"**) and further criteria for determining what entity, if any should consolidate them. AcG 15 defines a VIE as an entity that either does not have sufficient equity at risk to finance its activities without subordinated financial support or where the equity investors lack the characteristic of a controlling financial interest. VIEs are subject to consolidation by a company if that company is deemed the primary beneficiary of the VIE. The primary beneficiary is the party that is either exposed to a majority of the expected losses from the VIEs' activities or is entitled to receive a majority of the VIEs' residual returns or both.

Investment in Film and Television Programs

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

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

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

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

Stock-based Compensation

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

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

Investment in Production Companies and Other Equity Investments

The valuation of equity accounted investments is regularly reviewed by Management to ensure that any decline in market value that is considered other than temporary has been reflected in the related carrying value of the investment. In making that assessment, several factors are considered, including the amount by which the market value exceeds carrying value and investees' expected future cash flows and earnings. The Company recorded $0.28 million and $0.55 million equity loss for Q4 2011 and Fiscal 2011 respectively ($0.04 million for Q4 2010 and Fiscal 2010) on the statement of income (loss) and comprehensive income (loss) for the respective periods.

In the normal course of business, the Company enters into production arrangements with third party production, distribution companies and broadcasters related to the production of television series or feature films. The wholly-owned production companies in which these production activities are undertaken, are VIEs as they do not have sufficient equity at risk to finance their activities. The Company has variable interests in certain entities but in certain companies, it is not exposed to the majority of the expected losses and, therefore, does not consolidate these companies. The Company accounts for these entities using the equity method.

Goodwill

The Company implements the recommendations of the Canadian Institute of Chartered Accounts (''CICA'') Handbook Section 3062, "Goodwill and Other Intangible Assets". Based on this standard, goodwill of the Company is tested for impairment annually on June 30, or more frequently if impairment indicators arise, to determine if an impairment loss should be recognized. Impairment indicators include the existence of significant restructuring plans, the existence of significant adverse changes in the business climate, and the existence of significant write downs of assets. For Fiscal 2011, the Company recorded no amounts for impairment of goodwill (Fiscal 2010-nil) (See note 9 to the audited financial statements for the years ended June 30, 2011 and 2010 for more details).

Provisions

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

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

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

Future Tax Assets and Liabilities

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

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

Accounting Policy Changes

Future Accounting Standard Changes

In February 2008, Canada's Accounting Standards Board ("**AcSB**") confirmed that the use of International Financial Reporting Standards ("**IFRS**") will be required for publicly accountable profit-oriented enterprises for fiscal years beginning on or after January 1, 2011. The Company will cease to prepare its financial statements in accordance with Canadian GAAP as set out in Part V of the CICA Handbook – Accounting for the periods beginning on July 1, 2011, when it will begin to apply IFRS as published by the International Accounting Standards Board and set out in Part I of the CICA Handbook – Accounting as its primary basis of accounting. Consequently, future accounting changes to Canadian GAAP are not discussed as they will normally never be applied by the Company.

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

The Company has completed the initial review and assessment phase.

The second phase of the Company's IFRS transition plan is nearing completion. The Company has completed a detailed analysis of IFRS and identified the differences between IFRS and DHX's current accounting policies and, based the accounting policy options permitted under IFRS at the Effective IFRS Date, made both preliminary accounting policy selections and preliminary elections of the optional exemptions provided for under IFRS 1 and will present them to the Audit Committee for review. The Company's external auditor is in the process of reviewing both the Company's preliminary IFRS accounting policy selections and optional exemption elections. The Company is currently preparing a draft opening balance sheet and accompanying disclosures under IFRS while continuing to progress toward the issuance of the IFRS compliant first quarter 2012 interim financial statements and MD&A. The Company has not yet prepared a complete set of financial statements under IFRS. While the transition to IFRS will require certain changes to the Company's disclosure controls and procedures, the Company does not expect the transition to IFRS to have a material impact on its IT systems, internal controls over financial reporting or HR policies.

Upon final approval of both its IFRS accounting policy selections and the elections of the optional exemptions provided for under IFRS 1, the Company will begin the third and final phase, implementation of the accounting policy selections. The Company expects to finalize the opening balance sheet and accompanying disclosures under IFRS in the coming months. The Company will make the required modifications to its disclosure controls and procedures so that they are in place and operating effectively for the first quarter of fiscal 2012 under IFRS.

As previously discussed in the Capital Management section of this MD&A, the Company is required to comply with certain financial ratios under the terms of its RBC Master Credit Facility. The Company does not believe that the transition to IFRS will have a materially unfavourable impact on these financial ratios.

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

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

Below are the significant differences between Canadian GAAP and IFRS identified to date by the Company through its in-depth analysis, and which are expected to affect the Company. This list is not intended to be exhaustive, but rather draws attention to significant differences that the Company believes will have the most potential to create significant changes to its financial statements. Further adjustments may become apparent as the Company concludes its final assessment of the transition to IFRS prior to the issuance of the first quarter 2012 interim financial statements and MD&A.

IFRS 1 - First-time adoption of International Financial Reporting Standard

IFRS 1 sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. IFRS 1 is mandatory guidance for entities preparing and applying IFRS for the first time. The transition guidance in IFRS 1 takes precedence over specific transition provisions in individual IFRS standards and contains specific optional exemptions and mandatory exceptions from the general requirement for retrospective application. The only optional exemption which the Company expects to elect to apply pursuant to IFRS 1 is an exemption not to apply IFRS 3 retrospectively for business combinations which occurred prior to July 1, 2010, leaving the classification and treatment such business combinations as reported under previous GAAP. The Company does not expect the mandatory exceptions to have a material impact on the Company.

IAS 27 – Consolidation and separate financial statements / SIC 12 – Consolidation: special purpose entities ("SPE's")

IFRS utilizes a consolidation model based on the principles of control, the characteristics of which are set out in IAS 27 and, for certain entities, SIC 12. Prior to the adoption of IFRS, Canadian GAAP relied on a variable interest model, the focus of which was the determination of the primary economic beneficiary. Under IFRS, a number of the Company's film and television projects may be considered SPE's under IFRS and may be subject to a different accounting treatment than was the case under existing Canadian GAAP. Specific analysis' of the individual facts and circumstances of each applicable film and television project has been completed and the Company is nearing finalization of its IFRS accounting policy choices for all such entities.

IAS 36 – Impairment of Assets

Under IFRS, an impairment assessment is required if there are indications of impairment, similar to the requirement under existing Canadian GAAP. An impairment loss is recognized when the carrying amount of an asset, or cash generating unit ("CGU"), exceeds the recoverable amount. A CGU is the smallest group of assets that generate independent and identifiable cash inflows. The recoverable amount is defined as the higher of the fair value less costs to sell and the value in use. The value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. Under existing Canadian GAAP the recoverable amount is initially calculated based on undiscounted future cash flows; therefore, the likelihood of having an impairment under IFRS is significantly greater than existing Canadian GAAP. Further, under existing Canadian GAAP, impairment losses are the difference between the carrying amount of the asset or group of assets and the fair value. Unlike existing Canadian GAAP, IAS 36 requires, under certain circumstances, the reversal of impairment losses in subsequent periods. The Company has not yet finalized its opening balance sheet and, therefore, has not determined the carrying amount of its assets at July 1, 2011. An impairment analysis can only be completed when the application of IFRS to the opening balance sheet has been finalized.

IFRS 3 – Business Combinations

Under IFRS, amongst other items, transaction costs incurred as part of a business combination are expensed immediately, contingent consideration is recorded at the date of acquisition at the estimated fair value as part of the consideration transferred, any excess of the fair value of the identifiable assets acquired over the fair value of consideration transferred, or negative goodwill, is recognized immediately in the statement of income and there are options available with respect to the treatment of non-controlling interests. As noted above, the Company expects to elect, pursuant to IFRS 1, not to apply IFRS 3 retrospectively to business combinations which occurred prior to July 1, 2010; accordingly, the acquisition of WILDBRAIN, which occurred on September 14, 2010, will be amended to reflect the transition to IFRS.

IFRS 2 - Shared-based payments

IFRS requires each instalment of a graded vesting stock option award to be treated as a separate grant. This requires separately measuring and attributing expense to each tranche of the award, thereby accelerating the overall expense recognition, compared to straight-line attribution as applied under existing Canadian GAAP. Also, IFRS requires that forfeitures be estimated at the time of stock option grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate is revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates.

IAS 16 – Property, plant and equipment ("PP&E")

IFRS requires that separate significant components of an item of PP&E be recorded and depreciated separately. The Company has a limited number of PP&E assets that consist of significant components in relation to the total cost of the asset, where each significant component may be depreciated with different useful lives. IFRS permits revaluation accounting to be applied to an entire class of PP&E. The revalued amount of an asset is the fair value at the revaluation date less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The Company expects to elect measure its PP&E using the cost method.

IAS 12 – Income taxes

Under IFRS, all deferred tax balances are classified as non-current, irrespective of the classification of the underlying assets or liabilities to which they relate. In addition to the changes in deferred income taxes as a result of the adjustments required as a result of the transition from to IFRS, there are a number of subtle differences between IFRS and existing Canadian GAAP which will be addressed as the opening balance sheet in finalized and comparative periods are transitioned to IFRS.

Other Canadian GAAP vs. IFRS differences

The Company has completed a review of the differences between existing Canadian GAAP and IFRS and does not believe the following standards will have a material impact on the Company's financial statements, other than enhanced disclosures:

- IAS 18 - Revenue
- IAS 17 - Leases
- IAS 19 - Government assistance
- IAS 19 - Employee benefits
- IAS 37 - Provisions, contingent liabilities and contingent assets
- IAS 20 - The effects of changes in foreign exchange rates
- IAS 24 - Related party transactions

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 63% of total amounts receivable at June 30, 2011 (June 30, 2010 - 66%). 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 June 30, 2011 the Company had cash on hand of $18.66 million (June 30, 2010 - $15.92 million) and short-term investments of $6.06 million in an RBC GIC and a government bond (June 30, 2010 - $6.10 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.

Risks Related to the Nature of the Entertainment Industry

The entertainment industry involves a substantial degree of risk. Acceptance of entertainment programming represents a response not only to the production's artistic components, but also the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, public tastes generally and other intangible factors, all of which could change rapidly or without notice and cannot be predicted with certainty. There is a risk that some or all of the Company's programming will not be purchased or accepted by the public generally, resulting in a portion of costs not being recouped or anticipated profits not being realized. There can be no assurance that revenue from existing or future programming will replace loss of revenue associated with the cancellation or unsuccessful commercialization of any particular production.

Risks Related to Television and Film Industries

Because the performance of television and film programs in ancillary markets, such as home video and pay and free television, is often directly related to reviews from critics and/or television ratings, poor reviews from critics or television ratings may negatively affect future revenue. The Company's results of operations will depend, in part, on the experience and judgment of its Management to select and develop new investment and production opportunities. The Company cannot make assurances that the Company's films and television programs will obtain favourable reviews or ratings, that its films will perform well in ancillary markets or that broadcasters will license the rights to broadcast any of the Company's film and television programs in development or renew licenses to broadcast film and television programs in the Company's library. The failure to achieve any of the foregoing could have a material adverse effect on the Company's business, results of operations or financial condition.

Licensed distributors' decisions regarding the timing of release and promotional support of the Company's films, television programs and related products are important in determining the success of these films, programs, and related products. The Company does not control the timing and manner in which our licensed distributors distribute our films, television programs, or related products. Any decision by those distributors not to distribute or promote one of the Company's films, television programs, or related products or to promote competitors' films, programs, or related products to a greater extent than they promote the Company's could have a material adverse effect on the Company's business, results of operations, or financial condition.

Risks Related to Doing Business Internationally

The Company distributes films and television productions outside Canada through third party licensees and derives revenues from these sources. As a result, the Company's business is subject to certain risks inherent in international business, many of which are beyond its control. These risks include: changes in local regulatory requirements, including restrictions on content; changes in the laws and policies affecting trade, investment and taxes (including laws and policies relating to the repatriation of funds and to withholding taxes); differing degrees of protection for intellectual property; instability of foreign economies and governments; cultural barriers; wars and acts of terrorism; and the spread of swine flu or other widespread health hazard.

Loss of Canadian Status

The Company could lose its ability to exploit Canadian government tax credits and incentives described above if it ceases to be "Canadian" as defined under the *Investment Canada Act*. In particular, the Company would not qualify as a Canadian if Canadian nationals cease to beneficially own shares of the Company having more than 50% of the combined voting power of its outstanding shares. In Canada and under international treaties, under applicable regulations, a program will qualify as a Canadian-content production if, among other things: (i) it is produced by Canadians with the involvement of Canadians in principal functions; and (ii) a substantial portion of the budget is spent on Canadian elements. As well, substantially all of the Company's programs are contractually required by broadcasters to be certified as "Canadian". In the event a production does not qualify for certification as Canadian, the Company would be in default under any government incentive and broadcast licenses for that production. In the event of such default, the broadcaster could refuse acceptance of the Company's productions.

Competition

Substantially all of the Company's revenues are derived from the production and distribution of television and film programs. The business of producing and distributing television and film programs is highly competitive. The Company faces intense competition with other producers and distributors, many of whom are substantially larger and have greater financial, technical, and marketing resources than the Company. The Company competes with other television and film production companies for ideas and storylines created by third parties as well as for actors, directors, and other personnel required for a production. The Company may not be successful in any of these efforts which may adversely affect business, results of operations, or financial condition.

The Company intends to increase its penetration of the prime-time television network market. The Company competes for time slots with a variety of companies which produce televised programming. The number of network prime-time slots remains limited (a "slot" being a broadcast time period for a program), even though the total number of outlets for television programming has increased over the last decade. Competition created by the emergence of new broadcasters has generally caused the market shares of the major networks to decrease. Even so, the license fees paid by the major networks remain the most lucrative. As a result, there continues to be intense competition for the time slots offered by those networks. There can be no assurance that the Company will be able to increase its penetration of the prime-time network market or obtain favourable stats, the failure to do so may have a negative impact on the Company's business.

Limited Ability to Exploit Filmed and Television Content Library

The Company depends on a limited number of titles for the majority of the revenues generated by its film and television content library. In addition, many of the titles in its library are not presently distributed and generate substantially no revenue. If the Company cannot acquire new products and rights to popular titles through production, distribution agreements, acquisitions, mergers, joint ventures, or other strategic alliances, it could have a material adverse effect on its business, results of operations or financial condition.

Protecting and Defending Against Intellectual Property Claims

The Company's ability to compete depends, in part, upon successful protection of its intellectual property. Furthermore, the Company's revenues are dependent on the unrestricted ownership of its rights to television and film productions. Any successful claims to the ownership of these intangible assets could hinder the Company's ability to exploit these rights. The Company does not have the financial resources to protect its rights to the same extent as its competitors. The Company attempts to protect proprietary and intellectual property rights to its productions through available copyright and trademark laws in a number of jurisdictions and licensing and distribution arrangements with reputable international companies in specific territories and media for limited durations. Despite these precautions, existing copyright and trademark laws afford only limited practical protection in certain countries in which the Company may distribute its products and in other jurisdictions no assurance can be given that challenges will not be made to the Company's copyright and trade-marks. In addition, technological advances and conversion of motion pictures into digital format have made it easier to create, transmit, and share unauthorized copies of motion pictures, DVDs, and television shows. Users may be able to download and distribute unauthorized or "pirated" copies of copyrighted material over the Internet. As long as pirated content is available to download digitally, some consumers may choose to digitally download material illegally. As a result, it may be possible for unauthorized third parties to copy and distribute the Company's productions or certain portions or applications of its intended productions, which could have a material adverse effect on its business, results of operations, or financial condition.

Litigation may also be necessary in the future to enforce the Company's intellectual property rights, to protect its trade secrets, or to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement or invalidity. Any such litigation could result in substantial costs and the diversion of resources and could have a material adverse effect on the Company's business, results of operations, or financial condition. The Company cannot provide assurances that infringement or invalidity claims will not materially adversely affect its business, results of operations, or financial condition.

Regardless of the validity or the success of the assertion of these claims, the Company could incur significant costs and diversion of resources in enforcing its intellectual property rights or in defending against such claims, which could have a material adverse effect on the Company's business, results of operations, or financial condition.

Fluctuating Results of Operations

Results of operations for any period are significantly dependent on the number and timing of television programs and films delivered or made available to various media. Consequently, the Company's results of 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. Although traditions are changing, due in part to increased competition from new channels, industry practice is that broadcasters make most of their annual programming commitments between February and June in order that new programs can be ready for telecast at the start of the broadcast season in September, or as mid-season replacements in January. Because of this annual production cycle, the Company's revenues are not earned on an even basis throughout the year. Results from operations fluctuate materially from quarter to quarter and the results for any one quarter are not necessarily indicative of results for future quarters.

Raising Additional Capital

The Company is likely to require capital in the future, as to meet additional working capital requirements or capital expenditures or to take advantage of investment or acquisition opportunities. Accordingly, it may need to raise additional capital in the future. The Company's ability to obtain additional financing will be subject to a number of factors including market conditions and its operating performance. These factors may make the timing, amount, terms and conditions of additional financing unattractive or unavailable for the Company. If the Company raises additional funds by issuing equity securities, the relative equity ownership of its existing investors could be diluted or new investors could obtain terms more favourable than previous investors. If the Company raises additional funds through debt financing it could incur significant borrowing costs. If the Company is unable to raise additional funds when needed, or on terms acceptable to the Company, its ability to operate and grow its business could be impeded.

Concentration Risk

Revenue may originate from disproportionately few productions and broadcasters. The value of the Common Shares may be substantially adversely affected should the Company lose the revenue generated by any such production or broadcaster.

Reliance on Key Personnel

The Company is substantially dependent upon the services of certain key personnel, particularly Michael Donovan and Steven DeNure. The loss of the services of any one or more of such individuals could have a material adverse effect on the business, results of operations or financial condition of the Company. Each of Mr. Donovan and Mr. DeNure are under contract to the Company until 2011 and 2012 respectively.

Market Share Price Fluctuation

The market price of the Company's Common Shares may be subject to significant fluctuation in response to numerous factors, including variations in its annual or quarterly financial results or those of its competitors, changes by financial research analysts in their recommendations or estimates of the Company's earnings, conditions in the economy in general or in the broadcasting, film or television sectors in particular, unfavourable publicity or changes in applicable laws and regulations, exercise of the Company's outstanding options and/or warrants, or other factors. Moreover, from time to time, the stock markets on which the Company's Common Shares will be listed may experience significant price and volume volatility that may affect the market price of the Company's Common Shares for reasons unrelated to its economic performance. No prediction can be made as to the effect, if any, that future sales of Common Shares or the availability of Common Shares for future sale (including Common Shares issuable upon the exercise of stock options) will have on the market price of the Common Shares prevailing from time to time. Sales of substantial numbers of Common Shares, or the perception that such sales could occur, could adversely affect the prevailing price of the Company's Common Shares.

Risks Associated with Acquisitions and Joint Ventures

The Company has made or entered into, and will continue to pursue, various acquisitions, business combinations, and joint ventures intended to complement or expand its business. Any indebtedness incurred or assumed in any such transaction may or may not increase the Company's leverage relative to its earnings before interest, provisions for income taxes, amortization, minority interests, gain on dilution of investment in subsidiary and discounted operation, or EBITDA, or relative to its equity capitalization, and any equity issued may or may not be at prices dilutive to its then existing shareholders. The Company may encounter difficulties in integrating acquired assets with its operations. Furthermore, the Company may not realize the benefits it anticipated when it entered into these transactions. In addition, the negotiation of potential acquisitions, business combinations or joint ventures as well as the integration of an acquired business could require the Company to incur significant costs and cause diversion of Management's time and resources. Future acquisitions could also result in impairment of goodwill and other intangibles, development write-offs and other acquisition-related expenses.

The Company continues to pursue opportunities to expand its distribution capacity, production capacity, and product libraries. There can be no assurance that appropriate acquisitions or expansion opportunities will be identified or available; that the Company will have or be able to obtain sufficient financing or acceptable terms to fund any such acquisition or expansion; that any such acquisition or expansion will be consummated, or, if consummated, the timing thereof; or that any such acquisition or expansion can be successfully integrated into or with the Company's existing operations and business strategy and ultimately prove beneficial to the Company.

Potential for Budget Overruns and Other Production Risks

A production's costs may exceed its budget. Unforeseen events such as labour disputes, death or disability of a star performer, changes related to technology, special effects or other aspects of production, shortage of necessary equipment, damage to film negatives, master tapes and recordings, or adverse weather conditions, or other unforeseen events may cause cost overruns and delay or frustrate completion of a production. Although the Company has historically completed its productions within budget, there can be no assurance that it will continue to do so. The Company currently maintains insurance policies and when necessary, completion bonds, covering certain of these risks. There can be no assurance that any overrun resulting from any occurrence will be adequately covered or that such insurance and completion bonds will continue to be available or, if available, on terms acceptable to the Company. The Company has never made a material claim on its insurance or called on a completion bond. In the event of budget overruns, the Company may have to seek additional financing from outside sources in order to complete production of a television program. No assurance can be given as to the availability of such financing or, if available, on terms acceptable to the Company. In addition, in the event of substantial budget overruns, there can be no assurance that such costs will be recouped, which could have a significant impact on the Company's results of operations or financial condition.

Management Estimates in Revenues and Earnings

The Company makes numerous estimates as to its revenues and matching production and direct distribution expenses on a project–by-project basis. As a result of this accounting policy, earnings can widely fluctuate if Management has not accurately forecast the revenue potential of a production.

Stoppage of Incentive Programs

There can be no assurance that the local cultural incentive programs which the Company may access in Canada and internationally from time to time, including those sponsored by various European, Australian, and Canadian governmental agencies, will not be reduced, amended, or eliminated. Any change in the policies of those countries in connection with their incentive programs may have an adverse impact on the Company's business, results of operations, or financial condition.

Financial Risks Resulting from the Company's Capital Requirements

The production, acquisition and distribution of films and television programs require a significant amount of capital. The Company cannot provide assurance that it will be able to continue to successfully implement financing arrangements or that it will not be subject to substantial financial risks relating to the production, acquisition, completion, and release of future films and television programs. If the Company increases (through internal growth or acquisition) its production slate or its production budgets, it may be required to increase overhead, make larger up-front payments to talent, and consequently bear greater financial risks. The occurrence of any of the foregoing could have a material adverse effect on the Company's business, results of operations, or financial condition.

Government Incentive Program

In addition to license fees from domestic and foreign broadcasters and financial contributions from co-producers, the Company finances a significant portion of its production budgets from federal and provincial governmental agencies and incentive programs, including the Canadian Television and Cable Production Fund, the provincial film equity investment programs, federal tax credits, and provincial tax credits. The tax credits are considered part of the Company's equity in any production for which they are used as financing. There can be no assurance that individual incentive programs available to the Company will not be reduced, amended, or eliminated or that the Company or any production will qualify for them, any of which may have an adverse effect on the Company's business, results of operations, or financial condition.

Changes in Regulatory Environment

At the present time, the film industry is subject to a regulatory environment. The Company's operations may be affected in varying degrees by future changes in the regulatory environment. Any change in the regulatory environment could have a material adverse effect on the Company's revenues and earnings.

Litigation

Governmental, legal, or arbitration proceedings may be brought or threatened against the Company in the future. Regardless of their merit, any such claims could be time consuming and expensive to evaluate and defend, divert Management's attention and focus away from the business, and subject the Company to potentially significant liabilities.

Technological Change

Technological change may have a materially adverse effect on the Company's business, results of operations, and financial condition. The emergence of new production or CGI technologies or a new digital television broadcasting standard may diminish the value of the Company's existing equipment and programs. Although the Company is committed to production technologies such as CGI and digital post-production, there can be no assurance that it will be able to incorporate other new production and post-production technologies which may become de facto industry standards. In particular, the advent of new broadcast standards, which may result in television programming being presented with greater resolution and on a wider screen than is currently the case, may diminish the evergreen value of the Company's programming library because such productions may not be able to take full advantage of such features. There can be no assurance that the Company will be successful in adapting to these changes on a timely basis.

Labour Relations

Many individuals associated with the Company's projects are members of guilds or unions which bargain collectively with producers on an industry-wide basis from time to time. While the Company has positive relationships with the guilds and unions in the industry, a strike or other form of labour protest affecting those guilds or unions could, to some extent, disrupt production schedules which could result in delays and additional expenses.

Exchange Rates

The returns to the Company from foreign exploitations of its properties are customarily paid in USD, GBP, and Euro and, as such, may be affected by fluctuations in the exchange rate of the USD. Currency exchange rates are determined by market factors beyond the control of the Company and may vary substantially during the course of a production period. In addition, the ability of the Company to repatriate to Canadian funds arising in connection with foreign exploitation of its properties may also be adversely affected by currency and exchange control regulations imposed by the country in which the production is exploited. At present, the Company is not aware of any existing currency or exchange control regulations in any country in which the Company currently contemplates exploiting its properties which would have an adverse effect on the Company's ability to repatriate such funds. Where appropriate, the Company will hedge its foreign exchange risk through the use of derivatives.

Any of these factors could have a material adverse effect on the Company's business, results of operations or financial condition.

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 June 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 to Canadian GAAP.

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

Management, under the supervision of the CEO and CFO conducted an evaluation of control design on ICFR as at June 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 year ended June 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 Canadian generally accepted accounting principles, determined with reference to the Handbook of the CICA ("**GAAP**"), the Company uses various non-GAAP financial measures, which are not recognized under Canadian GAAP, as supplemental indicators of our operating performance and financial position. These non-GAAP financial measures are provided to enhance the user's understanding of our historical and current financial performance and our prospects for the future. Management believes that these measures provide useful information in that they exclude amounts that are not indicative of our core operating results and ongoing operations and provide a more consistent basis for comparison between periods. The following discussion explains the Company's use of EBITDA, Gross Margin, and Adjusted Operating Activities as measures of performance.

"**EBITDA**" and "**Adjusted EBITDA**" means earnings (loss) before interest, taxes, depreciation, amortization, stock-based compensation expense, 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, equity income, development expenses, stock-based compensation expense, and foreign exchange (loss) gain. EBITDA and Adjusted EBITDA are not earnings measures recognized by GAAP and do not have a standardized meaning prescribed by GAAP. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers. Management believes EBITDA and Adjusted EBITDA to be meaningful indicators of our performance that provides useful information to investors regarding our financial condition and results of operation.

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

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

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

Reconciliation of Historical Results to EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are not recognized earnings measures under GAAP and do not have standardized meanings prescribed by GAAP. Therefore EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other companies or issuers. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as alternatives to net income or loss determined in accordance with GAAP as an indicator of the Company's performance or to cash flows from operating, investing, and financing activities as a measure of liquidity and cash flows. The following table reconciles income (loss) before income taxes and discontinued operations, EBITDA and Adjusted EBITDA, and Gross Margin, based on the audited financial statements of the Company for Fiscal 2011 and Fiscal 2010 and historical unaudited financial statements of the Company for the three months ended June 30, 2011 and 2010, March 31, 2011 and 2010, December 31, 2010 and 2009, and September 30, 2010 and 2009, included elsewhere in this annual MD&A 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.

	Fiscal 2011 ($000)	Q4-2011 ($000)	Q3-2011 ($000)	Q2-2011 ($000)	Q1-2011 ($000)
Income (loss) before income taxes for the period..........	**2,170**	**(275)**	474	1,282	689
Interest expense..	**235**	**41**	124	18	52
Interest income and income from strategic investments..	**(155)**	**(67)**	(2)	(52)	(34)
Costs associated with abandoned transactions and non-controlling interest expense.....................................	**-**	**-**	-	-	-
Equity loss..	**553**	**288**	111	83	71
Gain on restructuring of investment............................	**-**	**-**	-	-	-
Foreign exchange loss (gain)[2]....................................	**(54)**	**106**	(184)	170	(146)
Amortization	**2,744**	**753**	634	591	766
Impairment in value of certain investment in film and television programs..	**450**	**-**	-	350	100
Development expenses and other..............................	**875**	**224**	215	368	68
Stock-based compensation expense............................	**528**	**187**	92	93	156
EBITDA and Adjusted EBITDA[1 & 2]........................	**7,346**	**1,257**	**1,464**	**2,903**	**1,722**
Selling, general and administrative, net of stock-based compensation expense..	**14,921**	**3,483**	4,043	4,185	3,210
Gross Margin[1 & 2]	**22,267**	**4,740**	**5,507**	**7,088**	**4,932**

	Fiscal 2010 ($000)	Q4-2010 ($000)	Q3-2010 ($000)	Q2-2010 ($000)	Q1-2010 ($000)
Income (loss) before income taxes for the period..........	**(1,304)**	**(554)**	(666)	(185)	101
Interest expense..	**291**	**89**	90	35	77
Interest (income) and loss (income) from strategic investments..	**(21)**	**(29)**	(6)	(33)	47
Costs associated with abandoned transactions and non-controlling interest expense (income)........................	**3**	**-**	(5)	(15)	23
Equity loss..	**40**	**40**	-	-	-
Gain on restructuring of investment............................	**(348)**	**(348)**	-	-	-
Foreign exchange loss[2]..	**587**	**53**	102	224	208
Amortization	**3,171**	**1,105**	617	672	777
Impairment in value of certain investment in film and television programs..	**557**	**172**	151	75	159
Development expenses..	**449**	**389**	35	-	25
Stock-based compensation expense............................	**731**	**107**	161	162	301
EBITDA and Adjusted EBITDA[1 & 2]........................	**4,156**	**1,024**	**479**	**935**	**1,718**
Selling, general and administrative, net of stock-based compensation expense..	**12,253**	**3,172**	2,859	3,083	3,139
Gross Margin[1 & 2]	**16,409**	**4,196**	**3,338**	**4,018**	**4,857**

[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.

Fiscal 2011

Supplemental Information

1. Summary of securities issued and options and warrants granted during Fiscal 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, 2010	**61,626,836**	**76,548**
Shares cancelled related to an employee loan forgiven	(13,514)	(25)
Shares issued as part of employee share purchase plan	9,293	9
Share issuance cost adjustment net of tax effect of $38	-	(82)
Options exercised	25,000	30
Normal course issuer bid shares repurchased and cancelled	(51,000)	(43)
Balance at June 30, 2011	**61,596,615**	**76,437**

b. Summary of options and warrants

Options	Number of Options	Weighted-average exercise price
Balance at June 30, 2010	**4,111,547**	**$1.33**
Granted to an employee	170,000	$0.96
Options forfeited - Elizabeth Stevenson	(40,000)	$1.62
Options forfeited - former employees	(150,000)	$1.41
Options expired	(746,547)	$2.25
Granted to Director - Don Wright	100,000	$0.93
Granted to Director - Rob Sobey	100,000	$0.93
Granted to Director - Joe Medjuck	100,000	$0.93
Granted to Director - Laura Formusa	100,000	$0.93
Granted to Director - J. William Ritchie	100,000	$0.93
Granted to Director - Sir Graham Day	100,000	$0.93
Granted to Director - Neil Court	100,000	$0.93
Options exercised - Joe Medjuck	(25,000)	$0.78
Balance at June 30, 2011	**4,020,000**	**$1.07**

Warrants	Number of Warrants	Weighted-average exercise price
Balance at June 30, 2010	**5,860,250**	**$1.95**
Expiration of Warrants	(4,922,750)	$2.10
Balance at June 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

61,596,615 common shares at a recorded value of $76,437;
100,000,000 preferred variable voting shares at a recorded value of nil.

iii. Description of options and warrants

See note 13(f) and 13(g) of the audited consolidated financial statements for the years ended June 30, 2011 and June 30, 2010.

2. Directors and officers as at June 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.