DESTINY MEDIA TECHNOLOGIES INC
Form 10-Q
April 14, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **February 29, 2016**

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to _____

Commission File Number **0-28259**

DESTINY MEDIA TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

NEVADA	**84-1516745**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1110 885 West Georgia Street, Vancouver, British Columbia, Canada	**V6C 3E8**
(Address of principal executive offices)	(Zip Code)

604-609-7736
(Registrant's telephone number, including area code)

____
(Former name, former address and former fiscal year, if changes since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
[X] Yes [ ] No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of

this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)
[X] Yes [ ] No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]
Accelerated filer [ ]
Non-accelerated filer [ ]
(Do not check if a smaller reporting company)
Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)
[ ] Yes [X] No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer s class of common stock, as of the latest practicable date:

The number of shares outstanding of the registrant s common stock, par value $0.001, as of April 14, 2016 was 55,013,874.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Financial Statements

Destiny Media Technologies Inc.
(Unaudited)
Six months ended February 29, 2016
(Expressed in United States dollars)

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in United States dollars)
Unaudited

As at

	February 29, 2016 $	August 31, 2015 $
ASSETS		
Current		
Cash and cash equivalents	**673,008**	387,316
Accounts receivable, net of allowance for doubtful accounts of $7,018 [Aug 31, 2015 $6,129]	**430,141**	399,148
Other receivables	**35,671**	15,471
Current portion of long term receivable *[note 3]*	**102,830**	98,180
Prepaid expenses	**37,092**	36,042
Total current assets	**1,278,742**	936,157
Deposits	**22,241**	32,222
Long term receivable *[note 3]*	**113,830**	167,350
Property and equipment, net	**403,126**	401,461
Total assets	**1,817,939**	1,537,190
LIABILITIES AND STOCKHOLDERS EQUITY		
Current		
Accounts payable	**167,075**	139,879
Accrued liabilities	**176,748**	189,672
Deferred leasehold inducement	**44,852**	63,217
Deferred revenue	**5,179**	24,712
Obligation under capital lease current portion [*note 5*]	**4,867**	5,205
Total current liabilities	**398,721**	422,685
Obligation under capital lease long term portion [*note 5*]	**9,075**	12,071
Total liabilities	**407,796**	434,756
Commitments and contingencies *[notes 5 and 8]*		
Stockholders equity		
Common stock, par value $0.001 *[note 4]* | Authorized: 100,000,000 shares Issued and outstanding: 55,013,874 shares [Aug 31, 2015 issued and outstanding 52,993,874 shares]	**55,014**	52,994
Additional paid-in capital	**9,641,276**	9,122,132
Accumulated deficit	**(7,884,451)**	(7,708,061)
Accumulated other comprehensive (loss)	**(401,696)**	(364,631)
Total stockholders equity	**1,410,143**	1,102,434
Total liabilities and stockholders equity	**1,817,939**	1,537,190

See accompanying notes

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Expressed in United States dollars)
Unaudited

	Three Months Ended February 29, 2016 $	Three Months Ended February 28, 2015 $	**Six Months Ended February 29, 2016 $**	Six Months Ended February 28, 2015 $
Revenue *[note 10]*	**763,897**	743,193	**1,611,618**	1,698,263
Operating expenses				
General and administrative	**158,207**	246,922	**393,590**	540,580
Sales and marketing	**302,188**	422,493	**652,786**	753,506
Research and development	**331,722**	411,282	**650,762**	775,251
Amortization	**53,196**	38,998	**103,025**	74,783
	845,313	1,119,695	**1,800,163**	2,144,120
(Loss) from operations	**(81,416)**	(376,502)	**(188,545)**	(445,857)
Other income				
Interest income	**6,033**	12,045	**12,155**	25,091
Net (loss)	**(75,383)**	(364,457)	**(176,390)**	(420,766)
Other comprehensive (loss)				
Foreign currency translation adjustments	**(19,309)**	(164,827)	**(37,065)**	(265,787)
Total comprehensive (loss)	**(94,692)**	(529,284)	**(213,455)**	(686,553)
Net (loss) per common share, basic and diluted	**(0.00)**	(0.01)	**(0.00)**	(0.01)
Weighted average common shares outstanding:				
Basic	**55,013,874**	52,993,874	**54,458,929**	52,993,874
Diluted	**55,013,874**	52,993,874	**54,458,929**	52,993,874

See accompanying notes

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(Expressed in United States dollars)
Unaudited

	Common stock		Additional paid-in capital	Accumulated Deficit	Accumulated other comprehensive Income (loss)	Total stockholders equity
	Shares	Amount				
	#	$	$	$	$	$
Balance, August 31, 2015	**52,993,874**	**52,994**	**9,122,132**	**(7,708,061)**	**(364,631)**	**1,102,434**
Total comprehensive (loss)				(176,390)	(37,065)	(213,455)
Common stock issued pursuant to private placement	2,020,000	2,020	502,980			505,000
Less: share issuance costs			(8,640)			(8,640)
Stock based compensation Note 4			24,804			24,804
Balance, February 29, 2016	**55,013,874**	**55,014**	**9,641,276**	**(7,884,451)**	**(401,696)**	**1,410,143**

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in United States dollars)
Unaudited

Six months ended February 29,	**2016** $	2015 $
OPERATING ACTIVITIES		
Net income	**(176,390)**	(420,766)
Items not involving cash:		
Depreciation and amortization	**103,025**	74,783
Stock-based compensation	**24,804**	13,311
Deferred leasehold inducement	**(16,817)**	15,687
Unrealized foreign exchange	**(5,537)**	17,327
Changes in non-cash working capital:		
Accounts receivable	**(40,741)**	(56,563)
Other receivables	**(20,574)**	26,158
Prepaid expenses and deposits	**7,278**	39,055
Accounts payable	**27,685**	87,538
Accrued liabilities	**(8,289)**	16,094
Deferred revenue	**(18,928)**	(16,535)
Long term receivable	**47,915**	50,741
Net cash provided (used) by operating activities	**(76,569)**	(153,170)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(114,497)**	(128,258)
Net cash used in investing activities	**(114,497)**	(128,258)
FINANCING ACTIVITIES		
Common stock issued in private placements	**496,360**	
Net cash used in financing activities	**496,360**	
Effect of foreign exchange rate changes on cash	**(19,602)**	(131,461)
Net decrease in cash during the period	**285,692**	(412,889)
Cash, beginning of the period	**387,316**	990,007
Cash, end of the period	**673,008**	577,118
Supplementary disclosure		
Interest paid		
Income taxes paid		

See accompanying notes

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

1. ORGANIZATION

Destiny Media Technologies Inc. (the Company) was incorporated in August 1998 under the laws of the State of Colorado and the corporate jurisdiction was changed to Nevada effective October 8, 2014. The Company develops technologies that allow for the distribution over the Internet of digital media files in either a streaming or digital download format. The technologies are proprietary. The Company operates out of Vancouver, BC, Canada and serves customers predominantly located in the United States, Europe and Australia.

The Company s stock is listed for trading under the symbol DSNY on the OTCQX U.S. in the United States, under the symbol DSY on the TSX Venture Exchange and under the symbol DME on the Berlin, Frankfurt, Xetra and Stuttgart exchanges in Germany.

2. BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States for interim financial information pursuant to the rules and regulations of the United States Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by United States generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the six months ended February 29, 2016 are not necessarily indicative of the results that may be expected for the year ended August 31, 2016.

The balance sheet at August 31, 2015 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by United States generally accepted accounting principles for annual financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended August 31, 2015.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

3. LONG TERM RECEIVABLE

The Company agreed to settle litigation with an unrelated party. Pursuant to a Settlement Deed dated March 5, 2012, the Company became entitled to a settlement sum of $825,000 Australian dollars (AUD) (US $858,194), receivable in monthly installments over the course of 72 months, beginning on March 31, 2012 and ending on February 28, 2018. The balance is due to be paid in equal monthly installments of $14,050AUD until the end of the obligation. The unpaid balance accrues interest of 10.25% per annum compounded monthly. The receivable is secured by a registered charge against real estate located in Australia. As of February 29, 2016, aggregate installments of $746,300AUD including interest of $224,958AUD have been received.

The following table summarizes the changes regarding the carrying value of the remaining receivable balance during the six month periods ended February 29, 2016 and 2015:

	February 29, 2016	August 31, 2015
	$	**$**
Beginning balance	**265,530**	461,294
Gross installments received	**(60,140)**	(135,403)
Interest included in above	**12,536**	36,089
Foreign exchange impact	**(1,266)**	(96,450)
Ending balance	**216,660**	265,530

The foreign exchange impact in above table is partially allocated into other comprehensive income (loss) and partially allocated into exchange gain (loss) on income statement.

Payments to be received over the next three fiscal years as follows:

	Principal	**Interest**	**Total**
	$	$	$
2016	50,104	10,045	60,148
2017	108,214	12,082	120,296
2018	58,342	1,755	60,098
	216,660	**23,882**	**240,542**

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

4. STOCKHOLDERS EQUITY

[a] Common stock issued and authorized

The Company is authorized to issue up to 100,000,000 shares of common stock, par value $0.001 per share.

During the six months ended February 29, 2016, the Company issued 2,020,000 Units at a price of $0.25 per Unit for gross proceeds of $505,000 pursuant to a private placement.

Each Unit was comprised of one common share of the Company and one-half of one common share purchase warrant ("Warrant"), with each whole Warrant entitling the holder to purchase one additional common share at $0.30 per share for a period of two years from the date of the issuance. The Company will have the right to accelerate the expiry date of the Warrants if, at any time, the average closing price of the Company s common shares is equal to or greater than $1.25 for 20 consecutive trading days. In the event of acceleration, the expiry date will be accelerated to a date that is 30 days after the Company issues a news release announcing that it has elected to exercise this acceleration right.

[b] Stock option plans

The Company has two existing stock option plan (the Plan), namely the 2006 Stock Option Plan and the 2015 Stock Option Plan, under which up to 7,750,000 shares of the common stock, has been reserved for issuance. A total of 1,783,181 common shares remain eligible for issuance under the plan. The options generally vest over a range of periods from the date of grant, some are immediate, and others are 12 or 24 months. Any options that do not vest as the result of a grantee leaving the Company are forfeited and the common shares underlying them are returned to the reserve. The options generally have a contractual term of five years.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

4. STOCKHOLDERS EQUITY (cont d.)

Stock-Based Payment Award Activity

A summary of option activity under the Plans as of February 29, 2016, and changes during the period ended are presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value $
Outstanding at September 1, 2015	**1,220,000**	**0.53**	**2.38**	
Granted				
Forfeited	(50,000)	0.40		
Exercised				
Outstanding at February 29, 2016	**1,170,000**	**0.53**	**1.91**	
Exercisable at February 29, 2016	**621,250**	**0.48**	1.46	

The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of the Company s common stock for the options that were in-the-money at February 29, 2016.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of February 29, 2016:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options at August 31, 2015	**736,250**	**0.09**
Granted		
Vested	**(187,500)**	**0.40**
Non-vested options at February 29, 2016	**548,750**	**0.59**

As of February 29, 2016, there was $62,009 of total unrecognized compensation cost related to non-vested share-based compensation awards. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.24 years.

During the three and six months ended February 29, 2016 and 2015, stock-based compensation expense has been reported in the consolidated statement of operations and comprehensive income as follows:

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

4. STOCKHOLDERS EQUITY (cont d.)

	Three Months Ended		Six Months Ended	
	February 29 2016 $	February 28 2015 $	**February 29 2016 $**	February 28 2015 $
Stock-based compensation:				
General and administrative	**7,152**	**2,884**	**14,303**	**7,922**
Sales and marketing	**3,266**	**2,643**	**6,532**	**4,802**
Research and development	**1,984**	**587**	**3,969**	**587**
Total stock-based compensation	**12,402**	**6,114**	**24,804**	**13,311**

[c] Employee Stock Purchase Plan

The Company s 2011 Employee Stock Purchase Plan (the Plan) became effective on February 22, 2011. Under the Plan, employees of Destiny are able to contribute up to 5% of their annual salary into a pool which is matched equally by Destiny. Independent directors are able to contribute a maximum of $12,500 each for a combined maximum annual purchase of $25,000.

The maximum annual combined contributions will be $400,000. All purchases are made through the Toronto Stock Exchange by a third party plan agent. The third party plan agent will also be responsible for the administration of the Plan on behalf of Destiny and the participants.

During the six months ended February 29, 2016, the Company recognized compensation expense of $15,995 (2015 - $67,369) in salaries and wages on the consolidated statement of operations and comprehensive income in respect of the Plan, representing the Company s employee matching of cash contributions to the plan. The shares were purchased on the open market at an average price of $0.2298 (2015 - $0.4682) . The shares are held in trust by the Company for a period of one year from the date of purchase.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

5. COMMITMENTS

In December 2014, the Company entered into a sublease agreement commencing May 1, 2015 and expiring June 29, 2017 for a new premise with free occupation from December 2014 to April 2015. In February 2015 the sublease agreement was amended to include one extra month free occupation for May 2015 with rent payment starting June 1, 2015. The Company has fiscal year payments committed as follows:

	$
2016	130,160
2017	216,933

During the six months ended February 29, 2016, the Company incurred rent expense of $120,887 (2015 - $166,049) which has been allocated between general and administrative expenses, research and development and sales and marketing on the consolidated statement of operations and comprehensive income (loss). The rent expense during the six months ended February 29, 2016 has included the allocation of rental payments on a straight-line basis.

In February 2015, the Company entered into a capital lease. The Company is committed to make payments under its capital leases for the remaining terms of the leases as follows:

	$
2016	2,618
2017	6,283
2018	6,492
Total lease payments	15,393
Less: Amounts representing interest	(1,451)
Balance of obligation	13,942
Less: Current Less: Current portion	(4,867)
Long term portion	9,075

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

6. RELATED PARTY TRANSACTIONS

The Company entered into a consulting agreement with a family member of a former Director to provide project management service effective March 1, 2014. During the six months ended February 29, 2016, the Company paid consulting fees of $Nil (2015 - $44,928) under this agreement. The family member s service terminated at the end of May 2015.

7. INCOME TAX

The Company has adopted the provisions of ASC 740, Income taxes. This standard clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company and its subsidiaries are subject to U.S. federal income tax, Canadian income tax, as well as income tax of multiple state and local jurisdictions. Based on the Company s evaluation, the Company has concluded that there are no significant uncertain tax positions requiring recognition in the Company s financial statements. The Company s evaluation was performed for the tax years ended August 31, 1999 through August 31, 2015, the tax years which remain subject to examination by major tax jurisdictions as of February 29, 2016. The Company may from time to time be assessed interest or penalties by major tax jurisdictions, although any such assessments historically have been minimal and immaterial to the Company s financial results. In the event the Company has received an assessment for interest and/or penalties, it has been classified in the financial statements as selling, general and administrative expense.

8. CONTINGENCIES

On November 8, 2011, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia from Noramco Capital Corporation for $100,000. The claim asserts that the Company has repudiated a subscription agreement entered into in August 2000. Management believes the claim is without merit and that the likelihood that the outcome of this matter will have a material adverse impact on its result of operations, cash flows and financial condition of the Company is remote. The Company has filed a counterclaim against Noramco and the alleged major beneficial shareholder of Noramco, R. A. Bruce McDonald, for damages arising from a proposed private placement in 2000 which did not close.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. On August 12, 2015, ASU 2015-14 was released to defer the effective date of ASU 2014-09 to be effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017. The Company is currently evaluating the impact of the adoption of this new standard.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 will explicitly require management to assess an entity s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. The Company is currently evaluating the impact of the adoption of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right of-use assets. The guidance is effective for annual and interim reporting periods beginning on or after December 15, 2018. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited

Six months ended February 29, 2016 and 2015

10. CONCENTRATIONS AND ECONOMIC DEPENDENCE

The Company operates solely in the digital media software segment and all revenue from its products and services are made in this segment.

Revenue from external customers, by product and location of customer, is as follows:

	Three Months Ended		**Six Months Ended**	
	February 29 2016 $	February 28 2015 $	**February 29 2016 $**	February 28 2015 $
Play MPE®				
North America	**306,075**	266,400	**652,027**	648,317
Europe	**381,877**	411,600	**801,433**	896,933
Australasia	**61,919**	61,835	**132,043**	137,853
Total Play MPE®	**749,871**	739,835	**1,585,503**	1,683,103
Clipstream ® & Pirate Radio				
North America	**14,026**	3,358	**26,115**	15,160
Outside of North America				
Total Clipstream ® & Pirate Radio	**14,026**	3,358	**26,115**	15,160
Total revenue	**763,897**	743,193	**1,611,618**	1,698,263

Revenue in the above table is based on location of the customer. Some of these customers have distribution centers located around the globe and distribute around the world. During the six months ended February 29, 2016, the Company generated 43% of total revenue from one customer [2015 46%].

It is in management s opinion that the Company is not exposed to significant credit risk.

As at February 29, 2016, one customer represented $231,680 (54%) of the trade receivables balance [August 31, 2015 one customer represented 59%].

The Company has substantially all its assets in Canada and its current and planned future operations are, and will be, located in Canada.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.
FORWARD LOOKING STATEMENTS

The following discussion should be read in conjunction with the accompanying financial statements and notes thereto included within this Quarterly Report on Form 10-Q. In addition to historical information, the information in this discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These forward-looking statements involve risks and uncertainties, including statements regarding the Company s capital needs, business strategy and expectations. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as may , will , should , expect , intend , anticipate , believe , estimate , predict , potential or continue , the negative of such terms or other c terminology. Actual events or results may differ materially. In evaluating these statements, you should consider various factors described in this Quarterly Report, including the risk factors under Item 1A. Risk Factors. of part II, and, from time to time, in other reports the Company files with the Securities and Exchange Commission. These factors may cause the Company s actual results to differ materially from any forward-looking statement. The Company disclaims any obligation to publicly update these statements, or disclose any difference between its actual results and those reflected in these statements. Such information constitutes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

OVERVIEW AND CORPORATE BACKGROUND

Destiny Media Technologies, Inc. was incorporated in August 1998 under the laws of the State of Colorado and the corporate jurisdiction was changed to Nevada effective October 8, 2014. We carry out our business operations through our wholly owned subsidiary, Destiny Software Productions Inc., a British Columbia company that was incorporated in 1992, MPE Distribution, Inc. a Nevada company that was incorporated in 2007 and Sonox Digital Inc incorporated under the Canada Business Corporations Act in 2012. The Company , Destiny Media , Destiny or we refers to consolidated activities of all four companies.

Our principal executive office is located at Suite 1110, 885 West Georgia Street, Vancouver, British Columbia V6C 3E8. Our telephone number is 604-609-7736 and our facsimile number is 604-609-0611.

Our common stock trades on TSX Venture Exchange in Canada under the symbol DSY , on the OTCQX U.S. (OTCQX) under the symbol DSNY , and on various German exchanges (Frankfurt, Berlin, Stuttgart and Xetra) under the symbol DME, WKN 935 410.

Our corporate website is located at http://www.dsny.com.

OUR PRODUCTS AND SERVICES

Destiny develops and markets services that enable the secure distribution of digital media content over the Internet. Destiny services are based around proprietary security, watermarking and instant play streaming media technologies.

The Play MPE® digital distribution service is used commercially by the recording industry to distribute new pre-release music and music videos to trusted recipients such as radio and press before that content is generally available for sale to the public.

Clipstream® is a suite of products and services under development, which are based around the Company's new cross platform Javascript and HTML 5 canvas tag rendering engine. Video is encoded into a proprietary streaming media technology which has been under development since 2010. Provisional patent priority is claimed to August 2011. The Company had another streaming media product with the same brand that launched in 2000 which is only loosely related to this new generation technology.

The unique patented approach in the rendering engine has a large number of advantages over the more typical reliance on video plug-ins, the HTML 5 video tag and dedicated playback applications for mobile.

Play MPE®

Play MPE® is a digital delivery service for securely moving broadcast quality audio, video, images, promotional information and other digital content securely through the internet. The system is currently used by the recording industry for transferring pre-release broadcast quality music, radio shows, and music videos to trusted recipients such as radio stations, media reviewers, VIP s, DJ s, film and TV personnel, sports stadiums and retailers. The system replaces the physical distribution (mail, courier or hand delivery) of CD s. The financial model is transaction based, where the price per delivery varies with the number of songs and videos delivered.

Record labels around the world, including all three major labels (Universal Music Group, Warner Music Group and Sony Music Entertainment), are regularly using Play MPE® to deliver their content to radio.

Clipstream®

Clipstream® products are based on a technology that provides streaming video through the Internet directly on to most computers, smart phones, tablets and other devices. Clipstream® s encode once, play anywhere vision addresses the breadth and complexity in today s multi-format video environment, reducing the cost and complexity of delivering streaming video. This single format solution can be sold into any industry vertical requiring streaming video.

We are developing several products under the Clipstream® brand, including the core engine technology, a cloud encoding and hosting service, an enhanced security plug-in and variants of these solutions for market research and advertising industry applications. We have realized some initial revenue from market research companies conducting video questionnaire services.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED FEBRUARY 29, 2015 AND FEBRUARY 28, 2015

Revenue

Total revenue for the six months ended February 29, 2016 was $1,611,618, as compared to $1,698,263 for the six months ended February 28, 2015. Play MPE® revenue currently accounts for 98% of the Company s revenue. The decline in Play MPE® year to date is primarily the result of strength of the US dollar relative to the Euro where approximately 50% of the Company s revenue is derived. During the six months ended February 29, 2016, 50% of our Play MPE revenues were denominated in Euros and 8% were denominated in Australian Dollars (2015: 53% and 8%, respectively). Removing the effect of foreign exchange fluctuations, total Play MPE revenue during the six months ended February 29, 2016 grew by 2%.

Operating Expenses

Overview

As our technologies and products are developed and maintained in-house, the majority of our expenditures are on salaries and wages and associated expenses; office space, supplies and benefits. Our operations are primarily conducted in Canada. The majority of our costs are incurred in Canadian dollars while the majority of our revenue is in Euros and US dollars. Thus, operating expenses and the results of operations are impacted, to the extent they are not hedged, by the rise and fall of the relative values of the Canadian dollar to these currencies.

During the six months ended February 29, 2016, while exchange rates resulted in adverse impacts to overall revenue, the strengthening of the US dollar relative to the Canadian dollar resulted in a favorable impact on costs. The Company maintains most of its financial reserves in Canadian dollars to mitigate the downside risk of adverse exchange rates.

Total operating expenditures for the six months ended February 29, 2016 decreased by 16% over the same period in the prior year to $1,800,163 (2015 $2,144,120) as a result of changes in operations of the Company including a reduction in Salaries and Wages from a reduction in director and officer spending, elimination of restructuring costs incurred in the prior year, a reduction in rent, a reduction in spending on public company expenditures, and favorable exchange rate fluctuations. Offsetting these reductions are increases associated with marketing and technology costs associated with our move to Amazon Web Services.

General and administrative	**29-Feb 2016** (6 months) $	**28-Feb 2015** (6 months) $	**$ Change**	**% Change**
Wages and benefits	171,290	243,217	(71,927)	(29.6%)
Rent	15,189	26,966	(11,777)	(43.7%)
Telecommunications	20,765	11,130	9,635	86.6%
Bad debt	1,911	864	1,047	121.2%
Office and miscellaneous	115,684	191,143	(75,459)	(39.5%)
Professional fees	68,751	67,260	1,491	2.2%
	393,590	540,580	(146,990)	(27.2%)

Our general and administrative expenses consist primarily of salaries and related personnel costs including overhead, professional fees, and other general office expenditures.

The decrease in wages and benefits is partially attributable to exchange rate fluctuations because wages and benefits are primarily incurred in Canadian dollars. Other decreases in wages and benefits were due to lower costs relating to a reduction in director and officer compensation. The decrease in office and miscellaneous expenses is due to decrease rent expenses in the current period associated with the change in office lease in the comparative period.

Sales and marketing	**29-Feb 2016** (6 months) $	**28-Feb 2015** (6 months) $	**$ Change**	**% Change**
Wages and benefits	410,550	585,722	(175,172)	(29.9%)
Rent	39,075	61,945	(22,870)	(36.9%)
Telecommunications	53,421	25,567	27,854	108.9%
Travel	17,083	26,194	(9,111)	(34.8%)
Advertising and marketing	132,657	54,078	78,579	145.3%
	652,786	753,506	(100,720)	(13.4%)

Sales and marketing expenses consist primarily of salaries and related personnel costs including overhead, sales commissions, advertising and promotional fees, and travel costs. The decrease in wages and benefits is attributable to exchange rate fluctuations. The increase in telecommunications expense is attributable to increased costs related to Amazon Web Services incurred to build a strong IT infrastructure platform. The increase in advertising and marketing expenses is related to an increased focus on online advertising of Clipstream® and Play MPE® to gain increased online exposure internationally.

Research and development	**29-Feb 2016** (6 months) $	**28-Feb 2015** (6 months) $	**$ Change**	**% Change**
Wages and benefits	521,220	664,517	(143,297)	(21.6%)
Rent	50,045	77,138	(27,093)	(35.1%)
Telecommunications	68,418	31,838	36,580	114.9%
Research and development	11,079	1,758	9,321	530.2%
	650,762	775,251	(124,489)	(16.1%)

Research and development costs consist primarily of salaries and related personnel costs including overhead and consulting fees with respect to product development and deployment. The decrease in wages and benefits is attributable to exchange rate fluctuations. The increase in telecommunications expense is attributable to increased costs related to Amazon Web Services incurred to build a strong IT infrastructure platform. The decrease in rent is due to decrease rent expenses in the current period as a result of on time costs associated with the change in office lease in the comparative period.

Amortization

Amortization expense arises from property and equipment, and from patents and trademarks. Amortization increased to $103,025 for the six months ended February 29, 2016 from $74,783 for the six months ended February 28, 2015, an increase of $28,242 or 38% as a result of capitalized leasehold improvements for our new office and software testing service purchased to improve product quality.

Other earnings and expenses

Interest income decreased to $12,155 for the six months ended February 29, 2016 from $25,091 for the six months ended February 28, 2015, a decrease of $12,936. The interest income is derived from the amount receivable pursuant to our previous litigation settlement. The decrease in interest income is the result of a lower settlement receivable balance from the settlement receivable being paid down during the year

Net income

During the six months ended February 29, 2016 we have net loss of $176,390 (2015 $420,766) a reduction of approximately 58% compared to the prior year. The reduction in net loss is the result of favorable exchange rate fluctuations on expenses denominated in Canadian dollars, and a reduction in overall spending on rent, salaries and wages, and public company expenditures, partially offset by increases in marketing and technology expenditures.

Adjusted EBITDA is not defined under generally accepted accounting principles (GAAP) and it may not be comparable to similarly titled measures reported by other companies. We used Adjusted EBITDA, along with other GAAP measures, as a measure of profitability because Adjusted EBITDA helps us to compare our performance on a consistent basis by removing from our operating results the impact of our capital structure, the effect of operating in different tax jurisdictions, the impact of our asset base, which can differ depending on the book value of assets, the accounting methods used to compute depreciation and amortization, the existence or timing of asset impairments and the effect of non-cash stock-based compensation expense. We believe Adjusted EBITDA is useful to investors as it is a widely used measure of performance and the adjustments we make to Adjusted EBITDA provide further clarity on our profitability. We remove the effect of non-cash stock-based compensation from our earnings which can vary based on share price, share price volatility and expected life of the equity instruments we grant. In addition, this stock-based compensation expense does not result in cash payments by us. Adjusted EBITDA has limitations as a profitability measure in that it does not include the interest expense on our debts, our provisions for income taxes, the effect of our expenditures for capital assets, the effect of non-cash stock-based compensation expense and the effect of asset impairments. The following is a reconciliation of net income from operations to Adjusted EBITDA over the eight most recently completed fiscal quarters:

	2014 Q3	**2014 Q4**	**2015 Q1**	**2015 Q2**	**2015 Q3**	**2015 Q4**	**2016 Q1**	**2016 Q2**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Net Income (Loss)	80,100	(74,059)	(56,309)	(364,457)	(218,429)	(957,451)	(101,007)	(75,383)
Amortization, stock based compensation and deferred leasehold inducement	39,968	44,102	42,982	60,799	123,911	85,222	53,608	57,404
Interest income	(14,758)	(13,961)	(13,046)	(12,045)	(9,482)	(8,214)	(6,122)	(6,033)
Income tax	(3,000)	17,000				842,000		
Adjusted EBITDA	102,310	(26,918)	(26,373)	(315,703)	(104,000)	(38,443)	(53,521)	(24,012)

LIQUIDITY AND FINANCIAL CONDITION

We had cash of $673,008 as at February 29, 2016 (August 31, 2015 $387,316). We had working capital of $880,021 as at February 29, 2016 compared to working capital of $513,472 as at August 31, 2015. The increase in our working capital was mainly due to an increase in our cash balance as a result of a private placement during the first quarter, which generated gross cash proceeds of $505,000.

CASHFLOWS

Net cash used by operating activities was $76,569 for the six months ended February 29, 2016, compared to $153,170 for the six months ended February 28, 2015. The main reason for the decrease in net cash flows used in the operating activities was primarily due to a decrease in the net loss reported for the period, as a result of reduced operating expenses, partially due to favorable exchange rate fluctuations between the Canadian and US dollar, as most of our operating expenses are incurred in Canadian dollars.

Net cash used in investing activities was $114,497 for the six months ended February 29, 2016, compared to net cash used of $128,258 for the six months ended February 28, 2015. Investing activities in the current period are largely attributable to software testing services and other software purchases aimed at improving product quality, as well as ongoing expenditures for patent applications.

The cash provided by financing activities was $496,360 for the six months ended February 29, 2016, compared to $Nil for the six months ended February 28, 2015. The change was the result of a private placement in the current period.

RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 will also result in enhanced revenue related disclosures. ASU 2014-09 is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, Disclosure of Uncertainties about an Entity s Ability to Continue as a Going Concern (ASU 2014-15). ASU 2014-15 will explicitly require management to assess an entity s ability to continue as a going concern, and to provide related footnote disclosure in certain circumstances. The new standard will be effective for all entities in the first annual period ending after December 15, 2016. We are currently evaluating the impact of the adoption of this new standard on our consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases*. The guidance would require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right –of-use assets. The guidance is effective for annual and interim reporting periods beginning on or after December 15, 2018. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

We prepare our interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent liabilities. We base our estimates on historical experience and other assumptions that we believe are reasonable in the circumstances. Actual results may differ from these estimates.

The following critical accounting policies affect our more significant estimates and assumptions used in preparing our consolidated financial statements.

Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) 985-605, Revenue Recognition. Accordingly, revenue is recognized when there is persuasive evidence of an arrangement, delivery to the customer has occurred, the fee is fixed and determinable, and collectability is considered probable.

The majority of our revenue is generated from digital media distribution service. The service is billed on usage which is based on the volume and size of distributions provided on a monthly basis. All revenues are recognized on a monthly basis as the services are delivered to customers, except where extended payment terms exist. Such revenues are only recognized when the extended payment term expires.

At present, the Company does not have yet have a standard business practice for contracts that contain extended payment terms, and therefore recognizes revenue from such contracts when the payment terms lapse and all other revenue criteria have been met.

Significant management judgments and estimates must be made in connection with determination of the revenue to be recognized in any accounting period. If we made different judgments or utilized different estimates for any period material differences in the amount and timing of revenue recognized could result.

Stock-Based Compensation

We recognize the costs of employee services received in share-based payment transactions according to the fair value provisions of the current share-based payment guidance. The fair value of employee services received in stock-based payment transactions is estimated at the grant date and recognized over the requisite service period. Determining the appropriate fair value model and calculating the fair value of stock-based awards requires judgment, including estimating stock price volatility, forfeiture rates and expected life.

We selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value of our share-based awards. The Black-Scholes model requires the use of highly subjective and complex assumptions which determine the fair value of share-based awards, including the option s expected term and the price volatility of the underlying stock. Our current estimate of volatility is based on historical and market-based implied volatilities of our stock price. To the extent volatility of our stock price increases in the future, our estimates of the fair value of options granted in the future could increase, thereby increasing stock-based compensation cost recognized in future periods. We derive the expected term assumption primarily based on our historical settlement experience, while giving consideration to options that have not yet completed a full life cycle. Stock-based compensation cost is recognized only for awards ultimately expected to vest. Our estimate of the forfeiture rate is based primarily on our historical experience. To the extent we revise this estimate in the future, our share-based compensation cost could be materially impacted in the quarter of revision, as well as in the following quarters. In the future, as empirical evidence regarding these input estimates is available to provide more directionally predictive results, we may change or refine our approach of deriving these input estimates.

Research and Development Expense for Software Products

Research and development expense includes costs incurred to develop intellectual property. The costs for the development of new software and substantial enhancements to existing software are expensed as incurred until technological feasibility has been established, at which time any additional costs would be capitalized. We have determined that technological feasibility is established at the time a working model of software is completed. Because we believe our current process for developing software will be essentially completed concurrently with the establishment of technological feasibility, no costs have been capitalized to date.

Significant management judgments and estimates must be made in connection with determination of any amounts identified for capitalization as software development costs in any accounting period. If we made different judgments or utilized different estimates for any period material differences in the amount and timing of capitalized development costs could occur.

Accounts Receivable and Allowance for Doubtful Accounts

We extend credit to our customers based on evaluation of an individual customer's financial condition and collateral is generally not required. Accounts outstanding beyond the contractual payment terms are considered past due. We determine our allowance for doubtful accounts by considering a number of factors, including the length of time accounts receivable are beyond the contractual payment terms, our previous loss history, and a customer's current ability to pay its obligation to us. We write-off accounts receivable when they are identified as uncollectible. All outstanding accounts receivable accounts are periodically reviewed for collectability on an individual basis.

Income Taxes

Deferred income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values using the enacted income tax rates by tax jurisdiction at each balance sheet date. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate all available evidence, such as recent and expected future operating results by tax jurisdiction, and current and enacted tax legislation and other temporary differences between book and tax accounting to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. There is a risk that management estimates for operating results could vary significantly from actual results, which could materially affect the valuation of the future income tax asset. Although the Company has tax loss carry-forwards and other deferred income tax assets, management has determined certain of these deferred tax assets do not meet the more likely than not criteria, and accordingly, these deferred income tax asset amounts have been completely offset by a valuation allowance as disclosed in our annual consolidated financial statements for the year ended August 31, 2015.

Contingencies

As discussed under Item 1. Legal Proceedings in Part II and in Note 8 Contingencies in Notes to Interim Condensed Consolidated Financial Statements, the Company is subject from time to time to various legal proceedings and claims that arise in the ordinary course of business. In accordance with US GAAP, the Company records a liability when it is probable that a loss has been incurred and the amount is reasonably estimable. There is significant judgment required in both the probability determination and as to whether an exposure can be reasonably estimated. In management s opinion, the Company does not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate materially adversely affect its financial condition or operating results. However, the outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. Should the Company fail to prevail in any of these legal matters or should several of these legal matters be resolved against the Company in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

Impairment of Long-Lived Assets

We evaluate the recoverability of our long-lived assets including tangible assets in accordance with authoritative guidance. When events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable, we recognize such impairment in the event the carrying amount of such assets exceeds the future undiscounted cash flows attributable to such assets. We have not recorded any impairment losses to date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.
Foreign Exchange Risk

Our revenues are primarily in United States dollars and Euros while our operating expenses are primarily in Canadian dollars. Thus, operating expenses and the results of operations are impacted to the extent they are not hedged by the rise and fall of the relative values of Canadian dollar and the Euro to the United States dollar. During the six months ended February 29, 2016, as a result of strength of the US dollars, the Company recognized negative impacts on revenue and positive impacts on operating expenses, for a net positive impact on reported net income.

Item 4. Controls and Procedures.
Disclosure Controls and Procedures

Disclosure controls and procedures and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with this quarterly report, as required by Rule 13a-15 under the Securities Exchange Act of 1934, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our company's management, including our company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, our company's Chief Executive Officer and Chief Financial Officer concluded that as of February 29, 2016, our disclosure controls and procedures are effective as at the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There are no changes in internal control over financial reporting during the three months ended February 29, 2016.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

On November 8, 2011, the Company was served with a Notice of Civil Claim in the Supreme Court of British Columbia from Noramco Capital Corporation for $100,000. The claim asserts that the Company has repudiated a subscription agreement entered into in August 2000. Management believes the claim is without merit and that the likelihood that the outcome of this matter will have a material adverse impact on its result of operations, cash flows and financial condition of the Company is remote. The Company has filed a counterclaim against Noramco and the alleged major beneficial shareholder of Noramco, R. A. Bruce McDonald, for damages arising from a proposed private placement in 2000 which did not close.

Item 1A. Risk Factors.

In addition to the other information set forth in this Form 10-Q, you should carefully consider the factors discussed in Item 1 Risk Factors in our Form 10-K for the fiscal year ended August 31, 2015 filed with the SEC on November 25, 2015. These risks could materially and adversely affect our business, financial condition and results of operations. The risks described in our Form 10-K have not changed materially, however, they are not the only risks we face. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101*	Interactive Data File

* Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DESTINY MEDIA TECHNOLOGIES, INC.

By: /s/Steven Vestergaard
Steven Vestergaard, President
Chief Executive Officer and Director
Date: April 14, 2016

/s/Frederick Vandenberg
Frederick Vandenberg, Chief Financial Officer
Date: April 14, 2016