

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended November 30, 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

(State or other jurisdiction of incorporation or organization)

84-1516745

(I.R.S. Employer Identification No.)

1110 – 885 West Georgia Street,
Vancouver, British Columbia, Canada
(Address of principal executive offices)

V6C 3E8
(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.

☒ 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)

☒ 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 ☐

Smaller reporting company ☒

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

☐ Yes ☒ 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 January 17, 2017 was 55,013,874.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Financial Statements

Destiny Media Technologies Inc.

(Unaudited)

Three months ended November 30, 2016

(Expressed in United States dollars)

CONDENSED CONSOLIDATED BALANCE SHEETS

(Expressed in United States dollars)

Unaudited

As at

	November 30, 2016 \$	August 31, 2016 \$
ASSETS		
Current		
Cash and cash equivalents	961,706	662,743
Accounts receivable, net of allowance for doubtful accounts of \$2,645 [Aug 31, 2016 – \$4,049]	483,393	628,135
Other receivables	26,071	15,051
Current portion of long term receivable [note 3]	125,053	113,834
Prepaid expenses	43,685	61,525
Deposits	21,876	—
Total current assets	1,661,784	1,481,288
Deposits	552	22,978
Long term receivable [note 3]	30,823	61,642
Property and equipment, net	154,374	174,951
Intangible assets, net	105,785	110,017
Total assets	1,953,318	1,850,876
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	179,753	108,157
Accrued liabilities	157,126	190,077
Deferred leasehold inducement	19,788	28,962
Deferred revenue	15,010	23,563
Obligation under capital lease – current portion [note 5]	5,222	5,240
Total current liabilities	376,899	355,999
Obligation under capital lease – long term portion [note 5]	4,853	6,472
Total liabilities	381,752	362,471
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, 2016 – issued and outstanding 55,013,874 shares]	55,014	55,014
Additional paid-in capital	9,678,482	9,666,080
Accumulated deficit	(7,792,184)	(7,896,312)
Accumulated other comprehensive (loss)	(369,746)	(336,377)
Total stockholders' equity	1,571,566	1,488,405
Total liabilities and stockholders' equity	1,953,318	1,850,876

See accompanying notes

Destiny Media Technologies Inc.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

(Expressed in United States dollars)
Unaudited

Three months ended November 30,

	2016 \$	2015 \$
Service revenue <i>[note 10]</i>	892,229	847,721
Operating expenses		
General and administrative	178,906	235,383
Sales and marketing	247,406	350,598
Research and development	324,674	319,040
Depreciation and amortization	41,878	49,829
	792,864	954,850
Income (loss) from operations	99,365	(107,129)
Other income		
Interest income	4,763	6,122
Net income (loss)	104,128	(101,007)
Other comprehensive loss, net of tax		
Foreign currency translation adjustments	(33,369)	(17,756)
Total comprehensive income (loss)	70,759	(118,763)
Net income (loss) per common share, basic and diluted	0.00	(0.00)
Weighted average common shares outstanding:		
Basic	55,013,874	53,903,984
Diluted	55,013,874	53,903,984

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Expressed in United States dollars)

Unaudited

	Common stock		Additional	Accumulated	Accumulated	Total
	Shares	Amount	paid-in	Deficit	other	stockholders'
	#	\$	capital	\$	comprehensive	equity
			\$	\$	Income (loss)	\$
Balance, August 31, 2016	55,013,874	55,014	9,666,080	(7,896,312)	(336,377)	1,488,405
Total comprehensive income (loss)	—	—	—	104,128	(33,369)	70,759
Stock based compensation – Note 4	—	—	12,402	—	—	12,402
Balance, November 30, 2016	55,013,874	55,014	9,678,482	(7,792,184)	(369,746)	1,571,566

See accompanying notes

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)

Unaudited

Three months ended November 30,

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Net income	104,128	(101,007)
Items not involving cash:		
Depreciation and amortization	41,878	49,829
Stock-based compensation	12,402	12,402
Deferred leasehold inducement	(8,582)	(8,623)
Deferred income taxes	—	—
Unrealized foreign exchange	372	(3,786)
Changes in non-cash working capital:		
Accounts receivable	131,270	(155,805)
Other receivables	(11,516)	(11,861)
Prepaid expenses and deposits	16,588	7,177
Accounts payable	73,276	8,954
Accrued liabilities	(28,333)	14,651
Deferred revenue	(8,085)	(9,823)
Long term receivable	15,216	23,732
Net cash provided (used) by operating activities	338,614	(174,160)
INVESTING ACTIVITY		
Purchase of property and equipment	(23,668)	(65,925)
Net cash used in investing activity	(23,668)	(65,925)
FINANCING ACTIVITY		
Common stock issued in private placements	—	501,891
Net cash provided in financing activity	—	501,891
Effect of foreign exchange rate changes on cash	(15,983)	(7,094)
Net increase in cash during the period	298,963	254,712
Cash, beginning of the period	662,743	387,316
Cash, end of the period	961,706	642,028
Supplementary disclosure		
Interest paid	—	—
Income taxes paid	—	—

See accompanying notes

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 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 three months ended November 30, 2016 are not necessarily indicative of the results that may be expected for the year ended August 31, 2017.

The balance sheet at August 31, 2016 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, 2016.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 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 November 30, 2016, installments of \$858,700AUD including interest of \$242,921AUD have been received.

The following table summarizes the changes regarding the carrying value of the remaining receivable balance during the three-month period ended November 30, 2016 and for the year ended August 31, 2016:

	November 30, 2016 \$	August 31, 2016 \$
Beginning balance	175,206	265,530
Gross installments received	(21,281)	(123,442)
Interest included in above	2,942	23,172
Foreign exchange impact	(991)	9,946
Ending balance	155,876	175,206

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 two fiscal years as follows:

	Principal \$	Interest \$	Total \$
2017	94,956	9,721	104,677
2018	60,920	1,833	62,753
	155,876	11,554	167,430

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 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 three months ended November 30, 2016, no shares were issued.

[b] Stock option plans

The Company has two existing stock option plans (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 2,153,181 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.

Stock-Based Payment Award Activity

A summary of option activity under the Plans as of November 30, 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 August 31, 2016	950,000	0.40	1.58	—
Granted	—	—	—	—
Forfeited	(100,000)	0.40	—	—
Expired	—	—	—	—
Outstanding at November 30, 2016	850,000	0.40	1.42	—
Exercisable at November 30, 2016	662,500	0.40	1.17	—

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 November 30, 2016.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

4. STOCKHOLDERS' EQUITY (cont'd.)

The following table summarizes information regarding the non-vested stock purchase options outstanding as of November 30, 2016:

	Number of Options	Weighted Average Grant Date Fair Value \$
Non-vested options at August 31, 2016	281,250	0.08
Granted	—	—
Vested	(93,750)	0.08
Non-vested options at November 30, 2016	187,500	0.08

As of November 30, 2016, there was \$24,804 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 0.5 years.

During the three months ended November 30, 2016 and 2015, stock-based compensation expense has been reported in the consolidated statement of operations and comprehensive income as follows:

	Three Months Ended November 30,	
	2016 \$	2015 \$
Stock-based compensation		
General and administrative	8,764	7,152
Sales and marketing	1,323	3,266
Research and development	2,315	1,984
Total stock-based compensation	12,402	12,402

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

4. STOCKHOLDERS' EQUITY (cont'd.)

[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 three months ended November 30, 2016, the Company recognized compensation expense of \$7,465 (2015 - \$8,645) 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 \$0.19 (2015 - \$0.25). The shares are held in trust by the Company for a period of one year from the date of purchase.

[d] Warrants

As at November 30, 2016, the Company has the following common stock warrants outstanding:

	Number of Common Shares Issuable	Exercise Price \$	Date of Expiry	Aggregate Intrinsic Value \$
\$0.30 Warrants	1,010,000	0.30	October 20, 2017	—
	1,010,000			—

The Company will have the right to accelerate the expiry date of all 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 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 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:

	\$
2017	153,134

During the three months ended November 30, 2016 the Company incurred rent expense of \$57,830 (2015 - \$65,899) 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 three months ended November 30, 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:

	\$
2017	4,224
2018	6,547
Total lease payments	10,771
Less: Amounts representing interest	(696)
Balance of obligation	10,075
Less: Current portion	(5,222)
Long term portion	4,853

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

6. RELATED PARTY TRANSACTIONS

There were no related party transactions during the three months ended November 30, 2016 and comparative period ended November 30, 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, 2016, the tax years which remain subject to examination by major tax jurisdictions as of November 30, 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

9. NEW ACCOUNTING PRONOUNCEMENTS

Accounting Standards Not Yet Effective

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements in "Revenue Recognition (Topic 605)", and requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14") in August 2015. The amendments in ASU 2015-14 defer the effective date of ASU 2014-09. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier adoption is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Further to ASU 2014-09 and ASU 2015-14, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08") in March 2016, ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" ("ASU 2016-10") in April 2016, and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" ("ASU 2016-12"), respectively. The amendments in ASU 2016-08 clarify the implementation guidance on principal versus agent considerations, including indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers. ASU 2016-10 clarifies guideline related to identifying performance obligations and licensing implementation guidance contained in the new revenue recognition standard. The updates in ASU 2016-10 include targeted improvements based on input the FASB received from the Transition Resource Group for Revenue Recognition and other stakeholders. It seeks to proactively address areas in which diversity in practice potentially could arise, as well as to reduce the cost and complexity of applying certain aspects of the guidance both at implementation and on an ongoing basis. ASU 2016-12 addresses narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition. Additionally, the amendments in this ASU provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date and transition requirements for ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as ASU 2014-09. We are currently in the process of evaluating the impact of the adoption of ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 on our consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

9. NEW ACCOUNTING PRONOUNCEMENTS (cont'd.)

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 November 2015, the FASB issued ASU No. 2015-17, "Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes" ("ASU 2015-17"). Topic 740, Income Taxes, requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Deferred tax liabilities and assets are classified as current or noncurrent based on the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. For public business entities, the amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We do not expect the adoption of ASU 2015-17 to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). The amendments in this update create Topic 842, Leases, and supersede the leases requirements in Topic 840, Leases. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between Topic 842 and Topic 840 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under Topic 840. Topic 842 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous leases guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model in Topic 842, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous GAAP. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for public business entities. Early application of the amendments in ASU 2016-02 is permitted. We are currently in the process of evaluating the impact of the adoption of ASU 2016-02 on our consolidated financial statements.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

9. NEW ACCOUNTING PRONOUNCEMENTS (cont'd.)

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). Financial Instruments—Credit Losses (Topic 326) amends guideline on reporting credit losses for assets held at amortized cost basis and available-for-sale debt securities. For assets held at amortized cost basis, Topic 326 eliminates the probable initial recognition threshold in current GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. For available-for-sale debt securities, credit losses should be measured in a manner similar to current GAAP, however Topic 326 will require that credit losses be presented as an allowance rather than as a write-down. ASU 2016-13 affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. We are currently evaluating the impact of the adoption of ASU 2016-13 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.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 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 November 30,	
	2016	2015
	\$	\$
Play MPE®		
North America	363,259	345,952
Europe	440,162	419,556
Australia	77,710	70,124
Total Play MPE® Revenue	881,131	835,632
Clipstream ® and Radio Destiny		
North America	11,098	12,089
Total Clipstream ® & Radio Destiny Revenue	11,098	12,089
Total Revenue	892,229	847,721

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 three months ended November 30, 2016, the Company generated 39% of total revenue from one customer [2015 – 41% from one customer].

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

As at November 30, 2016, one customer represented \$225,299 (47%) of the trade receivables balance [August 31, 2016 – one customer represented 354,459 (63%)].

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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars)

Unaudited

Three months ended November 30, 2016 and 2015

11. SUBSEQUENT EVENTS

In accordance with ASC 855 “Subsequent Events”, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, we have evaluated all events or transactions that occurred after November 30, 2016 up through the date we issued the consolidated financial statements and has determined that there was no other material event that occurred after the date of the balance sheets included in this report.

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", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable 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 the 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.dsnny.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®

The Clipstream® Online Video Platform (OVP) is a self-service, high capacity, and high performance system, for encoding, hosting and reporting on video playback which can be embedded in third party websites or emails. Playback is currently through the Company's proprietary JavaScript codec engine, which is only available on the internet through the Company. Support for other video playback technologies and new features are being built out for the solution. Until additional features are added, this product is marketed in a limited way and has incidental revenues.

The Clipstream® JavaScript codec engine is based on the latest compression techniques from the next-generation HEVC standard. The unique software based approach to rendering video, is protected by over two dozen patents claiming initial priority to 2011 has a number of advantages over the more traditional approach of using plug-ins (for example, Flash), browser supported formats (for example, H.264) or installed chips. With the JavaScript codec approach, the Company can offer new features such as enhanced security, interactivity, and future proofing of their content. A new feature can be created and applied cross platform for all HTML5 compliant devices without a rollout period. This feature is currently only available as a component of the Clipstream® OVP solution but the Company will seek licensing opportunities in the future.

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED NOVEMBER 30, 2016 AND 2015

Revenue

Total revenue for the three months ended November 30, 2016 was \$892,229 (November 30, 2015 - \$847,721) representing an increase of 5% over the same period of the previous year. Play MPE® revenue currently accounts for 99% of the Company's revenue. The increase in Play MPE® in the current quarter is the result of increase in all of geographic areas. Total quarterly revenue grew year over year for the fourth consecutive quarter.

During the three months ended November 30, 2016, 50% of our Play MPE revenues were denominated in Euros and 9% were denominated in Australian Dollars (2015: 49% and 8%, respectively).

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.

Overall costs dropped by 17% to \$792,864 (2015 – \$954,850) during the three months ended November 30, 2016. The majority of this reduction is result of reduced Clipstream marketing costs, reduction in staff benefit costs, a reduction of professional fees and a reduction in spending on public company expenditures.

The Company maintains most of its financial reserves in Canadian dollars to mitigate the downside risk of adverse exchange rates.

General and administrative	30-Nov 2016 (3 months) \$	30-Nov 2015 (3 months) \$	\$ Change	% Change
Wages and benefits	89,781	90,415	(634)	(0.7%)
Rent	9,246	7,390	1,856	25.1%
Telecommunications	10,099	9,587	512	5.3%
Bad debt	(1,323)	-	(1,323)	-
Office and miscellaneous	43,469	74,184	(30,715)	(41.4%)
Professional fees	27,634	53,807	(26,173)	(48.6%)
	<u>178,906</u>	<u>235,383</u>	<u>(56,477)</u>	<u>(24.0%)</u>

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 office and miscellaneous expenses is due to reduction in filing fees, and various administrative costs. The decrease in professional fees is due to legal fees related to private placement compliance in prior period.

Sales and marketing	30-Nov 2016 (3 months) \$	30-Nov 2015 (3 months) \$	\$ Change	% Change
Wages and benefits	181,509	222,351	(40,842)	(18.4%)
Rent	20,563	19,012	1,551	8.2%
Telecommunications	22,460	24,664	(2,204)	(8.9%)
Travel	2,065	13,171	(11,106)	(84.3%)
Advertising and marketing	20,809	71,400	(50,591)	(70.9%)
	<u>247,406</u>	<u>350,598</u>	<u>(103,192)</u>	<u>(29.4%)</u>

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 reduced staffing costs. The decrease in advertising and marketing is attributable to decreased online advertising of Clipstream® and Play MPE®.

Research and development	30-Nov 2016 (3 months) \$	30-Nov 2015 (3 months) \$	\$ Change	% Change
Wages and benefits	247,846	254,976	(7,130)	(2.8%)
Rent	28,021	22,455	5,566	24.8%
Telecommunications	30,605	29,130	1,475	5.1%
Research and development	18,202	12,479	5,723	45.9%
	<u>324,674</u>	<u>319,040</u>	<u>5,634</u>	<u>1.8%</u>

Research and development costs consist primarily of salaries and related personnel costs including overhead and consulting fees with respect to product development and deployment.

Amortization

Amortization expense arises from property and equipment, and from patents and trademarks. Amortization decreased to \$41,878 for the three months ended November 30, 2016 from \$49,829 for the three months ended November 30, 2015, a decrease of \$7,951 or 16% from an overall reduction in capital expenditures consistent with our outsourcing of infrastructure related costs.

Other earnings and expenses

Interest income decreased to \$4,763 for the three months ended November 30, 2016 from \$6,122 for the three months ended November 30, 2015, a decrease of \$1,359. 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 three months ended November 30, 2016 we have net income of \$104,128 (2015 – net loss of \$101,007). The increase in net income is attributable to our increased revenue in Play MPE® and reduced operating expenses in overall spending on salaries and wages, marketing, professional fees and public company expenditures.

Adjusted EBITDA increased to \$145,063 ((2015 – (\$53,521)). 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:

	2015 Q2	2015 Q3	2015 Q4	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss)	(364,457)	(218,429)	(957,451)	(101,007)	(75,383)	(2,813)	(9,048)	104,128
Amortization, stock based compensation and deferred leasehold inducement	60,799	123,911	85,222	53,608	57,404	64,630	31,094	45,698
Interest income	(12,045)	(9,482)	(8,214)	(6,122)	(6,033)	(4,902)	(4,075)	(4,763)
Income tax	—	—	842,000	—	—	—	—	—
Adjusted EBITDA	(315,703)	(104,000)	(38,443)	(53,521)	(24,012)	56,915	17,971	145,063

LIQUIDITY AND FINANCIAL CONDITION

We had cash of \$961,706 as at November 30, 2016 (August 31, 2016 – \$662,743). We had working capital of \$1,284,885 as at November 30, 2016 compared to working capital of \$1,125,289 as at August 31, 2016. The increase in our working capital was mainly due to an increase in our cash balance as a result of positive cash flow generated from our operating activities.

CASH FLOWS

Net cash provided by operating activities was \$338,614 for the three months ended November 30, 2016, compared to net cash used of \$174,160 for the three months ended November 30, 2015. The main reason for the increase in net cash flows provided in the operating activities was due to the net income produced and a decrease in our accounts receivable during the period.

Net cash used in investing activities was \$23,668 for the three months ended November 30, 2016, compared to net cash used of \$65,925 for the three months ended November 30, 2015. The decrease in net cash used in investing activities is largely attributable to software testing services and other software purchases aimed at improving product quality in the comparative period.

The cash provided by financing activities was \$Nil for the three months ended November 30, 2016, compared to \$501,891 for the three months ended November 30, 2015. The change was the result of a private placement in the comparative period.

RECENT ACCOUNTING PRONOUNCEMENTS

Please refer to Note 9 “Recent Accounting Pronouncements” in Notes to Interim Condensed Consolidated Financial Statements for the quarter ended November 30, 2016.

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 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.

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 to these currencies. During the three months ended November 30, 2016, as a result of fluctuations in the Euro, and the Australian, Canadian, and US dollars, the Company realized an overall slightly positive impact on net income through favorable impacts on both total revenue and expenses.

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 November 30, 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 November 30, 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, 2016 filed with the SEC on November 29, 2016. 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: January 17, 2017

/s/ Frederick Vandenberg
Frederick Vandenberg, Chief Financial Officer
Date: January 17, 2017

CERTIFICATIONS

I, Steven Vestergaard, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Destiny Media Technologies Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 17, 2017

/s/Steven Vestergaard

[Signature]

Chief Executive Officer (principal executive officer)

[Title]

CERTIFICATIONS

I, Frederick Vandenberg, certify that:

- (1) I have reviewed this Quarterly Report on Form 10-Q of Destiny Media Technologies Inc.;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 17, 2017

/s/Frederick Vandenberg

[Signature]

Chief Financial Officer (principal financial officer)

[Title]

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Steven Vestergaard, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Destiny Media Technologies, Inc. for the quarter ended November 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Destiny Media Technologies, Inc.

By: /s/ Steven Vestergaard

Name: STEVEN VESTERGAARD

Title: Chief Executive Officer

Date: January 17, 2017

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frederick Vandenberg, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Destiny Media Technologies, Inc. for the quarter ended November 30, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Destiny Media Technologies, Inc.

By: /s/ Frederick Vandenberg

Name: FREDERICK VANDENBERG

Title: Chief Financial Officer

Date: January 17, 2017