DESTINY MEDIA TECHNOLOGIES INC
Form 10-Q
April 16, 2012

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 six months ended February 29, 2012

OR

( ) 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: 0-028259

DESTINY MEDIA TECHNOLOGIES INC.

(Exact name of registrant as specified in its charter)

COLORADO	**84-1516745**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Suite 750, PO Box 11527, 650 West Georgia Street, Vancouver,
British Columbia Canada V6B 4N7
(Address of Principal Executive Offices)

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

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 X No __

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 __

(Does not currently apply to the Registrant)

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. (Check one):

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 [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:
51,888,907 Shares of $0.001 par value common stock outstanding as of April 11, 2012.

PART I - FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS.

Consolidated Financial Statements

Destiny Media Technologies Inc.

(Unaudited)
Six months ended February 29, 2012
(Expressed in United States dollars)

Destiny Media Technologies Inc.

CONSOLIDATED BALANCE SHEETS
(Expressed in United States Dollars, except for share data)
Unaudited

As at	**February 29, 2012** $
ASSETS	
Current	
Cash and cash equivalents	**978,177**
Accounts receivable, net of allowance for doubtful accounts of $22,070 [Aug 31, 2011 $23,513] *[note 9]*	**522,575**
Other receivables	**114,570**
Prepaid expenses	**35,762**
Deposits	
Deferred tax assets current portion	**286,000**
Total current assets	**1,937,084**
Deposits	**37,633**
Property and equipment, net	**173,609**
Deferred tax assets long term portion	**869,000**
Total assets	**3,017,326**
LIABILITIES AND STOCKHOLDERS EQUITY	
Current	
Accounts payable	**268,495**
Accrued liabilities	**251,211**
Deferred leasehold inducement	**5,810**
Deferred revenue	**57,213**
Obligation under capital leases current portion	
Total current liabilities	**582,729**
Total liabilities	**582,729**
Commitments and contingencies *[notes 4 and 7]*	
Stockholders equity	
Common stock, par value $0.001 *[note 3]*	
Authorized: 100,000,000 shares	
Issued and outstanding: 50,487,577shares	
[August 31, 2011 issued 50,612,507 and outstanding 50,487,577 shares]	**50,488**
Common stock to be issued *[note 3(a)]*	**278,750**
Additional paid-in capital	**8,750,624**
Shares held for cancellation	
Accumulated deficit	**(6,849,728)**
Accumulated other comprehensive income	**204,463**
Total stockholders equity	**2,434,597**
Total liabilities and stockholders equity	**3,017,326**

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in United States dollars)
Unaudited

	Three Months Ended February 29, 2012 $	Three Months Ended February 28, 2011 $	**Six Months Ended February 29, 2012 $**	Six Months Ended February 28, 2011 $
Revenue *[note 9]*	**894,825**	841,072	**2,019,442**	1,897,710
Operating expenses				
General and administrative	**431,247**	295,376	**909,125**	659,545
Sales and marketing	**193,797**	199,032	**392,670**	414,531
Research and development	**546,280**	394,742	**964,394**	758,645
Amortization	**16,364**	14,087	**30,739**	30,780
	1,187,688	903,237	**2,296,928**	1,863,501
Income (loss) from operations	**(292,863)**	(62,165)	**(277,486)**	34,209
Other income (expenses)				
Other income		38		3,030
Interest income	**2,159**	2,308	**4,971**	5,082
Interest and other expense	**(546)**	(208)	**(1,180)**	(485)
Income (loss) before income taxes	**(291,250)**	(60,027)	**(273,695)**	41,836
Income tax recovery (expense) - deferred	**5,000**	17,000		(12,000)
Net Income (loss)	**(286,250)**	(43,027)	**(273,695)**	29,836
Net income (loss) per common share, basic and diluted	**(0.01)**	(0.00)	**(0.01)**	0.00
Weighted average common shares outstanding:				
Basic	**50,487,577**	50,492,625	**50,487,577**	50,684,212
Diluted	**50,487,577**	50,492,625	**50,487,577**	51,116,020

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Expressed in United States dollars)

Unaudited

	Common stock		Additional	Shares held	Shares
	Shares	Amount	paid-in capital	for cancellation or cancelled	To be Issued
	#	$	$	$	$
Balance, August 31, 2010	**51,143,847**	**51,145**	**9,049,308**		
Net income for the year					
Foreign currency translation gain					
Comprehensive income					
Common stock issued on options exercised	450,625	451	99,549		
Common stock repurchased and cancelled	(981,965)	(983)	(399,796)		
Common stock repurchased and held for cancellation	(124,930)			(50,076)	
Stock compensation			8,983		
Balance, August 31, 2011	**50,487,577**	**50,613**	**8,758,044**	**(50,076)**	
Net loss for the period					
Foreign currency translation loss					
Comprehensive loss					
Common stock to be issued on warrants exercised Note 3					278,750
Common stock cancelled Note 3		(125)	(49,951)	50,076	
Stock compensation Note 3			42,531		
Balance, February 29, 2012	**50,487,577**	**50,488**	**8,750,624**		**278,750**

See accompanying notes

Destiny Media Technologies Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in United States dollars)
Unaudited

	Six months Ended February 29, 2012 $	Six months Ended February 28, 2011 $
OPERATING ACTIVITIES		
Net income (loss)	**(273,695)**	29,836
Items not involving cash:		
Depreciation and amortization	**30,739**	30,780
Stock-based compensation	**42,531**	2,974
Deferred leasehold inducement	**953**	1,914
Deferred income taxes		12,000
Changes in non-cash working capital:		
Accounts receivable	**(141,751)**	149,796
Other receivables	**(52,082)**	(54,306)
Prepaid expenses and deposits	**(2,544)**	(10,917)
Accounts payable	**(19,342)**	55,406
Accrued liabilities	**(53,925)**	1,041
Deferred revenue	**19,635**	27,579
Net cash provided (used) by operating activities	**(449,481)**	246,103
INVESTING ACTIVITIES		
Purchase of property and equipment	**(62,114)**	(47,397)
Net cash used in investing activities	**(62,114)**	(47,397)
FINANCING ACTIVITIES		
Repayments on capital lease obligations	**(3,894)**	(5,468)
Proceeds from options/warrants exercised	**278,750**	
Repurchase of stock and options		(300,683)
Net cash provided (used) in financing activities	**274,856**	(306,151)
Effect of foreign exchange rate changes on cash	**(23,257)**	39,008
Net decrease in cash during the period	**(259,996)**	(68,437)
Cash, beginning of period	**1,238,173**	491,012
Cash, end of period	**978,177**	422,575
Supplementary disclosure		
Interest paid	**1,180**	485
Income taxes paid		

See accompanying notes

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

1. ORGANIZATION

Destiny Media Technologies Inc. (the Company) was incorporated in August 1998 under the laws of the State of Colorado. 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 OTC Bulletin Board 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 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, 2012 are not necessarily indicative of the results that may be expected for the year ended August 31, 2012.

The balance sheet at August 31, 2011 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, 2011.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

3. SHARE CAPITAL

[a] Common stock authorized and to be issued

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, 2012, common stock to be issued includes 557,500 common shares to be issued for a cash exercise of 557,500 warrants exercisable at $0.50 for proceeds of $278,750. Also 5,249,750 warrants exercisable at $0.50, 352,118 warrants exercisable at $0.40 and 150,000 warrants exercisable at $0.22 were cashless exercised resulting in 843,830 shares issuable at February 29, 2012. All of these shares were issued on March 1, 2012.

[b] Common stock cancelled

During the six months ended February 29, 2012, the Company cancelled 124,930 shares which were repurchased during the last quarter of fiscal year of 2011.

[c] Stock option plans

The Company has two existing stock option plans (the   Plans), namely the Amended 1999 Stock Option Plan and the 2006 Stock Option Plan, under which up to 3,750,000 and 5,100,000 shares of the common stock, respectively, have been reserved for issuance. A total of 1,616,334 common shares remain eligible for issuance under the plans. 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 February 29, 2012, and changes during the six months period ended are presented below:

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

3. SHARE CAPITAL (cont d.)

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value $
Outstanding at August 31, 2011	**2,290,000**	**0.50**	**0.99**	**25,500**
Granted	900,000	0.50		
Exercised				
Expired	1,050,000	0.50		
Outstanding at February 29, 2012	**2,140,000**	**0.50**	**1.78**	**367,100**
Vested and exercisable at February 29, 2012	**2,137,917**	**0.50**	**1.78**	**366,800**

Subsequent to February 29, 2012, 80,000 options exercisable at $0.95 expired unexercised, while 150,000 options exercisable at $0.50 were repurchased at their fair market value.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of February 29, 2012:

	Number of Options
Non-vested options at August 31, 2011	**14,583**
Vested	(12,500)
Non-vested options at February 29, 2012	**2,083**

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 as at February 29, 2012.

During the six months ended February 29, 2012, total stock-based compensation expense related to employees of $42,531 are reported in the statement of operations as follows:

	Three Months Ended		Six Months Ended	
	February 29 2012 $	**February 28 2011 $**	**February 29 2012 $**	**February 28 2011 $**
Stock-based compensation:				
General and administrative	**6,122**	466	**6,738**	1,070
Sales and marketing	**6,903**	316	**7,159**	673
Research and development	**28,096**	628	**28,634**	1,231
Total stock-based compensation	**41,121**	1,410	**42,531**	2,974

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

3. SHARE CAPITAL (cont d.)

Valuation Assumptions

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model based on the following assumptions:

	Three Months Ended		Six Months Ended	
	February 29 2012	February 28 2011	**February 29 2012**	February 28 2011
Expected term of stock options (years)	**1**		**1**	
Expected volatility	**41%-46%**		**41%-46%**	
Risk-free interest rate	**0.2%**		**0.2%**	
Dividend yield				

Expected volatilities are based on historical volatility of the Company s stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the options is based on US Treasury bill rates in effect at the time of grant.

During the six months ended February 29, 2012, 900,000 options exercisable at $0.50, previously issued to directors and officers of the Company, expired. 900,000 replacement options, also immediately exercisable at $0.50, were issued upon expiry for an additional two years. 450,000 options granted to employees, not listed as expired above, were extended by two years with no changes to other terms. The weighted-average grant-date fair value of options granted and extended during the six month period ended February 29, 2012 was $0.03. As a result of the extension of the life of 450,000 options, the Company recorded an incremental value of $13,519 as part of the total stock-based compensation of $42,531 on the statements of operations during the quarter ended February 29, 2012. During the six months ended February 28, 2011, there were no options granted.

As of February 29, 2012 there was $266 of unrecognized stock-based compensation cost related to employee stock options granted under the plans, which is expected to be fully recognized over the next month.

[d] 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.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

3. SHARE CAPITAL (cont d.)

During the six months ended February 29, 2012, the Company recognized compensation expense of $61,056 (February 28, 2011: $9,310) in salaries and wages on the statement of operations 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 $0.48. The shares are held in trust by the Company for a period of one year from the date of purchase.

[e] Warrants

As at February 29, 2012, the Company has the following common stock warrants outstanding:

	Number of Common Shares Issuable	Exercise Price $	Date of Expiry
$0.22 Warrants	200,000	0.22	August 25, 2012
$0.70 Warrants	500,000	0.70	April 19, 2012
	700,000		

The intrinsic value for these warrants is $88,000 as at February 29, 2012.

During the six months ended February 29, 2012, 5,249,750 warrants exercisable at $0.50, 352,118 warrants exercisable at $0.40 and 150,000 warrants exercisable at $0.22 were cashless exercised. 12,750 warrants exercisable at $0.50 and 8,882 warrants exercisable at$0.40 expired unexercised. 557,500 warrants exercisable at $0.50 were exercised for gross proceeds of $278,750.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

4. COMMITMENTS

The Company entered into a sub-lease agreement for its premises on September 15, 2010. It commenced on October 22, 2010 and will expire on October 30, 2013. The Company is committed to payments as followed:

	$
2012	115,804
2013	236,450
2014	39,570

During the six months ended February 29, 2012 the Company incurred rent expense of $113,995 (February 28, 2011: $113,468) which has been allocated between general and administrative expenses, research and development and sales and marketing on the statement of operations.

By a credit facilities agreement dated April 8, 2010 and amended June 17, 2011, the Company arranged for credit facilities with the Royal Bank of Canada which allows the Company to draw up to $451,440 ($450,000 CDN). These credit facilities consist of a revolving facility of $401,280 ($400,000 CDN) bearing interest at prime plus 3.5% and a commercial credit card facility to $50,160 ($50,000 CDN). Borrowings under the facilities are repayable on demand. As of February 29, 2012, the Company has received a letter of guarantee of $107,620 ($100,000 AUD) (February 28, 2011: $Nil) on the revolving demand facility and has available credit of $343,820 (February 28, 2011: $460,845). The letter of guarantee expires July 6, 2012. No amount had been drawn on these facilities as at February 29, 2012 and February 28, 2011.

5. RELATED PARTY TRANSACTIONS

The Company entered into a consulting agreement with a Director effective October 1, 2010. The Company will pay $2,000 per month, plus authorized expenses. The Director will receive a 10% commission if related new businesses are successfully closed. During the six months ended February 29, 2012, the Company paid consulting fees of $12,000 (February 28, 2011: $10,000).

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
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6. INCOME TAX

The Company adopted the provisions of ASC 740, Income taxes. The 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, 2011, the tax years which remain subject to examination by major tax jurisdictions as of February 29, 2012. 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.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

7. CONTINGENCIES

a) On August 12, 2009 the Company received a statement of claim for wrongful dismissal. The claim is for approximately $181,000 ($180,000 CDN) plus an award of stock options and unspecified damages. The Company believes the claim is without merit. The matter was heard at trial ending November 17, 2011 and management expects a decision shortly. Management believes that the likelihood of an adverse outcome for the amount of the claim is remote.

b) On June 10, 2011, the Company commenced proceedings in the Federal Court of Australia against Shooting Star Picture Company Pty Ltd, Peter Skillman and D-Star Music Delivery Pty Ltd. (collectively the respondents). The Company alleged various claims against the respondents including, breach of contract, misleading and deceptive conduct, breach of fiduciary duties, and breach of confidence.

   On March 5, 2012, the Company reached a settlement with the respondents whereby the respondents will pay $825,000 Australian dollars (US $888,000) to Destiny over the course of 72 months. The unpaid balance will attract interest of 10.25% per annum compounded monthly for total payments of approximately $1,083,000 Australian dollars (US $1,166,000). The respondents are mutually and severally liable and the payments are secured by a lien against real property located in Australia. Additionally, the respondents have agreed to not to approach various clients of the Company.

c) 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 plus interest. The claim asserts that the Company has repudiated a subscription agreement entered into in, around, August 2000. Management believes the claim is without merit and that the likelihood of an outcome in this matter that will have a material adverse impact on its result of operations, cash flows and financial condition of the Company is remote.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

8. NEW ACCOUNTING PRONOUNCEMENTS

Recent adopted accounting pronouncements

In April 2010, the FASB issued Accounting Standards Update 2010-13, Compensation Stock Compensation (Topic 718) . The objective of this Update is to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. Specifically, an employee share-based payment award denominated in a currency of a market in which a substantial portion of the entity s equity securities trades should not be considered to contain a condition that is not a market, performance or service condition and therefore would not classify the award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. This standard is effective for the Company on September 1, 2011. The Company s adoption of this guidance did not have a material effect on the Company s consolidated financial statements.

Accounting Standards Not Yet Effective

In May 2011, the FASB issued Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) . This Update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP and International Financial Reporting Standards (IFRS). The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs and they explain how to measure fair value and they do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments in this Update apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in a reporting entity s shareholders equity in the financial statements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company is currently evaluating the impact of this update on the consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (Topic 220) . The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS), the FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders equity, among other amendments in this Update. The amendments require that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company is currently evaluating the impact of this update on the consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

8. NEW ACCOUNTING PRONOUNCEMENTS (cont d.)

In December 2011, the FASB issued Accounting Standards Update 2011-12, Comprehensive Income (Topic 220) . The amendments in this Update supersede certain pending paragraphs in Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, to effectively defer only those changes in Update 2011 5 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company is currently evaluating the impact of this update on the consolidated financial statements.

Destiny Media Technologies Inc.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in United States dollars)
Unaudited
Six months ended February 29, 2012

9. 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 2012 $	February 28 2011 $	**February 29 2012 $**	February 28 2011 $
MPE®				
North America	**461,639**	447,814	**1,007,670**	1,003,993
Europe	**347,875**	293,671	**851,936**	683,844
Australasia	**34,498**	46,414	**71,865**	101,741
Total MPE®	**844,012**	787,899	**1,931,471**	1,789,578
Clipstream ® & Pirate Radio				
North America	**50,813**	53,173	**87,971**	108,132
Outside of North America				
Total Clipstream ® & Pirate Radio	**50,813**	53,173	**87,971**	108,132
Total revenue	**894,825**	841,072	**2,019,442**	1,897,710

During the six months ended February 29, 2012, two customers represented 56% of the total revenue balance (February 28, 2011 three customers represented 63% of the total revenue balance). During the three months ended February 29, 2012, two customers represented 55% of the total revenue balance (February 28, 2011 three customers represented 63% of the total revenue balance).

As at February 29, 2012, two customers represented $352,724 (67%) of the trade receivables balance [August 31, 2011 two customers represented 56%].

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, and Section 21E of the Securities Exchange Act of 1934, as amended. 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 accompanying this Quarterly Report, 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. The 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. We carry out our business operations through our wholly owned subsidiaries, Destiny Software Productions Inc., a British Columbia company that was incorporated in 1992, and MPE Distribution, Inc. a Nevada company that was incorporated in 2007. The Company , Destiny or we refers to the consolidated activities of all three companies.

Our principal executive office is located at Suite 750, PO Box 11527, 650 West Georgia Street, Vancouver, British Columbia V6B 4N7. 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 OTCBB and 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 playerless streaming media technologies.

The current offerings include the Play MPE® secure distribution network, which the recording industry uses to distribute new pre-release music, and the Clipstream® instant play streaming media solutions.

Currently, more than 95% of the Company s revenues come from the Play MPE® digital distribution service. The remaining revenue is derived from recurring revenues for secure Clipstream® powered market research video questionnaires.

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. As with traditional physical delivery, our fees are based on the size of the content and number of recipients.

More than 1,000 record labels, including all four major labels (Universal Music Group, Warner Music Group, EMI and Sony), are regularly using Play MPE® to deliver their content to radio.

Clipstream®

Clipstream® is an innovative "instant play" solution for playback of streaming audio and streaming video. Unlike Windows Media Player or Quicktime, there is no player that has to launch for the content to playback. The Clipstream® software suite enables audio or video content to be streamed so that the media plays instantly and automatically when the user initiates playback. Creating streaming video content with other technologies can be a complicated process and in most cases, users are required to purchase and maintain streaming servers. With Clipstream®, content owners simply encode the content into the Clipstream® format, then upload to an existing website.

Clipstream® encoded content plays instantly in most cases, without requiring the user to download CODECS or player software. This results in a much higher play rate for site owners and because there is no player executable, users are not exposed to viruses, trojan horses or unstable code that could crash their computer.

RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED FEBRUARY 29, 2012

Revenue

Total revenue for the six months ended February 29, 2012 grew by approximately 6% over the same period in the prior year to $2,019,442 (February 28, 2011 - $1,897,710).

Revenue from the Play MPE® system represents over 95% of our total revenues. Play MPE® access fee revenue grew to $1,931,471 (February 28, 2011 - $1,789,578) for the six months period ended February 28, 2011 representing a 8% increase over the same period in the prior year. The Play MPE® delivery service continues to see high growth in usage spread over Europe.

Quarterly total revenue for the three months ended February 29, 2012 grew by approximately 6% over the same period in the prior year to $894,825 (February 28, 2011 - $841,072). The Play MPE® system saw access fee revenue grow to $844,012 (February 28, 2011 - $787,899) for the three months period ended February 29, 2012, representing a 7% increase over the same period in the prior year. European revenue continues to grow and is currently concentrated in the United Kingdom and the Scandinavian countries.

Approximately 44% of our Play MPE® revenue is denominated in Euros for the six months ended February 29, 2012. Play MPE® revenue from Europe for the six months ended February 29, 2012 reached $851,936 (February 28, 2011 - $683,844) representing an increase of 25%. Approximately 52% of Play MPE® revenue is denominated in US Dollars and 4% of Play MPE® revenue is denominated in Australia Dollars for the six months ended February 29, 2012.

Operating Expenses

Overview

As our technologies and products are developed and maintained in-house, the majority of our expenditures is on salaries and wages and associated expenses; office space, supplies and benefits. Our operations are primarily conducted in Canada and the majority of our costs are incurred in Canadian dollars while the majority of our revenue is in US dollars and Euros. As a result, our results of operations are impacted by fluctuations in the relevant exchange rates.

Total operating expenditures for the six months ended February 29, 2012 has increased by 23% over the same period in the prior year to $2,296,928 (2011 - $1,863,501). The increase is mainly attributed to increased litigation costs and increased staffing for our new Clipstream products. Increased litigation costs, which represent approximately 88% of our professional fees, are expected to be substantially eliminated in the second half of fiscal 2012. On March 5, 2012, immediately following the current quarter, we reached a settlement described under Item 1(b).

General and administrative	**29-Feb 2012** (6 months) $	**28-Feb 2011** (6 months) $	**$ Change**	**% Change**
Wages and benefits	195,960	179,488	16,472	9.2%
Rent	18,059	19,922	(1,863)	(9.4%)
Telecommunications	9,311	9,239	72	0.8%
Bad debt	(1,973)	11,615	(13,588)	(117.0%)
Office and miscellaneous	184,222	153,499	30,723	20.0%
Professional fees	503,546	285,782	217,764	76.2%
	909,125	659,545	249,580	37.8%

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

The increase in professional fees is due to an increase of in the volume of legal work primarily associated with an Australian claim against a former marketing representative, and a wrongful dismissal suit which was brought to trial in our first quarter. While we expect our legal costs will dramatically decrease moving into our third quarter, there will be some residual fees associated with minor matters and finalizing the settlement in Australia.

The increase in office and miscellaneous is related to increased expenditures on investor relations activities.

Sales and marketing	**29-Feb 2012** (6 months) $	**28-Feb 2011** (6 months) $	**$ Change**	**% Change**
Wages and benefits	224,344	202,430	21,914	10.8%
Rent	19,187	21,167	(1,980)	-9.4%
Telecommunications	9,893	9,817	76	0.8%
Meals and entertainment	5,865	4,956	909	18.3%
Travel	38,535	21,466	17,069	79.5%
Advertising and marketing	94,846	154,695	(59,849)	-38.7%
	392,670	414,531	(21,861)	-5.3%

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 advertising and marketing is mainly due to the termination of partnership with the former marketing representative.

Research and development	29-Feb 2012 (6 months) $	28-Feb 2011 (6 months) $	$ Change	% Change
Wages and benefits	832,823	652,092	180,731	27.7%
Rent	76,749	72,378	4,371	6.0%
Telecommunications	39,573	33,567	6,006	17.9%
Research and development	15,249	608	14,641	2408.1%
	964,394	758,645	205,749	27.1%

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 increase is mainly due to increased staffing due to an increased ongoing investment in building out the functionality of our Play MPE® and the development of our cross platform streaming video prototype. This video solution may substantially reduce the costs of transcoding and maintaining various video formats.

Amortization

Amortization expense arose from property and equipment. Amortization decreased slightly to $30,739 for the six months ended February 29, 2012 from $30,780 for the six months ended February 28, 2011, a decrease of $41 or 0.1% .

Other earnings and expenses

Other income decreased to $Nil for the six months ended February 29, 2012 from $3,030 for the six months ended February 28, 2011, a decrease of $3,030.

Interest income decreased to $4,971 for the six months ended February 29, 2012 from $5,082 for the six months ended February 28, 2011, a decrease of $111.

Interest expense increased to $1,180 for the six months ended February 29, 2012 from $485 for the six months ended February 28, 2011, an increase of $695.

Net income

During the six months ended February 29, 2012, we have net loss of $273,695 (February 28, 2011 net income of $29,836). The decrease in net income during the period is the result of increased expenses of professional fees, increased shareholder relations events and increased salaries and wages costs due to additional staff.

During the period, the Company incurred approximately $442,000 in litigation costs; up from approximately $183,000 in the same period in the prior year. Costs in the prior year were related to various issues related to competitor in Canada, and costs associated with a wrongful dismissal claim from a former employee. Current year costs are primarily related to a claim in Australia from a former marketing partner and the abovementioned wrongful dismissal claim.

The claims against the Canadian competitor settled in June 2011 and resulted in a lump sum payment to Destiny of approximately $606,000. The wrongful dismissal claim with the former employee was heard at trial in November 2011 and the Company expects a favorable ruling shortly. The claim against the former marketing partner settled following the current quarter and requires total payments to Destiny of approximately $1,083,000 Australian dollars (US - $1,166,000) having a net present of value of approximately $825,000 Australian dollars (US - $888,000). This settlement figure is not reflected in the results of operations for the quarter.

Consequently, the Company expects that litigation related costs will dramatically reduce going forward.

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:

	2011 Q3	**2011 Q4**	**2012 Q1**	**2012 Q2**
	$	**$**	**$**	**$**
Net Income	230,720	377,952	12,555	(286,250)
Amortization and stock compensation	14,943	18,625	15,785	57,485
Net Interest expense	(1,302)	(4,918)	(2,178)	(1,613)
Income tax	94,000	67,000	5,000	(5,000)
Adjusted EBITDA	338,361	458,659	31,162	(235,378)

LIQUIDITY AND FINANCIAL CONDITION

We had cash of $978,177 as at February 29, 2012 (August 31, 2011 - $1,238,173). The decrease in our cash was mainly due to an increase in operating costs, timely payment on accounts payment and increased accounts receivable. We had working capital of $1,354,355 as at February 29, 2012 compared to working capital of $1,354,115 as at August 31, 2011.

CASHFLOWS

Net cash used in operating activities was $449,481 for the six months ended February 29, 2012, compared to net cash generated of $246,103 for the six months ended February 28, 2011. Although our revenue was higher than the comparable period in 2011, the main decrease in net cash flows in the operating activities was primarily due to an increase in operating costs, timely payment on accounts payable and an increase in accounts receivable.

The cash used in investing activities was $62,114 for the six months ended February 29, 2012. The net cash used in investing activities was $47,397 for the six months ended February 28, 2011.

Net cash provided in financing activities was $274,856 for the six months ended February 29, 2012 compared to $306,151 used for the six months ended February 28, 2011. The change is mainly the result of the proceeds received in advance from the exercise of warrants and the halt of share buyback in the first six months of fiscal 2012.

RECENT ACCOUNTING PRONOUNCEMENTS

Recently adopted accounting pronouncements

In April 2010, the FASB issued Accounting Standards Update 2010-13, Compensation Stock Compensation (Topic 718) . The objective of this Update is to address the classification of an employee share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. Specifically, an employee share-based payment award denominated in a currency of a market in which a substantial portion of the entity s equity securities trades should not be considered to contain a condition that is not a market, performance or service condition and therefore would not classify the award as a liability if it otherwise qualifies as equity. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. This standard is effective for the Company on September 1, 2011. The Company s adoption of this guidance did not have a material effect on the Company s consolidated financial statements.

Accounting Standards Not Yet Effective

In May 2011, the FASB issued Accounting Standards Update 2011-04, Fair Value Measurement (Topic 820) . This Update will improve the comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with US GAAP and International Financial Reporting Standards (IFRS). The amendments in this Update result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs and they explain how to measure fair value and they do not require additional fair value measurements and are not intended to establish valuation standards or affect valuation practices outside of financial reporting. The amendments in this Update apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in a reporting entity s shareholders equity in the financial statements. The amendments in this Update are to be applied prospectively. For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. Early application by public entities is not permitted. The Company is currently evaluating the impact of this update on the consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update 2011-05, Presentation of Comprehensive Income (Topic 220) . The objective of this Update is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. To increase the prominence of items reported in other comprehensive income and to facilitate convergence of U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS), the FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in stockholders equity, among other amendments in this Update. The amendments require that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two-statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of other comprehensive income, and the total of comprehensive income. The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company is currently evaluating the impact of this update on the consolidated financial statements.

In December 2011, the FASB issued Accounting Standards Update 2011-12, Comprehensive Income (Topic 220) . The amendments in this Update supersede certain pending paragraphs in Accounting Standards Update 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, to effectively defer only those changes in Update 2011 5 that relate to the presentation of reclassification adjustments out of accumulated other comprehensive income. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company is currently evaluating the impact of this update on the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

We prepare our interim 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 partially offset by a valuation allowance as disclosed in Note 5 of our consolidated financial statements.

If management s estimates of the cash flows or operating results do not materialize due to errors in estimates or unforeseen changes to the economic conditions affecting the Company, it could result in an impairment adjustment in future periods up to the carrying value of the deferred income tax balance of $1,155,000.

Contingencies

As discussed in Part II, Item 1 of this Form 10-Q under the heading Legal Proceedings and in Note 7 Contingencies in Notes to Interim Consolidated Financial Statements, the Company is subject 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 six months ended February 29, 2012, the slightly drop in the value of the Canadian dollar relative to the US dollar compared to the six months ended February 28, 2011 didn t have a significant impact on the Company.

ITEM 4. CONTROLS AND PROCEDURES.

The Company s management, with the participation of its principal executive officer and principal financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures(as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (Exchange Act)) as at February 29, 2012.

Based on that evaluation, the Company s principal executive officer and principal financial officer have concluded that there are material weaknesses in internal controls over financial reporting, which are as follows:

- Due to the limited number of staff resources, the Company believes there are instances where a lack of segregation of duties exist to provide effective controls;
- Our audit committee does not have a financial expert and is not independent; and
- Due to the limited number of staff resources, the Company may not have the necessary in-house knowledge to address complex accounting and tax issues that may arise.

As a result of these weaknesses, the Company s disclosure controls are not effective. The weaknesses and their related risks are not uncommon in a company the size of Destiny Media because of limitations in size and number of staff.

There have been no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

a) On August 12, 2009 the Company received a statement of claim for wrongful dismissal. The claim is for approximately $181,000 ($180,000 CDN) plus an award of stock options and unspecified damages. The Company believes the claim is without merit. The matter was heard at trial ending November 17, 2011 and management expects a decision shortly. Management believes that the likelihood of an adverse outcome for the amount of the claim is remote.

b) On June 10, 2011, the Company commenced proceedings in the Federal Court of Australia against Shooting Star Picture Company Pty Ltd, Peter Skillman and D-Star Music Delivery Pty Ltd. (collectively the respondents). The Company alleged various claims against the respondents including, breach of contract, misleading and deceptive conduct, breach of fiduciary duties, and breach of confidence.

On March 5, 2012, the Company reached a settlement with the respondents whereby the respondents will pay $825,000 Australian dollars (US $888,000) to Destiny over the course of 72 months. The unpaid balance will attract interest of 10.25% per annum compounded monthly for total payments of approximately $1,083,000 Australian dollars (US $1,166,000). The respondents are mutually and severally liable and the payments are secured by a lien against real property located in Australia. Additionally, the respondents have agreed to not to approach various clients of the Company.

c) 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 plus interest. The claim asserts that the Company has repudiated a subscription agreement entered into in, or around, August 2000.

Management believes the claim is without merit and that the likelihood of an outcome in this matter that will have a material adverse impact on its result of operations, cash flows and financial condition of the Company is remote.

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, 2011 filed with the SEC on November 29, 2011. 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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

On June 28, 2011, the board of directors authorized a new tranche to repurchase up to 2,500,000 shares of the Company s common stock at a maximum share purchase price of $0.80 per share. The Company didn t repurchase any shares during the six months ended February 29, 2012. Future repurchases will be at times and in amounts as the Company deems appropriate and will be made through open market transactions. All repurchases will be made in compliance with the Securities and Exchange Commission s Rule 10b-18, subject to market conditions, applicable legal requirements and other factors. The board approved stock repurchase program runs through June 30th, 2012. In addition to the applicable securities laws, the Company will not make any purchases during a time at which its insiders are subject to a blackout from trading in the Company s common shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

(a) Reports on Form 8-K

On February 29, 2012, the Company announced that it issued 1,401,330 shares of the Company s common stock on exercise of share purchase warrants that were issued in its 2007 private placement and under the terms of certain consulting agreements. Of the share purchase warrants exercised, the Company received cash proceeds of $278,750 for the exercise of 557,500 share purchase warrants and the remaining share purchase warrants were exercised on a cashless basis.

On March 6, 2012, the Company announced that its wholly owned subsidiary, Destiny Software Productions Inc. (Destiny Software), entered into a settlement deed dated March 5, 2012 (the Settlement Deed) with The Shooting Star Picture Company Pty Ltd, Peter Christopher Skillman, D-Star Music Delivery Pty Ltd (collectively the Respondents) and Janelle Barbara Mason (the Guarantor) whereby the parties have agreed to settle all litigation between them. The parties had been engaged in an Australian lawsuit (Federal Court of Australia proceeding number VID588 of 2011) in which Destiny Software was appellant (plaintiff) and the Respondents were the defendants. Under the terms of the Settlement Deed, Destiny Software and Respondents agreed to dismiss and/or discontinue all outstanding litigation and claims against each other. In consideration of the settlement, the Respondents agreed to pay Destiny Software $825,000 (Australian funds) over six years, which amount will bear at a rate of 10.25% per annum, compounded monthly, and be secured against the assets of the Respondents and the Guarantor. The Respondents also agreed to not approach any of Destiny Software s existing clients with the rival media distribution system.

(b) Information required by Item 407(C)(3) of Regulation S-K

No Disclosure Necessary.

Item 6. EXHIBITS.

Exhibit 31.1:	Certification required by Rule 13a-14(a) or Rule 15d-14(a) Certification executed by Steven Vestergaard, Chief Executive Officer
Exhibit 31.2:	Certification required by Rule 13a-14(a) or Rule 15d-14(a) Certification executed by Frederick Vandenberg, Chief Financial Officer
Exhibit 32.1	Certification Required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 Certification executed by Steven Vestergaard, Chief Executive Officer
Exhibit 32.2	Certification Required by Rule 13a-14(b) or Rule 15d-14(b) and section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 Certification executed by Frederick Vandenberg, Chief Financial Officer

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.

Dated: April 16, 2012

/s/Steven Vestergaard
Steven Vestergaard, Chief Executive Officer
and

/s/Fred Vandenberg
Frederick Vandenberg, Chief Financial Officer