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

FORM 10-K

(Mark One)

☒ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act Of 1934

For the fiscal year ended August 31, 2019

☐ 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.
(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

Securities registered under Section 12(b) of the Exchange Act: NOT APPLICABLE

Securities registered under Section 12(g) of the Exchange Act: COMMON STOCK, \$0.001 PAR VALUE PER SHARE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. ☐

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 every Interactive Data File required to be submitted 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	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant's most recently completed second fiscal quarter was \$12,891,195.

The number of shares outstanding of the registrant's common stock, par value \$0.001, as of November 15, 2019 was 10,903,696.

DOCUMENTS INCORPORATED BY REFERENCE

None

DESTINY MEDIA TECHNOLOGIES INC.
FORM 10-K

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PART I

FORWARD LOOKING STATEMENTS

The information in this Annual Report on Form 10-K 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 Destiny Media'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, including the risks outlined below under “Item 1A. Risk Factors”, and, from time to time, in other reports Destiny Media files with the SEC. These factors may cause Destiny Media's actual results to differ materially from any forward-looking statements. Destiny Media 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.

CURRENCY

All dollar amounts in this Annual Report on Form 10-K are presented in United States dollars unless otherwise indicated.

ITEM 1. BUSINESS.

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”, “we” or “us” 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 OTCQB U.S. (“OTCQB”) 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.dsnv.com>.

OUR PRODUCTS AND SERVICES

Play MPE®

Our core business is the Play MPE® platform, a two sided marketplace that enables music labels and artists to create and distribute promotional content and musical assets on the one side, and for music broadcasting professionals, music curators and music reviewers to be able to discover, listen to, download and consume, on the other. Play MPE® is a cloud-based enterprise SaaS product.

Typically, record labels and artists promote new music through the presentation of broadcast quality audio, video, images, promotional information, industry required meta data, and other digital content. The presentation of this promotional material is catered to music curators who can expose that music to a larger consumer audience through broadcasts (examples include radio, internet radio, streaming services, DJs etc.) or publicity and media destinations. The system is also used to promote music and artists to label A&R teams, and music supervisors (who work with TV/movie producers to recommend musical content to accompany video productions).

Broadcast play of music provides revenue directly to record labels and artists through royalties and indirectly through sales, concerts / live performances, merchandise sales etc. as the profile and popularity of the musical work and artist increase. Effective marketing is critical in growing the popularity of a song or an artist and thereby revenue for a particular artist. Play MPE® is a critical step in this process. Easy-to-use and collaborative tools on the player side (music curator side) improves activity which improves the likelihood that a particular track obtains broadcast play. Feedback of recipient activity provides valuable information to record labels improving data centric marketing decision making.

Our customers range from small independent artists, small to large independent record labels (“Indies”), to promoters, and to the world’s largest record labels (the “Major Record Labels”) (Universal Music Group, Warner Music Group and Sony Music Entertainment). Our Major Record Label clients have offices around the world and typically represent the world’s largest recording artists. All three Major Record Labels, and thousands of Indies use Play MPE® for promotional distribution.

Play MPE® provides a wide array of features which provide efficient access to a promotional hub of activity. Client characteristics determine which features are of greater interest with the active promotional recipients being of common interest to all clients. Major Labels can take advantage of the platform’s more powerful and efficiency producing features including tiered rights, permissions based user profiles, integration with database archives, release sharing with foreign territories etc. For example, some customer staff may manage assets (album cover imagery, music videos, the raw music, promotional information and other metadata), while others manage hierarchical permission-based lists of recipients. These more powerful features are unique to the Play MPE® platform.

The release dates for music can be dependent on the territory and, where administrative settings permit, local promotions staff may generate a localized distribution of the song with modified marketing information in the local language. Local staff may select pre-existing assets from the system and combine them together with a local recipient lists to form a “send”. Our customers also choose the level of access for the recipients assigned to the release by designating whether the release can be streamed, downloaded, exported into an unlocked digital format or burned to a CD.

While many clients are set up to manage and upload recipient lists, many rely on the proprietary lists provided within the service. Our staff manages lists of recipients in various formats and geographies and those lists are made available to our customers using the Play MPE® system. The Play MPE® system provides Play MPE® staff with the feedback and resources necessary to manage and maintain this network of recipients, which is not available with physical distribution or by smaller competitors. Customers select lists of recipients within the proprietary network based on music format and geography.

All exported songs are marked in real time with Destiny’s watermark technology, which has received three US patents and a number of analogous patents globally. From information provided by Play MPE®, songs appearing on the internet can be scanned by the International Federation of the Phonographic Industry’s (“IFPI”). Headquartered in London, UK, the IFPI is the organization that represents the interests of the recording industry worldwide and one of its missions is to safeguard the rights of record producers. IFPI web crawlers visit torrents, peer to peer networks and websites searching for unauthorized content. When problem files are identified, the IFPI can run proprietary software to identify Play MPE®’s unique watermark to identify the originating source.

After the content is released, all activity by the recipient is logged in real time, providing record labels and promotions staff real time detail on which songs are accessed, streamed, downloaded and exported. This information provides valuable feedback in real time to marketing and promotions staff who can cater their programs appropriately. Recipients receive a custom library of available tracks and are able to repeat the download if music is lost.

In July 2018, we launched version 8 of our release publishing tools for Play MPE®. These new browser-based tools are accessible on any computer without installation and completely replaced the Windows based desktop tools previously used by our customers. This new solution provides for increased usage of Play MPE® through an easier to use, faster, more intuitive and streamlined experience, access to both Mac and PC users, new release creation workflows, and more configuration options. The tool provides release sharing capabilities, to facilitate faster more user-friendly sharing of assets by our global label customers. Finally, it also allows for easy translation into multiple languages to accelerate international expansion. The new encoder has been fully adopted by our sales department and by the majority of our customers into their own internal workflows.

We continue to invest in additional development of Play MPE® Version 8 and related tools and applications. In July 2018, we integrated with Aspen, an archival system used by one of our key customers, Universal Music Group (UMG). This integration provided improved efficiencies in UMG’s daily workflow. In March 2019, we announced a new integration of Play MPE® with Nielsen’s BDSradio, which provides Nielsen Music users with an instant gateway into Play MPE®’s extensive release catalog and high-quality content directly from the BDSradio platform.

In May 2019, we released new iOS and Android apps of our Play MPE® recipient player. The new apps feature added capabilities from previous versions, including Google Chromecast and Airplay streaming capabilities for greater recipient collaboration, additional playlists, sorting, flagging and archiving features, improved search capabilities, and easier to access release metadata. In addition, we are developing a new entirely browser-based Play MPE® recipient player, which should lead to higher usage by our customers and recipients.

Given the current music promotion and discovery landscapes, we plan to expand Play MPE®’s reach more broadly from its current service offerings. We believe there is great business value in integrating our Play MPE® service into additional workflows which are already a part of our customers’ daily routine, so that we eventually are the entire software ecosystem for our customers.

Clipstream®

The Company also has a legacy business, Clipstream®, in the online video industry for which it is pursuing strategic alternatives. The Clipstream® Online Video Platform (OVP) is a self-service 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. The unique software-based approach to rendering video, is protected by over two dozen patents claiming initial priority to 2011. This product is marketed in a limited way and has incidental revenues.

BUSINESS DEVELOPMENT

Play MPE®

During the year ended August 31, 2019, we generated revenues of \$3,809,092, of which 99% was derived from Play MPE® and was 5.6% higher than prior year, or 8.6% higher than prior year on a currency adjusted basis.

During fiscal 2019, our focus was to transition our clients to newly released Play MPE® Version 8 tools and applications, and to continue to develop features within the system to improve ease of use and business development conversion. With user experience improvements we were able to increase customer usage, reacquire customers and commence trial usage.

Our strategy within new market segments is to create a hub of activity by providing content and attracting recipient usage. Easier to use tools facilitate this process. In fiscal 2019, we have also expanded use with Major Labels in new genres in the United States, new usage in the Baltic countries, and have commenced early trial use with new customers in the United Kingdom, Canada and, immediately following fiscal year end, we have commenced new trial usage in South Africa.

Play MPE® staff regularly attend various industry events, conferences and seminars, to establish and strengthen relationships with industry promoters, record labels, and other key industry people. Potential new customers may be set up on an initial trial of our system, providing for increased engagement and feedback from these industry professionals. Other business development efforts are also focused on moving existing customers to monthly subscription or custom pricing that encourages more usage of the system. We have significantly increased our business development efforts during fiscal 2019, adding additional staff, and establishing a more organized process of engaging with our existing and prospective customers.

In 2019, we doubled the size of our business development team including our first marketing manager. Our focus going forward will be to leverage the expanded business development team to grow usage in new markets, add product features, and improve product design to facilitate the expanded development team's success with enterprise accounts as well as provide easy access to self-serve customers. Longer term the Company will continue to add premium features and products to expand the addressable market.

Clipstream®

In fiscal 2018, after completing a detailed review of the resources required to progress Clipstream further, the Company transitioned the Clipstream® product to maintenance only, stopping development of new major features. Business development efforts are focused on identifying strategic alternatives for this product, business, and intellectual property outside the Company.

Significant Customers

During the year ended August 31, 2019, we generated 41% of total revenue from one customer (2018 - 42%).

OUR BUSINESS OPERATIONS

We lease approximately 6,600 square feet of office space, with the lease expiring in June of 2022, and we currently have 29 total employees. Our employees include our President and Chief Executive Officer, our Chief Financial Officer, two finance and administrative personnel, five operational and technical support staff, seven sales and marketing staff, two product development staff, and eleven software developers. We also employ contractors as needed.

COMPETITION

Play MPE®

Play MPE® has regional competitors with limited global presence and limited functionality while Play MPE® has Major Record Label use globally. A network effect entrenches the system, as it is difficult for any single user to switch to an alternative without the entire industry switching. Play MPE® has a dominant network position in several markets including in the United States (in the country, Christian and alternative genres of music), Australia and New Zealand, Sweden, and Finland, with various levels of market penetration in numerous additional markets around the globe.

The system was built to facilitate sharing of assets and content with regional subsidiaries and affiliates of our Major Record Label customers. This allows local representatives to localize the release resulting in costs savings and efficiencies not available in competing solutions.

Play MPE® began a digital replacement to physical distribution (mail, courier or hand delivery) of manufactured CD's establishing a foothold of use with recipients and record labels in 2002 through 2007. Play MPE® still encounters physical distribution as a competitive option for promotional distribution. Play MPE® has several advantages over physical distribution. Digital distribution through Play MPE® is faster, less expensive, more reliable, more secure, provides additional real time and more accurate reporting of usage, provides a great deal of added functionality and provides the error free and automatic transmission of "metadata". Metadata includes International Standard Recording Codes (ISRC) – which is a standard code for uniquely identifying sound recordings and music video recordings - song and artist names, beats per minute, release and impact dates, etc. The automatic transmission of this metadata reduces the time required for manual data entry into radio automation software on the receiving side and eliminates inaccuracies in royalty reporting. This benefits labels who want to be in third party databases as the transmission of this data is immediate and reliable.

The Play MPE® system provides our clients with a sophisticated content management tool that includes privilege control, release sharing amongst global territories (saving our clients time and money when conducting global distributions), enhanced email notification and promotions tools, social media announcements, recipient player apps (iPhone, iPad, Android, Mac, Windows, and Web Browser), with a fully redundant high speed infrastructure that is more sophisticated and has higher functionality than quickly developed lower cost alternatives. The Company expects that competition will be strongest where audio quality, security, recipient network, and reporting are not as important as cost.

GOVERNMENT REGULATION

We are not currently subject to direct regulation by any governmental agency other than laws and regulations generally applicable to businesses. It is possible that a number of laws and regulations may be adopted in both the United States and Canada with particular applicability to the Internet. Governments have and may continue to enact legislation applicable to us in areas such as content distribution, performance and copying, other copyright issues, network security, encryption, the use of key escrow data, privacy protection, caching of content by server products, electronic authentication or "digital" signatures, illegal or obscene content, access charges and retransmission activities. The applicability to the Internet of existing laws governing issues such as property ownership, content, taxation, defamation and personal privacy is also uncertain. Export or import restrictions, new legislation or regulation or governmental enforcement of existing regulations may limit the growth of the Internet, increase our costs of doing business or increase its legal exposure.

The Company owns proprietary algorithms, source code, web domain addresses, patents, trademarks and other intellectual property.

Patents

1. Digital Locking "Digital Media Distribution Method and System" (US Patent No. 7466823)

This patent provides a method of locking digital content which prevents play back on unauthorized machines and devices. Claims include separating security from the content, so that content files can be shared securely over peer to peer networks. This is one of the earliest patents for securing peer to peer distributed content.

One of the more important claims in this patent is the ability to uniquely recognize a particular computer. Uniquely identifying a person's computer is a common issue which is usually approached by saving cookies or beacons to the user's computer or by tracking IP addresses. These are not reliable solutions as cookies are easily deleted and IP addresses easily changed. Destiny's propriety hash code process creates a serial number that can be used to recognize the user on subsequent visits without ever saving anything to that user's computer.

2. Watermarking "Methods for Watermarking Media Data"

- i. US Patents No. 7983441, 8300885, 9165560, 9679574
- ii. US pending application No. 15/358834
- iii. Japan Patent No. 5103479
- iv. Canada patent No. 2682926
- v. Europe and UK Patent No. 2082527

We have developed a watermarking technology which can uniquely identify the individual who originally accessed a particular song. Our watermark is unique as it can be embedded and identified rapidly, it is inaudible, it survives on air broadcast, compression and conversion to other formats and is virtually impossible to remove. Our watermarking technology is used in the Play MPE® distribution system when songs are exported or when streaming a track. Other watermarking technologies are slow and provide a trade-off between a destruction of audio quality and the ease that they can be filtered out. When the original patent claims were granted in the US, the Company filed a set of new additional, broader claims in a continuation application in Canada and the US to further protect the technology.

3. Cross Platform Streaming Video "Script Based Video Rendering"

- a. US Patents No. 9143826, 9137567, 9215499, 9571886, 9380338, 9432726 and 9432727
- b. China Patent No. 201280050754.7
- c. Pending India Application No. 1961/DELNO/2014

This solution enables publishers to serve streaming video from their web site without the need for a separate streaming server. The solution will play instantly in all recent browsers, including mobile devices, without the need for a separate video player.

Registered Trademarks

Play MPE®

Granted: USA, Canada, Japan, European Union, China and Australia

MPE®

Granted: Canada, Japan,

Sonox Digital®

Granted: China, Canada

Clipstream®

Granted: USA, Canada, Japan, Israel, European Union, China and Australia

Domain Names

We own a large number of domain names, including many valuable four-letter domain names (dice.net, dsny.com) and URL's featuring common words (radio-play.com, streamingaudio.com, pirateradio.com and many others.)

ITEM 1A. RISK FACTORS.

We face risks in executing our business plan and achieving revenues. The following risks are material risks that we face. We also face the risks identified elsewhere in this Annual Report, including those risks identified under “Item 1. Business”, including Competition and Government Regulation, and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”. If any of these risks occur, our business and our operating results and financial condition could be seriously harmed.

If revenues decline, then our financial condition and results of operations will be adversely affected.

99% of our revenue is generated from our Play MPE® distribution service. Competitors may arise and/or customers may not renew distribution contracts. This factor could cause our revenue to decrease with the result that our financial condition and operating results would be adversely affected. Competitors have been small, regionally based, have limited resources, and have yet to capture a material share of the market. If a competitor were to develop a comparable or superior product, our market share could be reduced.

If we are not able to control our operating expenses, then our financial condition may be adversely affected.

Operating expenses were \$2,917,935 for the year ended August 31, 2019 and \$2,658,657 for the year ended August 31, 2018 while our revenues were \$3,809,092 and \$3,606,471, respectively. Our ability to maintain profitability is conditional upon our ability to control our operating expenses. There is a risk that we will have to increase our operating expenses in the future. Factors that could cause our operating expenses to increase include our determination to spend more on sales and marketing in order to increase product sales or our determination that more research and development expenditures are required in order to keep our current software products competitive or in order to develop new products for the market. To the extent that our operating expenses increase without a corresponding increase in revenue, our financial condition would be adversely impacted.

If we are not successful in legal proceedings against us, then our business and financial condition could be adversely affected.

The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company’s financial statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its consolidated financial statements, however if we are not successful in these legal proceeding and are forced to make payments of damages to the plaintiffs, then our business and our financial condition would be adversely affected.

Our financial results may be adversely impacted by currency fluctuations.

Our revenues are primarily in United States dollars and Euros while our operating expenses are primarily in Canadian dollars. An increase in the value of the Canadian dollar in relation to the United States dollar and/or Euro could have the effect of decreasing our income from operations. We do not currently hedge our foreign currency exposures.

If our products are defective or contain errors, we may become subject to product liability claims.

As a result of their complexity, our software products may contain undetected errors or failures when first introduced or as new versions are released. There can be no assurance that, despite testing we undertake and testing and use by current and potential customers, errors will not be found in new products after commencement of commercial use. The occurrence of such errors could result in loss of or delay in market acceptance of our products, which could have a material adverse effect on our business, financial condition and results of operations. Our products also may be vulnerable to break-ins and similar disruptive problems caused by Internet or other users.

Such computer break-ins and other disruptions would jeopardize the security of information stored in and transmitted through the computer systems of our customers, which may result in significant liability to us and deter potential customers. The sale and support of our products may entail the risk of liability claims. A product liability claim brought against us could have a material adverse effect on our business, financial condition and results of operations.

Successful expansion of our business will depend on our ability to manage growth.

Should we be successful in the sales and marketing efforts of our software products, we will experience significant growth in operations. If this occurs, management anticipates that additional expansion will be required in order to continue our product development. Any expansion of our business would place further demands on our management, operational capacity and financial resources. We anticipate that we may need to recruit qualified personnel in all areas of its operations, including management, sales, marketing, delivery, and software development. There can be no assurance that we will be effective in attracting and retaining additional qualified personnel, expanding its operational capacity or otherwise managing growth. In addition, there can be no assurance that our current systems, procedures or controls will be adequate to support any expansion of our operations. The failure to manage growth effectively could have a material adverse effect on our business, financial condition and results of operations.

Our network infrastructure could be vulnerable to system failure and/or security risks.

Despite the implementation of security measures, our network infrastructure could be vulnerable to unforeseen computer problems. Although we believe we have taken steps to mitigate much of the risk, we may in the future experience interruptions in service as a result of the accidental or intentional actions of Internet users, current and former employees or others. Unknown security risks may result in liability to us and also may deter new customers from purchasing our software and services, and individuals from utilizing it. Although we intend to continue to implement and establish security measures, there can be no assurance that measures implemented by us will not be circumvented in the future, which could have a material adverse effect on our business, financial condition or results of operations.

Our business depends on continued development of the internet and intranets as mediums of commerce and communications, and our ability to evolve along with these mediums.

The market for our streaming media products and services is new and evolving rapidly. It depends on increased use of the Internet and intranets. If the Internet and intranets are not adopted as methods for commerce and communications, or if the adoption rate slows, the market for our products and services may not grow, or may develop more slowly than expected.

Sales of our products depend in large part on the continued development of the Internet as a viable commercial marketplace. There are now substantially more users and much more “traffic” over the Internet than ever before, use of the Internet is growing faster than anticipated, and the technological infrastructure of the Internet may be unable to support the demands placed on it by continued growth. Delays in development or adoption of new technological standards and protocols, or increased government regulation, could also affect Internet use. In addition, issues related to use of the Internet and intranets, such as security, reliability, cost, ease of use and quality of service, remain unresolved and may affect the amount of business that is conducted over the Internet and intranets.

We could experience product delays and errors, which could affect our ability to adapt to technological changes and evolving industry standards.

We have experienced development delays and cost overruns associated with our product development efforts. We may encounter such problems in the future. Delays and cost overruns could affect our ability to respond to technological changes, evolving industry standards, competitive developments or customer requirements. Our products also may contain undetected errors that could cause adverse publicity, reduced market acceptance of the products, or lawsuits by customers.

Our business could be adversely affected by online commerce security failures.

Online commerce and communications depend on the ability to transmit confidential information securely over public networks. Any compromise of our ability to transmit confidential information securely, and costs associated with the prevention or elimination of such problems, could have a material adverse effect on our business.

Our business is international, and could be affected by unexpected changes in international regulatory standards and laws.

We market and sell our products in the United States, Canada, Europe, Asia, South America, Africa and Australia. As such, we are subject to the normal risks of doing business abroad. Risks include unexpected changes in regulatory requirements, export and import restrictions, tariffs and trade barriers, difficulties in staffing and managing foreign operations, longer payment cycles, problems in collecting accounts receivable, potential adverse tax consequences, exchange rate fluctuations, increased risks of piracy, limits on the our ability to enforce our intellectual property rights, discontinuity of our infrastructures, limitations on fund transfers and other legal and political risks. Such limitations and interruptions could have a material adverse effect on our business.

Customer Concentration

During the year ended August 31, 2019, 41% of the Company's revenue is derived from one customer with operations in numerous countries. This customer is currently of key importance to our operations and any adverse change to the revenue from this customer would have a material adverse effect on our results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None

ITEM 2. PROPERTIES.

Our head office is located in leased premises at Suite 1110, 885 Georgia Street, Vancouver, British Columbia, Canada V6C 3E8. Our principal business operations are carried out from our head office. Our leased premises consist of approximately 6,600 square feet. We pay rent of approximately \$28,000 Canadian (equal to approximately \$21,000 US) per month. The lease expires June 30, 2022. We consider our leased premises adequate for our current business purposes.

ITEM 3. LEGAL PROCEEDINGS.

On September 5, 2017, Steve Vestergaard, former President and Chief Executive Officer of the Company, filed a Notice of Civil Claim in the Supreme Court of British Columbia against the Company, its subsidiaries, independent directors and current Chief Executive Officer, claiming damages for conspiracy, breach of contract, wrongful dismissal, defamation and aggravated and punitive damages. The Company believes the claims are without merit and will defend itself against the claims.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our shares are currently trading on the OTCQB under the stock symbol DSNY. The high and the low trading prices for our shares for each quarter of the last two fiscal years were:

QUARTER	HIGH (\$) ⁽¹⁾	LOW (\$) ⁽¹⁾
1 st Quarter 2018	\$1.10	\$0.85
2 nd Quarter 2018	\$1.40	\$0.65
3 rd Quarter 2018	\$1.40	\$0.85
4 th Quarter 2018	\$1.35	\$0.75
1 st Quarter 2019	\$1.25	\$0.35
2 nd Quarter 2019	\$1.40	\$0.61
3 rd Quarter 2019	\$1.77	\$0.90
4 th Quarter 2019	\$1.35	\$0.55

(1) The above trading prices have been retroactively adjusted for a stock consolidation on the basis of 5:1, which was effective on September 13, 2019.

The trades reflect inter-dealer prices, without retail mark-up, markdown or commission and may not represent actual transactions.

Our shares are also traded on the TSX Venture Exchange under the symbol DSY.

Holders of Common Stock

As of November 15, 2019 our shareholders' list for our common stock showed 57 registered shareholders and 10,903,696 shares of our common stock outstanding.

Dividends

We have neither declared nor paid any cash dividends on our capital stock and do not anticipate paying cash dividends in the foreseeable future. Our current policy is to retain any earnings in order to finance the expansion of our operations. Our Board of Directors will determine future declaration and payment of dividends, if any, in light of the then-current conditions they deem relevant and in accordance with applicable corporate law.

Recent Sales of Unregistered Securities

For a description of our equity compensation plans, please see Item 12 of the report on Form 10-K.

OTHER INFORMATION

None.

See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for a description of our securities authorized for issuance under equity compensation plans.

ITEM 6. SELECTED FINANCIAL DATA.

(Expressed in US dollars)	2019	2018	2017	2016	2015
Continuing Operations:					
Service revenue	\$ 3,809,092	\$ 3,606,471	\$ 3,445,014	\$ 3,337,813	\$ 3,323,537
Income (loss) from operations	\$ 581,125	\$ 649,406	\$ 274,434	\$ (209,383)	\$ (797,013)
Net income (loss)	\$ 610,778	\$ 656,270	\$ 288,781	\$ (188,251)	\$ (1,596,646)
Net income (loss) per common share, basic and diluted	\$ 0.06	\$ 0.06	\$ 0.03	\$ (0.02)	\$ (0.15)
Balance Sheet					
Working capital	\$ 2,809,689	\$ 2,280,695	\$ 1,661,850	\$ 1,125,289	\$ 513,472
Total assets	\$ 3,635,090	\$ 2,962,422	\$ 2,244,703	\$ 1,850,876	\$ 1,537,190
Long-term liabilities	\$ —	\$ —	\$ —	\$ 6,472	\$ 12,071
Stockholders' equity	\$ 3,129,007	\$ 2,516,776	\$ 1,892,805	\$ 1,488,405	\$ 1,102,434

The selected financial data should be read in conjunction with the Consolidated Financial Statements and Notes thereto, and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion of our results of operations and financial condition should be read together with the consolidated financial statements and related notes that are included in this Annual Report on Form 10-K. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors.

RESULTS OF OPERATIONS FOR THE YEARS ENDED AUGUST 31, 2019 AND 2018**Revenue**

Total revenue for the year ended August 31, 2019 increased by 5.6% over the same period in the prior year to \$3,809,092 (2018 – \$3,606,471). Play MPE® revenue increased by 6.1% year over year to \$3,752,715 (2018: \$3,538,564). The increase in Play MPE® revenue was seen from all geographic regions in which the we operate.

The Company’s revenues are denominated predominantly in US Dollars, Euros and Australian Dollars. During fiscal 2019, 44% (2018: 43%) of the Company’s revenue was denominated in US Dollars, 47% (2018: 49%) of the Company’s revenue was denominated in Euros and 8% (2018: 8%) of the Company’s revenue was denominated in Australian Dollars. During fiscal 2019, the Company’s revenues were negatively affected by the fluctuations in the Euro and Australian Dollar relative to the US Dollar in the amount of 3% year over year.

Removing these negative foreign exchange fluctuations, the Company’s Play MPE revenue increased by 9.1% year over year. The largest increases were seen by one of our Major Label customers, whose global revenue increased by 33.9% on a currency adjusted basis, and from Australian Independent labels, for which revenue increased by 33.5% on a currency adjusted basis, year over year.

Gross Margin

Gross margin for the year ended August 31, 2019 was 92%, which is comparable to the year ended August 31, 2018. The Company’s cost of revenue consists of data hosting and processing charges, third party transaction related costs, and engineering, technical and customer support costs. These costs are driven by the size and volume of customer transactions processed, as well as the relative proportion of ‘full service’ versus ‘self-service’ revenue. Our self-service sales are derived from customers who have been provided with a customer account to access our encoder to independently upload and publish releases. Our full-service revenue is derived from customers who are fully serviced by our internal staff, who prepare and publish releases on their behalf. During the year ended August 31, 2019, our gross margin remained consistent over the prior year, as we saw service revenue grow from both customer types.

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 other associated expenses such as office space, office supplies and employee benefits. Our operations are primarily conducted in Canada and our costs are primarily incurred in Canadian dollars while our revenues are primarily denominated in Euros and US Dollars. Thus, operating expenses and the results of operations are impacted, to the extent they are not hedged, by the rise and fall of the relative values of the Canadian dollar to these currencies. The Company maintains a large portion of its financial reserves in Canadian dollars to mitigate the downside risk of adverse exchange rates.

Overall operating costs increased by 9.8% to \$2,917,935 (2018 – \$2,658,657) during the year ended August 31, 2019, largely driven by an increase in staffing costs, and an increase in marketing, business development and promotional expenses. Overall staffing costs increased by 13.3% as a result of the addition of sales and marketing staff and product development staff. Advertising and marketing expenses increased by 52.2% as a result of increased marketing and public relations efforts, as more fully described below.

General and administrative	31-Aug 2019 (12 months) \$	31-Aug 2018 (12 months) \$	Change \$	Change %
Bad debt	4,719	2,206	2,513	113.9%
Office and miscellaneous	161,610	95,632	65,978	69.0%
Professional fees	164,562	205,733	(41,171)	-20.0%
Rent	29,339	34,905	(5,566)	-15.9%
Telecommunications	2,651	3,327	(676)	-20.3%
Travel	5,702	10,600	(4,898)	-46.2%
Wages and benefits	402,175	449,463	(47,288)	-10.5%
	770,758	801,866	(31,108)	-3.9%

Our general and administrative expenses consist of salaries and related personnel costs including overhead, office rent, and general office supplies. General and administrative costs also include professional fees and general and administrative travel expenditures. The increase in office and miscellaneous expense relates to transitional expenses associated with changes in office services and an increase in realized foreign exchange losses as a result of fluctuating foreign currency exchange rates.

Sales and marketing	31-Aug 2019 (12 months) \$	31-Aug 2018 (12 months) \$	Change \$	Change %
Advertising and marketing	142,412	93,582	48,830	52.2%
Rent	97,264	104,437	(7,173)	-6.9%
Telecommunications	9,887	11,947	(2,060)	-17.2%
Wages and benefits	659,388	447,508	211,880	47.3%
	908,951	657,474	251,477	38.2%

Sales and marketing expenses consist of salaries and related personnel costs including overhead, office rent, and telecommunications costs. Sales and marketing also includes advertising and marketing expenses, which consists of promotional materials, online or print advertising, business development tools, and marketing or business development related travel costs including attendance at conferences and trade shows, and label visits. The increase in advertising and marketing expenses relates to additional expenses incurred in respect of public relations initiatives, and increased marketing and business development related travel. The increase in wages and benefits is associated with an increase in staffing in this department. We hired a marketing manager, and additional inside and outside business development associates and consultants.

Product Development	31-Aug 2019 (12 months)	31-Aug 2018 (12 months)	Change	Change
	\$	\$	\$	%
Rent	118,389	117,705	684	0.6%
Software services	70,581	78,050	(7,469)	-9.6%
Telecommunications	80,860	87,851	(6,991)	-8.0%
Wages and benefits	871,550	809,842	61,708	7.6%
	1,141,380	1,093,448	47,932	4.4%

Product Development costs consist of product and software development related salaries and personnel costs including overhead, office rent and telecommunications. Product development also includes consulting fees with respect to product development and deployment. The increase in wages and benefits is attributable to overall increased staffing with respect to product development and software development. The decrease in telecommunications and software services is associated with the characterization of certain costs to operations and savings resulting from changes in services and providers.

Depreciation and amortization

Depreciation and amortization expense arises from property and equipment, and from patents and trademarks. Amortization decreased to \$96,846 for the year ended August 31, 2019 from \$105,869 for the year ended August 31, 2018, a decrease of \$9,023 or 8.5% from a combination of an overall reduction in the capital asset balances subject to amortization, including reduced spending on redundant patent and trademark fees.

Other earnings and expenses

Interest income increased to \$27,188 for the year ended August 31, 2019 from \$10,597 for the year ended August 31, 2018, an increase of \$16,591. The increase is related to the investment of excess cash in one year guaranteed investment certificates.

Net income

During the year ended August 31, 2019 we reported net income of \$610,778 (2018 – \$656,270). The decrease in net income is attributable to a combination of (1) negative foreign exchange fluctuations on our reported revenues and (2) an increase in certain operating expenses such as salaries and wages and marketing, as more fully described above.

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 noncash 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, these stock-based compensation expenses do not result in cash payments by the Company. Adjusted EBITDA has limitations as a profitability measure in that it does not include interest expense on our debt, our provisions for income taxes and amortization, the effect of deferred leasehold inducement, the effect of noncash stock-based compensation expense and the effect of asset impairment.

The following is a reconciliation of net income from operations to Adjusted EBITDA:

	2019		2018		2017	
Net income (loss)	\$	610,778	\$	656,270	\$	288,781
Interest income (net)		(27,188)		(10,597)		(14,314)
Depreciation and amortization		96,846		105,869		153,385
Stock based compensation		41,675		54,452		46,133
Deferred leasehold inducement		(4,150)		5,606		(26,754)
Adjusted EBITDA	\$	717,961	\$	811,600	\$	447,231

LIQUIDITY AND FINANCIAL CONDITION

Our cash and cash equivalents and short-term investments balance increased by \$642,808 during the year ended August 31, 2019 to \$2,892,194 (2018 – \$2,249,386). At August 31, 2019, we held \$2,512,138 (August 31, 2018 - \$1,097,434) in cash and cash equivalents and \$380,056 (2018 - \$1,151,952) in short term investments consisting of one-year Guaranteed Investment Certificates held through a major Canadian financial institution.

At August 31, 2019, we had working capital of \$2,809,689 compared to \$2,280,695 as at August 31, 2018. The increase in our working capital was primarily due net income during the year.

At August 31, 2019, \$2,552,539 in cash and short-term investments were held outside of the United States. At this time, we have no intention to repatriate this cash, however should we decide to repatriate in the future, taxes may need to be accrued and paid.

Cash Flows

Net cash provided in operating activities was \$840,534 for the year ended August 31, 2019, compared to \$1,094,248 for the year ended August 31, 2018. The decrease was mainly the result of a deferred leasehold inducements received in the comparative year, as well as the receipt of a short-term receivable in the comparative period which was fully repaid in that period.

The cash used provided by investing activities was \$591,621 for the year ended August 31, 2019, compared to cash utilized in investing activities of \$1,294,058 for the year ended August 31, 2018. The increase in cash provided by investing activities is a result of the maturity of short-term investments, consisting of one-year Guaranteed Investment Certificates, at August 31, 2019, offset by an investment in new internally developed software.

Cash used in financing activities was \$2,005 for the year ended August 31, 2019, consisting of the repurchase of common stock of the company for retirement. There was no cash used in or provided by financing activities during each of the fiscal year ended August 31, 2018.

CAPITAL RESOURCES

The Company does not have any material commitments for capital expenditures and the Company is able to meet current and expected growth and increase in growth in revenue with current capital investments.

MATERIAL OFF-BALANCE SHEET ARRANGEMENTS

None.

CRITICAL ACCOUNTING ESTIMATES

We prepare our 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

The Company's revenue is derived from software as a service (SaaS) arrangements. The Company accounts for revenue in accordance with ASC 606, which the Company adopted on September 1, 2018 using the modified retrospective method.

The core principle of ASC 606 is to recognize revenue upon the transfer of products or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (1) identify the contract(s) with customers; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations in the contract; and (5) recognize revenue when (or as) the performance obligations are satisfied.

The majority of our revenue is generated from digital media distribution service. The service is billed either based on usage or on a fixed fee which is based on the volume and size of distributions provided. All revenues are recognized on a monthly basis as the services are delivered to customers.

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 within the scope of ASC 985-20 *Software – Costs of Software to be Sold, Leased or Marketed* 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 carryforwards and other deductions. The valuation of deferred income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate all available evidence, such as recent and expected future operating results by tax jurisdiction, and current and enacted tax legislation and other temporary differences between book and tax accounting to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. There is a risk that management estimates for operating results could vary significantly from actual results, which could materially affect the valuation of the future income tax asset. Although the Company has tax loss carry-forwards and other deferred income tax assets, management has determined certain of these deferred tax assets do not meet the more likely than not criteria, and accordingly, these deferred income tax asset amounts have been completely offset by a valuation allowance as disclosed in Note 6 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.

Contingencies

As discussed under "Item 3. Legal Proceedings" and in Note 9 "Contingencies" in Notes to 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.

RECENT ACCOUNTING PRONOUNCEMENTS

For a discussion of recent accounting pronouncements and their possible effect on our financial statements, please see Note 2 to our Consolidated Financial Statements found elsewhere in this Annual Report.

ITEM 7A. 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 the Canadian dollar to these currencies. During the year, as a result of fluctuations in the Euro, and the Australian, Canadian, and US dollars, the Company realized an overall negligible positive impact on net income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Audited Consolidated Financial Statements for the Years Ended August 31, 2019 and 2018:

1. Report of Independent Registered Public Accounting Firm – Davidson & Company LLP;
2. Report of Independent Registered Public Accounting Firm – BDO Canada LLP;
2. Consolidated Balance Sheets as at August 31, 2019 and 2018;
3. Consolidated Statement of Comprehensive Income for the Years Ended August 31, 2019 and 2018;
4. Consolidated Statement of Changes in Stockholders' Equity for the Years Ended August 31, 2019 and 2018;
5. Consolidated Statement of Cash Flows for the Years Ended August 31, 2019 and 2018;
6. Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Destiny Media Technologies Inc.

August 31, 2019 and 2018

(Expressed in United States dollars)

Report of Independent Registered Public Accounting Firm

To the Shareholders and Directors of
Destiny Media Technologies Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Destiny Media Technologies Inc. (the “Company”), as of August 31, 2019, and the related consolidated statements of comprehensive income, changes in stockholders’ equity, and cash flows for the year ended August 31, 2019, and the related notes (collectively referred to as the “financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Destiny Media Technologies Inc. as of August 31, 2019, and the results of its operations and its cash flows for the year ended August 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatements of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have served as the Company’s auditor since 2019.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

November 15, 2019



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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
Destiny Media Technologies Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Destiny Media Technologies Inc. (the "Company") and subsidiaries as of August 31, 2018, the related consolidated statements of comprehensive income, stockholders' equity, and cash flows for the year ended August 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and subsidiaries at August 31, 2018, and the results of their operations and their cash flows for the year ended August 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

We served as the Company's auditor since 2010.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, Canada
November 27, 2018

BDO Canada LLP, a Canadian limited liability partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

CONSOLIDATED BALANCE SHEETS

As at August 31,

(Expressed in United States dollars)

	2019 \$	2018 \$
ASSETS		
Current		
Cash and cash equivalents	2,512,138	1,097,434
Short-term investments <i>[note 3]</i>	380,056	1,151,952
Accounts receivable, net of allowance for doubtful accounts of \$10,106 [2018 – \$6,031] <i>[note 9]</i>	332,271	403,801
Other receivables	14,240	15,902
Prepaid expenses	77,067	57,252
Total current assets	3,315,772	2,726,341
Deposits	33,716	34,336
Property and equipment, net <i>[note 4]</i>	260,907	160,273
Intangible assets, net <i>[note 4]</i>	24,695	41,472
Total assets	3,635,090	2,962,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current		
Accounts payable	132,451	141,273
Accrued liabilities	303,470	226,876
Deferred leasehold inducement <i>[note 7]</i>	46,774	51,848
Deferred revenue	23,388	23,286
Obligation under capital lease	—	2,363
Total liabilities	506,083	445,646
Commitments and contingencies <i>[notes 7 and 8]</i>		
Stockholders' equity		
Common stock, par value \$0.001 <i>[note 5]</i>		
Authorized: 20,000,000 shares		
Issued and outstanding: 11,000,786 shares [2018 – issued and outstanding 11,002,786 shares]	11,001	11,003
Additional paid-in capital <i>[note 5]</i>	9,850,348	9,810,676
Accumulated deficit	(6,340,483)	(6,951,261)
Accumulated other comprehensive loss	(391,859)	(353,642)
Total stockholders' equity	3,129,007	2,516,776
Total liabilities and stockholders' equity	3,635,090	2,962,422

*Subsequent Events [note 11]**See accompanying notes*

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended August 31,

(Expressed in United States dollars)

	2019 \$	2018 \$
Service revenue <i>[note 9]</i>	3,809,092	3,606,471
Cost of revenue		
Hosting costs	107,434	125,631
Internal engineering support	28,441	24,437
Customer support	126,317	111,301
Third party and transaction costs	47,840	37,039
	310,032	298,408
Gross Margin	3,499,060	3,308,063
	92%	92%
Operating expenses		
General and administrative	770,758	801,866
Sales and marketing	908,951	657,474
Product development	1,141,380	1,093,448
Depreciation and amortization <i>[note 4]</i>	96,846	105,869
	2,917,935	2,658,657
Income from operations	581,125	649,406
Other income		
Interest income	27,188	10,597
Other income (expense)	2,465	(3,733)
Income before provision for income taxes	610,778	656,270
Income tax expense - deferred <i>[note 6]</i>	—	—
Net income	610,778	656,270
Foreign currency translation adjustments	(38,217)	(86,751)
Total comprehensive income	572,561	569,519
Net income per common share, basic and diluted	0.06	0.06
Weighted average common shares outstanding:		
Basic	11,002,589	11,002,786
Diluted	11,002,589	11,002,786

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended August 31,

(Expressed in United States dollars)

	Common stock		Additional paid-in capital	Accumulated Deficit	Accumulated other comprehensive loss	Total stockholders' equity
	Shares #	Amount \$	\$	\$	\$	\$
Balance, September 1, 2017	11,002,786	11,003	9,756,224	(7,607,531)	(266,891)	1,892,805
Total comprehensive income	—	—	—	656,270	(86,751)	569,519
Stock based compensation – <i>Note 5</i>	—	—	54,452	—	—	54,452
Balance, August 31, 2018	11,002,786	11,003	9,810,676	(6,951,261)	(353,642)	2,516,776
Total comprehensive income	—	—	—	610,778	(38,217)	572,561
Shares repurchased for cancellation	(2,000)	(2)	(2,003)	—	—	(2,005)
Stock based compensation – <i>Note 5</i>	—	—	41,675	—	—	41,675
Balance, August 31, 2019	11,000,786	11,001	9,850,348	(6,340,483)	(391,859)	3,129,007

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended August 31,

(Expressed in United States dollars)

	2019 \$	2018 \$
OPERATING ACTIVITIES		
Net income	610,778	656,270
Items not involving cash:		
Depreciation and amortization	96,846	105,869
Stock-based compensation	41,675	54,452
Deferred leasehold inducement	(4,151)	5,606
Unrealized foreign exchange	(1,078)	(417)
Loss on disposal of property and equipment	—	3,734
Changes in non-cash working capital:		
Accounts receivable	63,202	108,367
Other receivables	2,657	3,308
Prepaid expenses and deposits	(20,416)	(11,499)
Accounts payable	49,570	14,165
Accrued liabilities	927	44,469
Deferred revenue	524	557
Deferred leasehold inducement	—	45,341
Short term receivable	—	64,026
Net cash provided by operating activities	840,534	1,094,248
INVESTING ACTIVITIES		
Purchase of property, equipment and intangibles	(162,979)	(116,540)
Sales (Purchase) of short-term investments	754,600	(1,177,518)
Net cash provided by (used in) investing activities	591,621	(1,294,058)
FINANCING ACTIVITY		
Common stock repurchased for cancellation	(2,005)	—
Net cash used in financing activity	(2,005)	—
Effect of foreign exchange rate changes on cash	(15,446)	(45,712)
Net increase (decrease) in cash and cash equivalents during the year	1,414,704	(245,522)
Cash and cash equivalents, beginning of year	1,097,434	1,342,956
Cash and cash equivalents, end of year	2,512,138	1,097,434
Supplementary disclosure		
Interest paid	—	—
Income taxes paid	—	—

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

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 OTCQB 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.

Effective September 13, 2019, the Company effected a reverse stock split on the basis of 5:1. As such, the Company’s authorized capital was decreased from 100,000,000 shares of common stock, par value \$0.001 to 20,000,000 shares of common stock, par value \$0.001 and all shares of common stock issued and outstanding were decreased on the basis of one new share for each five old shares. These consolidated financial statements give retroactive effect to such reverse stock split and all share and per share amounts have been adjusted accordingly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used in the preparation of these consolidated financial statements:

Basis of presentation and fiscal year

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company’s fiscal year-end is August 31.

Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, Destiny Software Productions Inc., MPE Distribution Inc., and Sonox Digital Inc. All inter-company balances and transactions have been eliminated on consolidation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Use of estimates

The preparation of financial statements in accordance with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of net revenue and expenses in the reporting periods. We regularly evaluate estimates and assumptions related to revenue recognition, estimated useful lives for property and equipment, allowances for doubtful accounts, stock-based compensation expense, deferred income tax asset valuation allowances, uncertain tax positions, litigation and other loss contingencies. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results we experience may differ materially and adversely from our original estimates. To the extent there are material differences between the estimates and actual results, our future results of operations will be affected.

Cash and cash equivalents

We consider all highly liquid investments that are readily convertible into cash and have an original maturity of three months or less at the time of purchase to be cash equivalents.

Short-term investments

We classify our short-term investments as available-for-sale. Our investments classified as available-for-sale are recorded at fair value based upon third party pricing at period end. Unrealized gains and losses that are deemed temporary in nature are recorded in accumulated other comprehensive income a separate component of stockholders' equity.

A decline in the fair value of any security below cost that is deemed other than temporary results in a charge to earnings and the corresponding establishment of a new cost basis for the security. Premiums and discounts are amortized (accrued) over the life of the related security as an adjustment to its yield. Dividend and interest income are recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of investments sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Revenue recognition

The Company's revenue is derived from software as a service (SaaS) arrangements. The Company accounts for revenue in accordance with ASC 606, which the Company adopted on September 1, 2018 using the modified retrospective method.

The core principle of ASC 606 is to recognize revenue upon the transfer of products or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products or services. ASC 606 prescribes a five-step model for recognizing revenue from contracts with customers: (1) identify the contract(s) with customers; (2) identify the separate performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations in the contract; and (5) recognize revenue when (or as) the performance obligations are satisfied.

The Company applies the five-step model to recognize revenue as follows:

Identification of the contract, or contracts, with the customer

The Company considers the terms and conditions of written contracts and its customary business practices in identifying its contracts under ASC 606. The Company determines that it has a contract with a customer when the contract is approved, the Company can identify each party's rights regarding the services to be transferred, the Company can identify the payment terms for the services, the Company has determined that the customer has the ability and intent to pay, and the contract has commercial substance. In general, contract terms will be reflected in a written document that is signed by both parties.

Identification of the performance obligation in the contract

Performance obligations are promises in a contract to transfer distinct products or services to a customer, and is the unit of account under ASC 606. A contract's transaction price is allocated to each distinct performance obligation and revenue is recognized when the performance obligation is satisfied. A product or service is a distinct performance obligation if the customer can both benefit from the product or service either on its own or together with other resources that are readily available to the customer, and it is separately identifiable from other items within the context of the contract. Performance obligations are satisfied by transferring control of the product or service to the customer. Control of the product or service is transferred either at a point in time or over time depending on the performance obligation.

To the extent a contract includes multiple promised services or products, the Company applies judgment to determine whether promised services or products are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised services are accounted for as a combined performance obligation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Revenue recognition (cont'd.)

The Company generates revenue primarily from usage fees for the Company's digital media distribution service. Usage fees are generally recognized as they are billed based on volume and size of distribution services provided in a given month. The Company's other performance obligations include maintenance services, email and phone support, and unspecified software updates released when, and if, available. Under the guidance of ASC 606, the Company has concluded that maintenance services and unspecified software upgrades are not distinct in the context of the Company's contracts because the Company's service is considered a multi-tenant software environment, and these activities represent a single combined performance obligation in connection with the Company's digital media distribution service, recognized at a point in time when the service is delivered to the customer.

Support activities are considered a separate performance obligation which is satisfied over time; however, such activities are performed substantially concurrently with the satisfaction of digital media distribution services.

From time to time, certain of the Company's contracts contain additional separate performance obligations, including specific enhancements and upgrades.

Determination of the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for providing services to the customer.

Digital media distribution services may be subject to either fixed or variable pricing. Variable consideration is allocated entirely to distinct service periods when it can be tied to a single performance obligation. Variable consideration is estimated and included in the transaction price if, in the Company's judgment, it is probable that there will not be a significant future reversal of cumulative revenue under the contract. When variable consideration is contingent and cannot be tied to a single performance obligation performed in a particular billing period, the Company estimates contingent variable consideration using the most likely method and recognizes consideration to the extent that the estimate for variable consideration is not constrained pursuant to the guidance provided in ASU 606.

A significant financing component generally does not exist under the Company's standard contracting and billing practices.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Revenue recognition (cont'd.)

Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single combined performance obligation, the entire transaction price is allocated to the single combined performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on its standalone selling price ("SSP") in relation to the total fair value of all performance obligations in the arrangement. The majority of the Company's contracts contain two separate performance obligations that are performed concurrently. The Company allocates consideration to each performance obligation under the guidance of ASC 606 on a relative standalone selling price (SSP) basis. Where SSP is not directly observable, the Company determines the SSP using information that may include market conditions and other observable inputs.

Consideration associated with support activities is estimated using a cost-plus reasonable margin approach, as there is no observable SSP.

Consideration associated with specified enhancements and upgrades is estimated using a cost-plus reasonable margin approach, as there is no observable SSP.

Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company recognizes revenue when the services are delivered to its customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. The Company is principally responsible for the satisfaction of its distinct performance obligations, which are satisfied either at a point in time or over a period of time.

Performance obligations satisfied at a point in time

Media distribution services

Media distribution services comprise the majority of distinct performance obligations that are satisfied at a point in time, and revenue is recognized at the point in which the distribution service has been completed. Consideration for these services is typically billed in the same period that the service has been delivered to the customer.

Performance obligations satisfied over a period of time

Customer support activities comprise the majority of distinct performance obligations that are satisfied over a period of time.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Revenue recognition (cont'd.)

Revenue from support activities is recognized over an estimated support period since this activity is considered a 'stand-ready obligation'. This support period is substantially concurrent with the performance of media distribution services, as these services are performed substantially in conjunction with the related distribution. Any support activities provided outside of this billing period are not considered material.

Revenue from specified enhancements and upgrades is recognized over an estimated performance period.

Contract Costs

Contract costs consists of two components, customer acquisition costs and costs to fulfill a contract. Customer acquisition costs are capitalized only if the costs are incrementally incurred to obtain a customer contract and may consist of sales commissions paid to sales personnel or third-party resellers. Generally, the Company does not incur any contract costs outside of the period that the related revenue is recognized.

Contract Modifications

Contract modifications may create new, or change existing, enforceable rights and obligations of the parties to the contract. We generally modify an existing contract using an addendum or signed change order. A contract modification is accounted for as a new contract if it reflects an increase in scope that is regarded as distinct from the original contract and is priced in-line with the standalone selling price for the related product or services obligated. If a contract modification is not considered a new contract, the modification is combined with the original contract and the impact on the revenue recognition profile depends on whether the remaining products and services are distinct from the original contract. If the remaining goods or services are distinct from those in the original contract, all remaining performance obligations will be accounted for on a prospective basis with unrecognized consideration allocated to the remaining performance obligations. If the remaining goods or services are not distinct, the modification will be treated as if it were a part of the existing contract, and the effect that the contract modification has on the transaction price, and on our measure of progress toward satisfaction of the performance obligations, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification on a cumulative catch-up basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Cost of revenue

Cost of revenue primarily consists of personnel costs for our operations service and technical support employees and engineering support staff, cloud infrastructure costs, incremental transaction costs such as merchant and processing fees, and costs of external customer support software and services. In each case, personnel costs include salaries, benefits and any other compensation paid to such staff.

Long-lived assets

Long-lived assets held for use are evaluated for impairment when events or changes in business circumstances indicate that the carrying amount of property, equipment and intangible assets may not be fully recoverable. Impairment is measured by a two-step process: Step 1) the carrying amount of the asset is compared with its estimated undiscounted future cash flows expected to result from the use of the assets and its eventual disposition. If the carrying amount is lower than the undiscounted future cash-flows, no impairment loss is recognized. Step 2) if the carrying amount is higher than the undiscounted future cash-flows then an impairment loss is measured as the difference between the carrying amount and fair value which may be based on internally developed discounted cash flow estimates, quoted market prices, when available, or independent appraisals. The determination of whether or not long-lived assets have become impaired involves a significant level of judgment in the assumptions underlying the approach used to determine the estimated future cash flows expected to result from the use of those assets. Changes in the Company's strategy, assumptions and/or market conditions could significantly impact these judgments and require adjustments to recorded amounts of long-lived assets. As of August 31, 2019, there were no impairment indicators present.

Litigation and settlement costs

From time to time, we may be involved in disputes, litigation and other legal actions. In accordance with ASC 450, Contingencies, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability had been incurred at the date of the financial statements and (ii) the range of loss can be reasonably estimated.

During the year ended August 31, 2019, the Company incurred approximately \$59,310 (2018: \$82,354) in professional legal fees in connection with legal actions against the Company and legal actions initiated by the Company. These costs are expensed as incurred and are recorded as a component of general and administrative expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Allowance for doubtful accounts

The Company establishes an allowance for doubtful accounts through review of open accounts, and historical collection and allowance amounts. The allowance for doubtful accounts is intended to reduce trade accounts receivable to the amount that reasonably approximates their fair value due to their short-term nature. The amount ultimately realized from trade accounts receivable may differ from the amount estimated in the consolidated financial statements based on collection experience.

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred, unless such costs are within the scope of ASC 985-20 Software – Costs of Software to be Sold, Leased or Marketed (“ASC 985-20”), in which case such costs are subject to capitalization beginning when a product’s technological feasibility has been established and ending when a product is available for general release to customers. The Company’s products are generally released soon after technological feasibility has been established and therefore costs incurred subsequent to achievement of technological feasibility are not significant and have been expensed as incurred.

Property and equipment and intangibles

Property and equipment are stated at cost. Depreciation and amortization is taken over the estimated useful lives of the assets and is calculated using the following rates, and methods, commencing upon utilization of the assets:

Furniture and fixtures	20%
Computer hardware	30%
Computer software	50%
Leasehold improvements	Straight-line over lease term
Patents, trademarks and lists	Straight-line over 3 years

Translation of foreign currencies

The Company’s functional currency is the U.S. dollar. Financial statements of foreign operations for which the functional currency is the local currency are translated into U.S. dollars with assets and liabilities translated at the rate of exchange in effect at the balance sheet date and revenue and expense items translated at the average rates for the period. Unrealized gains and losses resulting from the translation of the consolidated financial statements are deferred and accumulated in a separate component of stockholders’ equity as a foreign currency translation gain (loss) in accumulated other comprehensive income (loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Translation of foreign currencies (cont'd)

Transactions denominated in foreign currencies are translated at the exchange rate in effect on the transaction date. These foreign currency gains and losses are included as a component of general and administrative expenses in the consolidated statements of comprehensive income.

The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into contracts for foreign exchange hedges.

Advertising

Advertising costs are expensed as incurred and totaled \$12,017 and \$3,333 during the years ended August 31, 2019 and 2018, respectively.

Income taxes

The Company utilizes the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis that give rise to the differences reverse. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In determining the need for valuation allowances we consider projected future taxable income and the availability of tax planning strategies. If in the future we determine that we would not be able to realize our recorded deferred tax assets, an increase in the valuation allowance would be recorded, decreasing earnings in the period in which such determination is made.

We assess our income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, we have recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is 50% or less likelihood that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements.

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 which remain subject to examination by major tax jurisdictions. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Investment tax credits

The Company uses the flow through method to account for investment tax credits earned on eligible scientific research and development expenditures. Under this method, the investment tax credits are recognized as a reduction to income tax expense.

Stock based compensation

The Company follows the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification Section 718 "Compensation - Stock Compensation", which establishes accounting for equity based compensation awards to be accounted for using the fair value method. Equity-settled share based payment arrangements are initially measured at fair value at the date of grant and recorded within shareholders' equity. The fair value at grant date of all share-based payments is recognized as compensation expense over the period for which benefits of services are expected to be derived, with a corresponding credit to shareholders' equity. The Company estimates the fair value of stock options granted using the Black-Scholes option pricing model and estimate the expected forfeiture rate at the date of grant. When awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Earnings per share

Net income per common share (basic) is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Net income per common share (diluted) is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period, plus the dilutive effect of outstanding common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. Under the treasury stock method, all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period, but only if dilutive.

	Year Ended	
	August 31, 2019	August 31, 2018
Net income	\$ 610,778	\$ 656,270
Weighted average common shares outstanding	11,002,589	11,002,786
Diluted weighted average common shares outstanding	11,002,589	11,002,786

At August 31, 2019, the Company had an aggregate of 290,000 (2018: 326,250) stock options outstanding. Those outstanding options were not included in the computation of diluted EPS because the effect would have been anti-dilutive.

Comprehensive income (loss)

Comprehensive income (loss) includes all changes in equity except those resulting from investments by owners and distributions to owners. Accumulated other comprehensive income (deficit) consists only of accumulated foreign currency translation adjustments for all years presented.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Fair value measurement

The book value of cash and cash equivalents, short-term investments, accounts receivable, other receivables, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of those instruments. The fair value hierarchy under GAAP is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities;

Level 2 – observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 – assets and liabilities whose significant value drivers are unobservable by little or no market activity and that are significant to the fair value of the assets or liabilities.

Recently Adopted Accounting Standards

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 provides a five-step analysis of transactions to determine when and how revenue is recognized. The premise of ASU 2014-09 is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted this standard on September 1, 2018 using the modified retrospective method applied to open contracts at the date of transition. Under this approach, the Company is not required to restate the prior financial statements presented. The provisions under this ASU were applied to all contracts at the date of initial adoption.

In order to comply with the guidance, beginning on September 1, 2018, the Company amended its revenue recognition policy and performed estimates as outlined below. The adoption of ASU 2014-09 did not result in any adjustment to the Company's consolidated balance sheet on the date of adoption. Refer to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2018 for a description of the Company's revenue recognition policy prior to September 1, 2018.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, ("ASC 230") including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. This amendment was effective for the Company beginning on September 1, 2018. The adoption of ASU 2016-15 and ASU 2016-18 did not have any material effect on the Company's consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

In June 2018, the FASB issued ASU 2018-07, Compensation-Stock Compensation (Topic 718), Improvements to Nonemployee Share-based Payments (“ASU 2018-07”). This ASU expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This standard was effective for the Company beginning on September 1, 2018. The new guidance is required to be applied retrospectively with the cumulative effect recognized at the date of initial application. The adoption of this guidance did not have any material impact on the Company’s consolidated financial statements.

Accounting Standards Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)” (“ASU 2016-02”). The amendments in this Update increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The FASB has also issued ASU No. 2018-11 “Leases (Topic 842): Targeted Improvements and ASU 2019-01 “Leases Codification Improvements Codification improvements to Topic 842 (leases)”, which provides narrow amendments to clarify how to apply certain aspects of the new lease standard. ASU 2016-02 will be effective for the Company beginning on September 1, 2019. The new standard will require the Company to recognize a lease asset and an offsetting lease liability of approximately \$660,000 in respect of the Company’s office premises lease.

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 guidance on reporting credit losses for assets held on an amortized cost basis and available-for-sale debt securities. For assets held on an 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 the Company on September 1, 2020. The Company is in the process of determining the effect the adoption of this standard will have on its consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Accounting Standards Not Yet Effective (cont'd)

In February 2018, the FASB issued ASU No. 2018-02, "Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income" ("ASU 2018-02"), which provides financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or portion thereof) is recorded. The amendments in this ASU will be effective for the Company on September 1, 2019. The amendments in this ASU should be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company does not expect that the adoption of this guidance will have a material impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement - Disclosure Framework (Topic 820). The updated guidance improves the disclosure requirements on fair value measurements. The amendments in this ASU will be effective for the Company on September 1, 2020. Early adoption is permitted for any removed or modified disclosures. The Company is currently assessing the timing and impact of adopting the updated provisions to its consolidated financial statements.

3. SHORT TERM INVESTMENTS

The Company's short-term investments consists of one-year Guaranteed Investment Certificates with a major Canadian financial institution that earn interest at variable interest rates ranging from 2.35% – 2.36% (2018: 2.15 – 2.50%) .

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

4. PROPERTY AND EQUIPMENT AND INTANGIBLES

	Cost \$	Accumulated amortization \$	Net book value \$
August 31, 2019			
Property and equipment			
Furniture and fixtures	134,432	107,304	27,128
Computer hardware	242,736	198,990	43,746
Computer software	354,090	223,387	130,703
Leasehold improvements	159,815	100,485	59,330
	891,073	630,166	260,907
Intangibles			
Patents, trademarks and lists	421,520	396,825	24,695
August 31, 2018			
Property and equipment			
Furniture and fixtures	134,130	102,822	31,308
Computer hardware	226,679	189,724	36,955
Computer software	213,684	203,420	10,264
Leasehold improvements	162,754	81,008	81,746
	737,247	576,974	160,273
Intangibles			
Patents, trademarks and lists	412,072	370,600	41,472

Depreciation and amortization for the year ended August 31, 2019 was \$96,846 (2018: \$105,869)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

5. STOCKHOLDERS' EQUITY

Effective September 13, 2019, the Company effected a reverse stock split on the basis of 5:1. As such, the Company's authorized capital was decreased from 100,000,000 shares of common stock, par value \$0.001 to 20,000,000 shares of common stock, par value \$0.001 and all shares of common stock issued and outstanding were decreased on the basis of one new share for each five old shares. These consolidated financial statements give retroactive effect to such reverse stock split and all share and per share amounts have been adjusted accordingly.

[a] Common stock issued and authorized

The Company is authorized to issue up to 20,000,000 shares of common stock, par value \$0.001 per share.

[b] Stock option plans

The Company has a stock option plan, namely the 2015 Stock Option Plan (the "Plan"), under which up to 530,000 shares of common stock, has been reserved for issuance. A total of 240,000 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

5. STOCKHOLDERS' EQUITY (cont'd.)

[b] Stock option plans (cont'd.)

Stock-Based Payment Award Activity

A summary of option activity under the Plan as of August 31, 2019 and 2018, and changes during the years ended are presented below:

Options	Shares	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value \$
Outstanding at September 1, 2017	361,250	1.95	4.07	—
Granted	30,000	2.00	4.28	—
Forfeited	(30,000)	2.00	4.27	—
Expired	(35,000)	2.00	—	—
Outstanding at August 31, 2018	326,250	1.95	3.49	—
Granted	30,000	1.52	4.82	—
Forfeited	(40,000)	2.00	3.06	—
Expired	(26,250)	2.00	—	—
Outstanding at August 31, 2019	290,000	1.94	2.96	—
Exercisable at August 31, 2019	260,000	1.94	2.77	—

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 August 31, 2019.

The following table summarizes information regarding the non-vested stock purchase options outstanding as of August 31, 2019:

	Number of Options	Weighted Average Grant Date Fair Value \$
Non-vested options at September 1, 2017	273,333	0.35
Granted	30,000	0.40
Forfeited	(20,000)	0.35
Vested	(160,416)	0.35
Non-vested options at August 31, 2018	122,917	0.35
Granted	30,000	0.35
Forfeited	(6,663)	0.34
Vested	(116,254)	0.42
Non-vested options at August 31, 2019	30,000	0.38

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

5. STOCKHOLDERS' EQUITY (cont'd.)

[b] Stock option plans (cont'd.)

As of August 31, 2019, there was \$42,658 of total unrecognized compensation cost related to non-vested share-based compensation awards. The unrecognized compensation cost is expected to be recognized over a weighted average period of 1.1 years.

During the year ended August 31, 2019, the total stock-based compensation expense of \$41,675 (2018: \$54,452) is reported in the statement of comprehensive income as follows:

	2019 \$	2018 \$
Stock-based compensation		
General and administrative	25,847	32,954
Sales and marketing	7,535	7,930
Research and development	8,293	13,568
Total stock-based compensation	41,675	54,452

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:

	2019 \$	2018 \$
Expected term of stock options (years)	3.02	3.02
Expected volatility	75.3%	93.3%
Risk-free interest rate	1.7%	1.9%
Dividend yields	—	—
Weighted average grant date fair value	\$0.40	\$0.40

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

5. 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 the Company are able to contribute up to 5% of their annual salary into a pool which is matched equally by the Company. 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 the Company and the participants.

During the year ended August 31, 2019, the Company recognized compensation expense of \$61,629 (2018: \$58,102) in salaries and wages on the consolidated statement of 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 \$1.16 (2018: \$1.15). The shares are held in trust by the Company for a period of one year from the date of purchase.

[d] Warrants

A summary of common stock warrants outstanding as of August 31, 2019, and changes during the year then ended is presented below:

	Number of Common Shares Issuable	Exercise Price \$	Date of Expiry	Aggregate Intrinsic Value \$
Outstanding at August 31, 2017	202,000	1.50	October 20, 2017	—
Expired	(202,000)	1.50		
Outstanding at August 31, 2018 and August 31, 2019	—	—		—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

6. INCOME TAXES

The Company is subject to United States federal and state income taxes at an approximate rate of 21.0% and to Canadian federal and British Columbia provincial taxes in Canada at an approximate rate of 27.0% . The reconciliation of the provision (recovery) for income taxes at the United States federal statutory rate compared to the Company's income tax expense is as follows:

	2019 \$	2018 \$
Tax at U.S. statutory rates	128,000	138,000
Permanent differences	2,000	1,000
Stock option compensation	11,000	11,000
Effect of higher foreign tax rates in Canada	47,000	52,000
Effect of research tax credits claims filed in respect of prior years	(361,000)	29,000
Effect of a change in statutory tax rates	—	443,000
Foreign exchange and other adjustments	(73,000)	190,000
Recovery of previously unrecognized tax assets	—	(233,000)
Change in valuation allowance	246,000	(631,000)
Provision for deferred income taxes	—	—

Included in other adjustments and change in valuation allowance for the year ended August 31, 2019 is \$33,000 (2018: \$(74,000)) for the effect of changes in foreign exchange rates and \$(74,000) (2018: \$115,000) in respect of a change in estimates and provisions.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company has recognized a valuation allowance for those deferred tax assets for which realization is not likely to occur.

Significant components of the Company's deferred tax assets as of August 31 are as follows:

	2019 \$	2018 \$
Deferred tax assets:		
Net operating loss carryforwards	886,000	789,000
Excess of book over tax depreciation	884,000	729,000
Tax Credit Carryforwards	1,013,000	1,019,000
Total deferred tax asset	2,783,000	2,537,000
Valuation allowance	(2,783,000)	(2,537,000)
Net deferred tax asset	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

6. INCOME TAXES (Cont'd)

Net income (loss) before income tax by geographic region is as follows:

	2019 \$	2018 \$
United States	(118,503)	(166,037)
Canada	729,281	822,307
	610,778	656,270

If not utilized to reduce future taxable income, the Company's net operating loss carryforwards will expire as follows:

	Canada \$	United States \$
2021 and thereafter	—	4,217,000
	—	4,217,000

If not utilized to reduce future taxable payable, the Company's investment tax credit carryforwards will expire as follows:

	Canada \$	United States \$
2029 and thereafter	1,233,000	—
	1,233,000	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

7. COMMITMENTS

The Company entered into a new lease agreement commencing July 1, 2017 and expiring June 30, 2022 for the same premise consisting of approximately 6,600 square feet. The Company has fiscal year payments committed as follows:

	\$
2020	256,225
2021	261,618
2022	223,200

During the year ended August 31, 2018, the Company became entitled to a leasehold improvement allowance from its landlord in the amount of \$45,341, in connection with certain office leasehold improvements completed. This amount was recorded as a deferred leasehold inducement and is being amortized against rent expense over the remaining term of the lease.

During the year ended August 31, 2019 the Company recorded rent expense of \$244,992 (2018 - \$256,058) which has been allocated between general and administrative expenses, research and development and sales and marketing on the consolidated statement of comprehensive income. The total rent commitment, net of the leasehold improvement allowance, is being amortized to rent expense on a straight-line basis over the term of the lease.

8. CONTINGENCIES

The Company is subject to claims and legal proceedings that arise in the ordinary course of business. Such matters are inherently uncertain, and there can be no guarantee that the outcome of any such matter will be decided favorably to the Company or that the resolution of any such matter will not have a material adverse effect upon the Company's financial statements. The Company does not believe that any of such pending claims and legal proceedings will have a material adverse effect on its consolidated financial statements.

On September 5, 2017, the Company's former President and Chief Executive Officer filed a Notice of Civil Claim in the Supreme Court of British Columbia against the Company, its subsidiaries, independent directors and current Chief Executive Officer, claiming damages for conspiracy, breach of contract, wrongful dismissal, defamation and aggravated and punitive damages. The Company believes the claims are without merit and will defend itself against the claims. The quantum of loss, if any, is not determinable at this time and management believes it is unlikely that the outcome of this matter will have an adverse impact on its results of operations, cash flows and financial condition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

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:

	2019 \$	2018 \$
Play MPE®		
United States	1,658,603	1,527,868
Europe	1,784,821	1,721,654
Australia	309,291	289,042
Total Play MPE® Revenue	3,752,715	3,538,564
Clipstream ®		
United States	56,377	67,907
Total Clipstream ® Revenue	56,377	67,907
Total Revenue	3,809,092	3,606,471

Revenue in the above table is based on location of the customer's billing address. Some of these customers have distribution centers located around the globe and distribute around the world. During the year ended August 31, 2019, the Company generated 41% of total revenue from one customer [2018 - 42%].

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

As at August 31, 2019, two customers represented \$233,549 (70%) of the trade receivables balance [2018 – one customer represented \$102,313 (25%)].

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

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect prior periods' net earnings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 2019 and 2018

11. SUBSEQUENT EVENTS

On September 13, 2019, the Company commenced a Normal Course Issuer Bid ("NCIB"), pursuant to which the Company may purchase up to a maximum of 550,140 shares of common stock in the capital of the Company, representing approximately 5% of the then-outstanding common stock. Purchases pursuant to the NCIB will be made from time to time by RBC Dominion Securities Inc. on behalf of the Company through the facilities of the TSX Venture Exchange at the market price at the time of purchase, subject to daily limits and compliance with the applicable rules of the TSX Venture Exchange and Canadian securities laws. Shares purchased will be paid for with cash available from the Company's working capital.

Subsequent to August 31, 2019, an aggregate of 97,100 repurchased shares were returned to the Company's treasury and retired.

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, our chief executive officer and our chief financial officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our principal executive and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective, as of August 31, 2019.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act, is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP"). Internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are transacted in accordance with authorizations of management and directors of the Company, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with existing policies or procedures may deteriorate. A material weakness is defined as "a deficiency, or a combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis."

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, conducted an assessment of the effectiveness of our internal control over financial reporting as of August 31, 2019 based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this assessment, management concluded that our internal controls over financial reporting were effective as of August 31, 2019.

This annual report does not include an attestation report of the Company’s independent registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s independent registered public accounting firm pursuant to the rules of the SEC that permit the Company to provide only management’s report in this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the quarter ended August 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Subsequent to August 31, 2019, our Chief Financial Officer resigned, to be effective November 30, 2019. Where internal controls rely on a separation of duties between the CEO and the CFO, our internal controls may be temporarily affected in that respect subsequent to November 30, 2019.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth the names, positions and ages of our executive officers and directors. All our directors serve until the next annual meeting of shareholders or until their successors are elected and qualify. The Board of Directors elects officers and their terms of office are, except to the extent governed by employment contract, at the discretion of the Board of Directors.

Name	Position Held with the Company	Age	Date First Elected or Appointed
Frederick Vandenberg	<i>Director, President, Corporate Secretary, Chief Executive Officer</i>	51	<i>CEO since June 2017</i>
	<i>Executive Officer</i>		<i>CFO since July 2007</i>
Hyonmyong Cho ⁽¹⁾	<i>Chairman of the Board, Director</i>	47	<i>February 2017</i>
Samuel Jay Graber ⁽¹⁾	<i>Director</i>	58	<i>February 2017</i>
Dave Summers ⁽¹⁾	<i>Director</i>	49	<i>February 2019</i>
Sandra Boenisch	<i>Chief Financial Officer and Treasurer</i>	38	<i>December 15, 2017</i>

(1) Member of our Audit Committee

Set forth below is a brief description of the background and business experience of each of our executive officers and directors for the past five years:

Fred Vandenberg, B. Comm. MBA, CPA, CA Mr. Vandenberg has been our Chief Executive Officer since June 2017 and was our Chief Financial Officer from July 2007 to December 2017. Mr. Vandenberg's core responsibilities include strategic planning and coordinating strategic planning, marketing and product development functions of the Company.

Mr. Vandenberg has been with the company for 12 years, heading up the finance group and managing the majority of Play MPE operations, including the initial transition of our customers to commercial agreements in 2008. Mr. Vandenberg oversees the business development and operational functions of Play MPE, expanding into new markets while ensuring we continue to lead the industry in customer service. Mr. Vandenberg obtained a Bachelor of Commerce from McMaster University in 1991 and a Master of Business Administration (Finance) from McMaster University in 1993. In 1996, Mr. Vandenberg was designated as a Chartered Professional Accountant in Ontario.

Hyonmyong Cho. Mr. Cho has been a director of the Company since February 2017. Hyonmyong Cho is currently a managing member of Greenlaw International Management Company LLC which manages Greenlaw International LP, a fund which invests in microcap stocks. From 2002 to 2008, Mr. Cho was a Managing Director of Forum Partners which managed several real estate private equity funds in Europe and Asia. At Forum Partners, Mr. Cho managed a worldwide team tasked with private equity deal structuring, analysis and negotiation. Prior to Forum Partners, Mr. Cho was a senior associate at Nassau Capital, whose only limited partner was Princeton University, and he was responsible for the due diligence, negotiation, documentation and monitoring of private equity transactions. Prior to that, Mr. Cho was a partner in Novalis Ventures, a venture capital fund focused on early stage investments in the real estate industry.

Before that, Mr. Cho was a Vice President at Cahill, Warnock & Company, a private equity firm focused on making direct investments in micro-cap public companies. Mr. Cho began his career as a financial analyst for Alex Brown & Sons, Inc. in the mergers and acquisitions, real estate and health care groups. Mr. Cho was a Morehead Scholar at the University of North Carolina, graduating with a B.A. in English Literature.

Samuel Jay Graber. Mr. Graber has been a director of the Company since February 2017. Mr. Graber recently retired as VP of Business Development from Apex Software LLC., a privately-owned developer of building drawing and area calculation software for jurisdictional mass appraisal at the municipal, county, province and statewide level as well as for the real estate mortgage appraisal industry. Mr. Graber continues to serve on various committees for the International Association of Assessing Officers (IAAO) as he remains a business partner in Apex. Prior to 20 years in the software/technology arena, Mr. Graber worked in direct sales / sales management for various manufacturing entities including automotive and decorative lighting, plastic extrusion, art glass and architectural flooring. Mr. Graber earned a BS degree in both Business Management and in Psychology from Eastern Mennonite College (now EMU).

Dr. David Summers Ph.D. BSc. MBA, Since 2016, Dr. Summers is currently a business development and technology commercialization consultant. From 2008 through 2016, Dr. Summers was a director for Chemetics Inc., a global leader in technology-based engineering design for the pulp & paper, and mining & minerals industries. Dr. Summers was responsible for technology development, the electrolyzer business group, and global technical customer service. From 2007 to 2008 Dr. Summers was Vice President, Business Operations for Carbon Credit Corp, a private technology and consulting company. In this role, Dr. Summers helped position the company for acquisition by Ledcor Group. From 1998 to 2007 Dr. Summers worked at Ballard Power Systems, where he spent ten years in progressively senior leadership positions in Research and Development, Product Development and Business Development. He is the author of 12 publications and 5 patents. Dr. Summers holds a Bachelor of Science degree (honours chemistry) from Queen's University, a Ph.D. in Chemistry from the University of British Columbia, and a dual Masters of Business Administration degree from Queen's University and Cornell University's Johnson School.

Sandra Boenisch, CPA, CGA. Ms. Boenisch has been our Chief Financial Officer since December 2017. Ms. Boenisch is a Chartered Professional Accountant (CPA, CGA) with over 15 years of accounting, audit, and financial reporting experience in a variety of industries, both in the United States and Canada. Ms. Boenisch was an independent consultant, providing financial reporting services to a range of public companies in the United States and Canada from January 2012 to December 2017. From 2008 until 2012, Ms. Boenisch was employed at BDO Canada LLP (Vancouver, BC) where she was a Manager, Audit Assurance. Ms. Boenisch specialized in managing assurance engagements for public companies in the United States and Canada. Prior to that, Ms. Boenisch worked for another public accounting firm from 2001 to 2008. As an independent consultant, Ms. Boenisch acquired considerable experience in finance, governance, and regulatory compliance. She holds a B.Comm. from Laurentian University.

ELECTION OF DIRECTORS AND OFFICERS

Our directors are elected by our shareholders at our annual general meetings. Each director holds office until our next annual general meeting or until the director resigns or is removed in accordance with our bylaws. We do not have a classified Board of Directors.

Our officers serve at the discretion of our Board of Directors.

AUDIT COMMITTEE

Our audit committee currently consists of Dr. David Summers, Mr. Hyonmyong Cho and Mr. Samuel Jay Graber. Each of Mr. Summers, Mr. Cho and Mr. Graber are non-employee directors of the Company and are considered independent as that term is defined by TSX rules and NASDAQ 5605(a)(2) and the applicable rules of the Securities and Exchange Commission. Our Board of Directors has currently designated Mr. Summers and Mr. Cho as "audit committee financial experts" as defined in Item 407(d)(5)(ii) of Regulation S-K. We believe that the audit committee members are capable of analyzing and evaluating our financial statements and understanding internal controls over financial reporting.

Our Board adopted a charter for the Audit Committee in November 2013, a copy of which is available on our corporate website www.dsny.com.

FAMILY RELATIONSHIPS

There are no family relationships among our officers and directors.

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than ten percent of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than ten percent shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms received by us, or written representations that no filings were required, we believe that during the fiscal year ended August 31, 2019 all such filing requirements were complied with.

CODE OF ETHICS

The Company's code of ethics is available on our website at <http://www.dsny.com/code-of-ethics>

We have adopted a code of ethics that applies to our principal executive officer, principle financial and accounting officer, or persons performing similar functions.

ITEM 11. EXECUTIVE COMPENSATION.

The particulars of compensation paid to the following persons:

(a) our principal executive officer;

(b) each of our two most highly compensated executive officers other than the principle executive officer who were serving as executive officers at the end of the year ended August 31, 2019; and

(c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the year ended August 31, 2019,

who we will collectively refer to as our "named executive officers", of our company for the years ended August 31, 2019 and 2018, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officer and the Chief Financial Officer, whose total compensation does not exceed \$100,000 for the respective fiscal year:

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$) ⁽¹⁾	Other Annual Compensation (\$) ⁽²⁾	Total (\$)
Frederick Vandenberg ⁽³⁾ Director, President, Chief Executive Officer, and former Chief Financial Officer	2019 2018	158,466 164,430	Nil 24,665	Nil Nil	Nil Nil	6,298 18,666	164,764 207,761
Sandra Boenisch ⁽³⁾ Chief Financial Officer	2019 2018	113,190 97,875	Nil Nil	Nil Nil	Nil 11,905	3,537 5,873	116,727 115,653

(1) Option awards shown here represent the aggregate grant date fair value of all options granted.

(2) The value of prerequisites and other personal benefits, securities and property for the individuals included in the summary compensation table that does not exceed \$10,000 is not reported herein. Other compensation includes participation in the employee share purchase plan described below under long term incentive plans.

(3) Compensation is stated in United States dollars. Where compensation was provided in Canadian dollars, compensation is based on an exchange rate of 0.7546 US dollars for each 1.00 Canadian dollar during the 2019 fiscal year and 0.783 US dollars for each 1.00 Canadian dollar during the 2018 fiscal year.

EMPLOYMENT AGREEMENT WITH OUR NAMED EXECUTIVE OFFICERS

We are not party to any written employment agreement or change in control arrangements with Mr. Vandenberg and Ms. Boenisch. We do not have any agreements with Mr. Vandenberg and Ms. Boenisch regarding the payments of bonus or other performance incentives. Mr. Vandenberg and Ms. Boenisch are eligible to receive stock options as and when approved by our Board of Directors.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table summarizes equity awards granted to our named executive officers that were outstanding as of August 31, 2019.

Option Awards						Stock Awards			
Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested (\$)
Frederick Vandenberg	80,000	Nil	N/A	2.00	July 6, 2022	N/A	N/A	N/A	N/A
Sandra Boenisch	8,750 17,500	1,250 2,500	N/A N/A	1.05 1.75	Dec 13, 2022 Dec 13, 2022	N/A N/A	N/A N/A	N/A N/A	N/A N/A

LONG-TERM INCENTIVE PLANS

The Company has an Employee Stock Purchase Program whereby all employees of the Company are eligible to contribute up to 5% of their annual salary into a pool which is matched equally by the Company. Independent directors are able to contribute a maximum of \$12,500 each annually, for a combined maximum annual purchase of \$25,000. The aggregate maximum annual contributions is limited to \$400,000. Money in the pool is used to purchase shares out of the market on a semi-monthly basis. All purchases are made through the Exchange by a third-party plan agent and no purchases are made on the OTC or German exchanges. The third-party plan agent is also be responsible for the administration of the Plan on behalf of the Company and the participants.

Additionally, the Company has the 2015 Stock Option Plan, under which up to 530,000 shares of the common stock, have been reserved for issuance. As at August 31, 2019, an aggregate of 240,000 common shares remained 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.

COMPENSATION OF DIRECTORS

Our directors are reimbursed for reasonable out-of-pocket expenses in connection with attendance at Board of Director and committee meetings. In addition, our directors are eligible for grants of options to purchase shares of our common stock at the discretion of our Board of Directors.

The following table summarizes compensation paid to all of our directors who were not our named executive officers during the fiscal year ended August 31, 2019:

Name	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)⁽¹⁾	Total (\$)
Hyonmyong Cho	Nil	Nil	Nil	Nil	Nil
Samuel Jay Graber	Nil	Nil	Nil	\$12,500	\$12,500
David Summers	Nil	Nil	Nil	\$10,417	\$10,417

(1) Other compensation includes participation in the employee share purchase plan described below under long term incentive plans.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The following table sets forth certain information concerning the number of shares of our common stock owned beneficially as of November 15, 2019 by: (i) each person (including any group) known to us to own more than five percent (5%) of any class of our voting securities, (ii) each of our directors and each of our named executive officers, and (iii) officers and directors as a group. Unless otherwise indicated, the shareholders listed possess sole voting and investment power with respect to the shares shown.

Title of class	Name and address of beneficial owner	Number of Shares of Common Stock	Percentage of Common Stock⁽¹⁾
DIRECTORS AND OFFICERS:			
Common Stock	Hyonmyong Cho Director, Chairman of the Board c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	533,988 ⁽²⁾	4.9%
Common Stock	Samuel Jay Graber Director c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	160,806 ⁽³⁾	1.5%
Common Stock	Frederick Vandenberg President, Chief Executive Officer, and Corporate Secretary c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	305,028 ⁽⁴⁾	2.8%
Common Stock	David Summers Director c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	23,381 ⁽⁵⁾	*
Common Stock	Sandra Boenisch Chief Financial Officer c/o 1110-885 W Georgia St. Vancouver, BC, V6C 3E8	45,984 ⁽⁶⁾	*
Common Stock	All Officers and Directors as a Group (4 persons)	1,069,187	9.5%

Common Stock	Mark A. Graber 56 Oakwell Farms Parkway San Antonio, TX 78218	1,081,903 ⁽⁷⁾	9.9%
Common Stock	Steven Vestergaard Suite 695 – 350 Centre Road Lions Bay, BC, V0N 2E0	2,201,223 ⁽⁸⁾	20.2%

* Less than one percent (1%)

- (1) Under Rule 13d-3 of the Exchange Act, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of such shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on November 15, 2019. As of November 15, 2019, there were 10,903,696 shares of our common stock issued and outstanding.
- (2) Consists of 142,735 shares held by Mr. Cho and 45,000 shares that may be acquired upon the exercise of stock options held by Mr. Cho within 60 days of November 15, 2019 and includes 346,253 shares held through Mr. Cho's indirect pecuniary ownership held through Greenlaw International LP, a Delaware limited partnership (the "Fund"), and Greenlaw International GP LLC, a Delaware limited liability company and the general partner of the Fund which has the right to receive an allocation of a portion of the profits of the Fund.
- (3) Consists of 112,826 shares held by Mr. Graber, 2,980 shares held by Mr. Graber's spouse, and 45,000 shares that may be acquired upon the exercise of stock options held by Mr. Graber within 60 days of November 15, 2019.
- (4) Consists of 225,028 shares held by Mr. Vandenberg and 80,000 shares that are acquirable upon the exercise of stock options held by Mr. Vandenberg within 60 days of November 15, 2019.
- (5) Consists of 23,381 shares held by Mr. Summers.
- (6) Consists of 15,984 shares held by Ms. Boenisch and 30,000 shares that are acquirable upon the exercise of stock options held by Ms. Boenisch within 60 days of November 15, 2019.
- (7) Consists of (i) 989,703 shares of the Company's common stock directly held by Mark Graber; (ii) 86,200 shares beneficially owned by Four Star Investments, a Texas partnership over which Mr. Graber has shared voting and disposition power; and (iii) 6,000 shares held by Mr. Graber's spouse.
- (8) The share ownership disclosed herein has been calculated based on the latest filings by Mr. Vestergaard under Section 16(a) of the Securities Exchange Act of 1934. The Company has not been able to confirm the amount with Mr. Vestergaard including any ownership under Rule 13d-3 of the Securities Exchange Act of 1934.

EQUITY COMPENSATION PLAN INFORMATION

We have an equity compensation plans, namely the 2015 Stock Option Plan (the “Plan”), under which up to 530,000 shares of our common stock, have been authorized for issuance to our officers, directors, employees and consultants. The Plan has not been approved by the Company’s stockholders. The following summary information is presented for our Plan of August 31, 2019.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity Compensation Plans Approved By Security Holders	Not Applicable	Not Applicable	Not Applicable
Equity Compensation Plans Not Approved By Security Holders	290,000 Shares of Common Stock	\$1.85 per Share	240,000 Shares of Common Stock
Total	290,000 Shares of Common Stock		240,000 Shares of Common Stock

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Except as described under “Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” and under “Item 11. Executive Compensation”, and under note 8 of the financial statements, none of the following persons has any direct or indirect material interest in any transaction to which we were or are a party during the past two years, or in any proposed transaction to which the Company proposes to be a party:

- (A) any director or officer;
- (B) any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to our common stock; or
- (C) any immediate family member of any of the foregoing persons.

SHARE ISSUANCES

None.

All of our non-employee directors are our independent directors as that term is defined by TSX rules and NASDAQ 5605(a)(2) and the applicable rules of the Securities and Exchange Commission.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.*Audit Fees*

Our current sole principal independent registered public accountant, Davidson & Company LLP, provided audit and other services during the year ended August 31, 2019 and the year ended August 31, 2018 as follows:

Davidson & Company LLP

	2019		2018	
Audit Fees	\$	47,540	\$	-
Audit Related Fees		-		-
Tax Fees		7,060		-
All Other Fees		-		-
Total Fees	\$	54,600	\$	-

Our former sole principal independent registered public accountant, BDO Canada LLP, provided audit and other services during the year ended August 31, 2019 and the year ended August 31, 2018 as follows:

BDO Canada LLP

	2019		2018	
Audit Fees	\$	13,400	\$	89,248
Audit Related Fees		-		-
Tax Fees		-		7,477
All Other Fees		-		-
Total Fees	\$	13,400	\$	96,725

Audit Fees. This category includes the fees for the audit of our annual consolidated financial statements and the quarterly reviews of interim financial statements. This category also includes advice on audit and accounting matters that arose during or as a result of the audit or the review of interim financial statements and services in connection with SEC filings.

Tax Fees. This category includes the fees for professional services rendered for tax compliance, tax advice and tax planning.

The audit committee requires advance approval of all audit, audit-related, tax, and non-audit and other services performed by the independent auditor. Unless the specific service has been previously pre-approved with respect to that year, the audit committee must approve the permitted service before the independent auditor is engaged to perform it. The audit committee has delegated to the chair of the audit committee authority to approve permitted services provided that the chair reports any decisions to the committee at its next scheduled meeting.

Of the total aggregate fees paid by us to our accountants during the fiscal years ended August 31, 2019 and 2018, 100% and 100% of the aggregate fees, respectively, were approved by the audit committee pursuant to the *de minimis* exception provided by Section (c)(7)(i)(C) of Rule 2-01 of Regulations S-X.

The audit committee has considered the nature and amount of the fees billed by Davidson & Company LLP and BDO Canada LLP, and believes that the provision of the services for activities unrelated to the audit is compatible with maintaining Davidson & Company LLP and BDO Canada LLP's independence.

PART IV**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.****LIST OF DOCUMENTS FILED AS PART OF THE REPORT**

The following documents are filed as part of this report:

(a)(1) Financial Statements:

1. Report of Independent Registered Public Accounting Firm – Davidson & Company LLP;
2. Report of Independent Registered Public Accounting Firm – BDO Canada LLP;
3. Consolidated Balance Sheets;
4. Consolidated Statements of Comprehensive Income (loss);
5. Consolidated Statements of Cash Flows;
6. Consolidated Statement of Changes in Stockholders' Equity; and
7. Notes to the Consolidated Financial Statements.

(a)(2) Financial Statement Schedules:

(a)(3) Exhibits:

<u>3.1</u>	<u>Amended Articles of Incorporation (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed on October 8, 2014).</u>
<u>3.2</u>	<u>Amended and Restated Bylaws (incorporated by reference to Exhibit B to the Plan of Conversion as filed in our Definitive Proxy Statement on Form DEF14A on August 18, 2014)</u>
<u>3.3</u>	<u>Certificate of Amendment (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on September 13, 2019)</u>
<u>4.1*</u>	<u>Description of Capital Stock</u>
<u>4.2*</u>	<u>2015 Stock Option Plan</u>
<u>10.1†</u>	<u>Employee Stock Purchase Plan (incorporated by reference to our Other Definitive Proxy Statements on Form DEF 14A filed on February 04, 2011).</u>
<u>21.1*</u>	<u>Subsidiaries of the Registrant.</u>
<u>24*</u>	<u>Power of Attorney (included in Signature pages)</u>
<u>31.1*</u>	<u>Section 302 Certification of Chief Executive Officer</u>
<u>31.2*</u>	<u>Section 302 Certification of Chief Financial Officer</u>
<u>32.1*</u>	<u>Section 906 Certification of Chief Executive Officer and Chief Financial Officer</u>
<u>100*</u>	<u>XBRL-Related Documents</u>
<u>101*</u>	<u>Interactive Data File</u>

* Filed herewith

† Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/Frederick Vandenberg
Frederick Vandenberg
Chief Executive Officer, President
(Principal Executive Officer)
Date: November 15, 2019

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Frederick Vandenberg, his true and lawful attorney-in-fact and agent with full power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, with all exhibits thereto and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/Frederick Vandenberg
Frederick Vandenberg, President
Chief Executive Officer (Principal Executive Officer)
Date: November 15, 2019

By: /s/Sandra Boenisch
Sandra Boenisch, CPA, CGA
Chief Financial Officer, Treasurer
(Principal Financing and Accounting Officer)
Date: November 15, 2019

By: /s/ Hyonmyong Cho
Hyonmyong Cho
Director
Date: November 15, 2019

By: /s/ Samuel Jay Graber
Samuel Jay Graber
Director
Date: November 15, 2019

By: /s/ David Summers
David Summers
Director
Date: November 15, 2019

DESCRIPTION OF CAPITAL STOCK

Common Stock

Our authorized capital consists of 20,000,000 shares of common stock with a par value of \$0.001 per share.

Holders of our common stock have no preemptive rights to purchase additional shares of common stock or other subscription rights. The common stock carries no conversion rights and is not subject to redemption or to any sinking fund provisions. All of our issued common stock is entitled to share equally in dividends from sources legally available, when, as and if declared by our Board of Directors, and upon our liquidation or dissolution, whether voluntary or involuntary, to share equally in our assets available for distribution to security holders.

Our Board of Directors is authorized to issue additional shares of common stock not to exceed the amount authorized by our Articles of Incorporation, on such terms and conditions and for such consideration as the Board may deem appropriate without further security holder action.

Voting Rights

Each holder of our common stock is entitled to one vote per share on all matters on which such stockholders are entitled to vote. Since the common stock does not have cumulative voting rights, the holders of more than 50% of the shares voting for the election of directors can elect all the directors if they choose to do so and, in such event, the holders of the remaining shares will not be able to elect any person to the Board of Directors.

Dividend Policy

Holders of our common stock are entitled to dividends if declared by the Board of Directors out of funds legally available for the payment of dividends. Since our inception, we have not declared any dividends, nor do we intend to issue any cash dividends in the future. Our foreseeable plans include retaining earnings, if any, to finance the development and expansion of our business.

DESTINY MEDIA TECHNOLOGIES INC.

2015 STOCK OPTION PLAN

1. PURPOSE OF PLAN

1.1 **Purpose.** The purpose of the 2015 Stock Option Plan (the “**Plan**”) of **DESTINY MEDIA TECHNOLOGIES INC.**, a Nevada corporation, (the “**Company**”) is to advance the interests of the Company by encouraging the directors, officers, employees, management company employees and consultants of the Company, and of its subsidiaries and affiliates, if any, to acquire common shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

2. DEFINITIONS

2.1 **Definitions.** In this Plan the following words and phrases shall have the following meanings, namely:

- (a) “**Blackout Period**” means a period during which there is a prohibition on trading in the Company’s securities imposed by the Company on Insiders.
- (b) “**Board**” means the board of directors of the Company or, if the Board so elects, a committee of directors (which may consist of only one director) appointed by the Board to administer this Plan.
- (c) “**Company**” means Destiny Media Technologies Inc.
- (d) “**Consultant**” means an individual who (or a corporation or partnership (a “Consultant Company”) of which the individual is an employee, shareholder or partner which):
 - (i) is engaged to provide, on an ongoing *bona fide* basis, consulting, technical, management or other services to the Company or a subsidiary of the Company other than in relation to a distribution of the Company’s securities;
 - (ii) provides the services under a written contract between the Consultant or Consultant Company and the Company or subsidiary;
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the business and affairs of the Company or subsidiary of the Company; and
 - (iv) has a relationship with the Company or subsidiary of the Company that enables the individual to be knowledgeable about the business and affairs of the Company or subsidiary.
- (e) “**Director**” means a director of the Company or any of its subsidiaries.
- (f) “**Employee**” means:
 - (i) an individual who is considered an employee of the Company or its subsidiary under the *Income Tax Act* (Canada)(and for whom income tax, employment insurance and CPP deductions must be made at source);

- (ii) an individual who works full-time for the Company or its subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source; or
- (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week (the number of hours should be disclosed in the submission) providing services normally provided by an employee and who is subject to the same control and discretion by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source.
- (g) **“Exchange”** means whichever stock exchange on which the Shares are listed for trading being either the TSX Venture Exchange (the **“TSX-V”**) or Toronto Stock Exchange (the **“TSX”**).
- (h) **“Insider”** means: (i) Director or Officer; (ii) a director or officer of a subsidiary of the Company; or (iii) a person that beneficially owns or controls, directly or indirectly, Shares carrying more than 10% of the voting rights attached to all outstanding Shares of the Company.
- (i) **“Management Company Employee”** means an individual employed by a person providing management services to the Company, which are required for the ongoing successful operation of the business enterprise of the Company, but excluding a person engaged in investor relations.
- (j) **“Market Price”** means the price at which the last recorded sale of a board lot of Shares took place on the Exchange during the trading day immediately preceding the date of granting the Option and, if there was no such sale, the closing price on the preceding trading day during which there was such a sale.
- (k) **“Officer”** means a chair or vice-chair of the Board, a chief executive officer, chief financial officer, chief operating officer, president, vice-president, secretary, assistant secretary, treasurer or assistant treasurer of the Company or any of its subsidiaries or an individual designated as an officer by a resolution of the Board or the constating documents of the Company.
- (l) **“Option”** means an option to purchase Shares granted to an Optionee under this Plan.
- (m) **“Optionee”** means a Director, Officer, Employee, Management Company Employee or Consultant granted an Option or a corporation, other than a Consultant Company, granted an Option where the corporation’s only shareholder is a Director, Officer or Employee.
- (n) **“Plan”** means this stock option plan as amended, supplemented or restated.
- (o) **“Shares”** means common shares of the Company.

3. GRANTING OF OPTIONS

3.1 **Administration.** This Plan shall be administered by the Board.

3.2 **Grant by Resolution.** The Board may determine by resolution those Employees, Management Company Employees, Consultants, Officers and Directors to whom Options should be granted and grant to them such Options as the Board determines to be appropriate.

3.3 **Representations to Employees, Consultants, and Management Company Employees.** Every instrument evidencing an Option granted to an Employee, Consultant or Management Company Employee shall contain a representation by the Company and the Optionee that the Optionee is a bona fide Employee, Consultant or Management Company Employee.

3.4 **No Grants if Listed on NEX.** The Board shall not grant any Options if the Shares are listed on the NEX Board of the TSX-V or the Company has been given notice that its listing will or might be transferred to NEX.

3.5 **Terms of Option.** The Board shall determine and specify in its resolution the number of Shares that should be placed under Option to each such Employee, Management Company Employee, Consultant, Officer or Director, the price per Share to be paid for such Shares upon the exercise of each such Option, and the period during which such Option may be exercised.

3.6 **Written Agreement.** Every Option shall be evidenced by a written agreement between the Company and the Optionee. If there is any inconsistency between the terms of the agreement and this Plan the terms of this Plan shall govern.

4. CONDITIONS GOVERNING THE GRANTING & EXERCISING OF OPTIONS

4.1 **Agreements must specify Exercise Period and Price, Vesting and Number of Shares.** In granting an Option, the Board must specify a particular time period or periods during which the Option may be exercised, the exercise price required to purchase the Shares subject to the Option and any vesting terms and conditions of the Option, including the number of Shares in respect of which the Option may be exercised during each such time period.

4.2 **Minimum Exercise Price of Options.** The exercise price of an Option shall not be less than the Market Price, less, if the Shares are listed on the TSX-V, the maximum discount permitted by the Exchange, at the time of granting the Option. If the Optionee is subject to the tax laws of the United States of America and owns (as determined in accordance with such laws) greater than 10% of the Shares at the time of granting of the Option the exercise price shall be at least 110% of the Market Price. If the Shares are listed on the TSX-V, no Options shall be granted which are exercisable at a price of less than \$0.10 per Share.

4.3 **Number of Shares subject to Option.** The number of Shares reserved for issuance to an Optionee pursuant to an Option, together with all other stock options granted to the Optionee in the previous 12 months, shall not exceed, at the time of granting of the Option:

- (a) 5% of the outstanding Shares, unless the Company has obtained disinterested shareholder approval or the Shares are listed on the TSX;
- (b) 2% of the outstanding Shares, if the Optionee is a Consultant and the Shares are listed on the TSX-V; or
- (c) 2% of the outstanding Shares (including all other Shares reserved for issuance to all Optionees providing investor relations services to the Company), if the Optionee is engaged in providing investor relations services to the Company and the Shares are listed on the TSX-V.

4.4 **Vesting of Options.** Subject to further vesting requirements required by the Board on granting of an Option, all Options shall vest and be exercisable on the following terms:

- (a) *If Optionee is Providing Investor Relations Services:* If the Optionee is a Consultant providing investor relations services to the Company and the Shares are listed on the TSX-V, any Option granted to the Consultant must vest in stages over at least 12 months with no more than one quarter of the Option vesting in any three month period.
- (b) *If there is a Change of Control:* If a Change of Control is agreed to by the Company or events which might lead to a Change of Control are commenced by third parties, all Options, subject to the Exchange's approval (if required), shall vest immediately and be fully exercisable notwithstanding the terms thereof. For the purposes hereof "Change of Control" shall mean:
 - (i) any transaction or series of related transactions as a result of which any person, entity or group acquires ownership, after the date of an Option, of at least 20% of the Shares and they or their representatives become a majority of the Board or assume control or direction over the management or day-to-day operations of the Company; or
 - (ii) an amalgamation, merger, arrangement, business combination, consolidation or other reorganization of the Company with another entity or the sale or disposition of all or substantially all of the assets of the Company, as a result of either of which the Company ceases to exist, be publicly traded or the management of the Company or Board do not comprise a majority of the management or a majority of the board of directors, respectively, of the resulting entity,

and to permit Optionees to participate in any of the foregoing, the Board may make appropriate provision for the exercise of Options conditional upon the Shares so issued being taken-up and paid for pursuant to any of the foregoing.

Subject to the approval of the Exchange if the Optionee is a Consultant providing investor relations services for the Company, the Board may advance, at any time, the dates upon which any or all Options shall vest and become exercisable, regardless of the terms of vesting set out in this Plan or the agreement.

4.5 **Exercise of Options if Specified Value Exceeds USD \$100,000.** If the Optionee is subject to the tax laws of the United States of America that part of any Option entitling the Optionee to purchase Shares having a value of USD \$100,000 or less shall be treated as an 'Incentive Stock Option' under United States *Internal Revenue Code* (so that the Optionee may defer the payment of tax on such Shares until the year in which such Shares are disposed of by the Optionee). For the purposes hereof value is determined by multiplying the number of shares which are subject to the Option times the Market Price (at the time of granting of the Option). That part of any Option on Shares having a value in excess of USD \$100,000 shall be treated as a non-qualifying stock option for the purposes of the Code and shall not entitle the Optionee to such tax deferral.

4.6 **Expiry of Options.** Each Option shall expire not later than 10 years from the day on which the Option is granted.

4.7 **Expiry of Options during or immediately after Trading Blackout Periods.** If an Option expires during, or within five trading days after, a Blackout Period then, notwithstanding Section 4.6 or the terms of the Option, the term of the Option shall be extended and the Option shall expire 10 trading days after the termination of the Blackout Period.

4.8 **Death or Disability of Optionee.** If an Optionee dies or suffers a Disability prior to the expiry of an Option, the Optionee's legal representatives, before the earlier of the expiry date of the Option and the first anniversary of the Optionee's death or Disability, may exercise that portion of an Option which has vested as at the date of death or Disability. For the purposes hereof "Disability" shall mean any inability of the Optionee arising due to medical reasons which the Board considers likely to permanently prevent or substantially impair Optionee being an Employee, Management Company Employee, Consultant, Officer or Director.

4.9 **Cessation as an Optionee (With Cause).** If an Optionee ceases to be a Director, Officer, Consultant, Employee or Management Company Employee by reason of termination or removal for cause any Option shall terminate immediately on such termination or removal and not be exercisable by the Optionee unless otherwise determined by the Board.

4.10 **Cessation as an Optionee (Without Cause).** If an Optionee ceases to be any of a Director, Officer, Consultant, Employee or Management Company Employee for any reason except as provided in sections 4.8 or 4.9, any Option shall be exercisable to the extent that it has vested and was exercisable as at the date of such cessation, unless further vesting is permitted by the Board, and must terminate on the earlier of the expiry date of the Option and:

- (a) the 90th day after the Optionee ceased to be any of a Director, Officer, Consultant, Employee or Management Company Employee, or such later date as may be reasonably determined by the Board; or
- (b) if the Optionee is subject to the tax laws of the United States of America, the earlier of the 90th day and the third month after the Optionee ceased to be an Employee or Officer.

4.11 **No Assignment of Options.** No Option or any right thereunder or in respect thereof shall be transferable or assignable otherwise than by will or pursuant to the laws of succession except that, if permitted by the rules and policies of the Exchange, an Optionee shall have the right to assign any Option (other than an 'Incentive Stock Option' under United States Internal Revenue Code) to a corporation wholly-owned by them.

4.12 **Restriction on Resale of Shares Issued on Exercise of an Option.** Unless an Option is exercisable for a price equal to or above the Market Price at the time the Option is granted or the Shares are listed on the TSX, all Shares issued upon the exercise of the Option shall be subject to a four month hold period from the time the Option was exercised and, in accordance with the TSX-V's policies, the certificates representing such Shares shall be legended accordingly.

4.13 **Notice of Exercise of an Option.** Options shall be exercised only in accordance with the terms and conditions of the agreements under which they are respectively granted and shall be exercisable only by notice in writing to the Company.

4.14 **Payment on Exercise of an Option.** Options may be exercised in whole or in part at any time prior to their lapse or termination. Shares purchased by an Optionee on exercise of an Option shall be fully paid for in cash or by certified cheque, bank draft or money order at the time of their purchase.

4.15 **Condition to Issuance of Shares.** The Board may require, as a condition of the issuance of Shares or delivery of certificates representing such Shares upon the exercise of any Option and to ensure compliance with any applicable laws, regulations, rules, orders and requirements that the Optionee or the Optionee's heirs, executors or other legal representatives, as applicable, make such covenants, agreements and representations as the Board deems necessary or desirable.

4.16 **Withholding or Deductions of Taxes.** The Company may deduct, withhold or require an Optionee, as a condition of exercise of an Option, to withhold, pay, remit or reimburse any taxes or similar charges, which are required to be paid, remitted or withheld in connection with the exercise of any Option.

5. RESERVATION OF SHARES FOR OPTIONS

5.1 **Sufficient Authorized Shares to be Reserved.** Whenever the constating documents of the Company limit the number of authorized Shares, a sufficient number of Shares shall be reserved by the Board to satisfy the exercise of Options. Shares that were the subject of Options that have lapsed or terminated shall thereupon no longer be in reserve and may once again be subject to an Option.

5.2 **Maximum Number of Shares to be Reserved Under Plan.** The aggregate number of Shares which may be subject to issuance pursuant to Options shall be **2,650,000**. If any Option expires or otherwise terminates for any reason without having been exercised in full, the number of Shares in respect of such expired or terminated Option shall again be available for the purposes of granting Options pursuant to this Plan.

5.3 **Maximum Number of Shares Reserved for Insiders.** All Options, together with all of the Company's other previously granted stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of Shares, shall not result, at the time of granting, in:

- (a) the number of Shares reserved for issuance pursuant to Options granted to Insiders exceeding 10% of the Shares outstanding;
- (b) the issuance to Insiders, within a one year period, of Shares totalling in excess of 10% of the Shares outstanding; or
- (c) the issuance to any one individual, within a one year period, of Shares totalling in excess of 5% of the Shares outstanding,

unless the disinterested shareholders have approved thereof.

6. CAPITAL REORGANIZATIONS

6.1 **Share Consolidation or Subdivision.** If the Shares are at any time subdivided or consolidated, the number of Shares reserved for Options shall be similarly increased or decreased and the price payable for any Shares that are then subject to issuance shall be decreased or increased proportionately, as the case may require, so that upon exercising each Option the same proportionate shareholdings at the same aggregate purchase price shall be acquired after such subdivision or consolidation as would have been acquired before.

6.2 **Stock Dividend.** If the Shares are at any time changed as a result of the declaration of a stock dividend thereon, the number of Shares reserved for Options and the price payable for any Shares that are then subject to issuance may be adjusted by the Board to such extent as they deem proper in their absolute discretion.

6.3 **No Fractional Shares.** No adjustment made pursuant to this Part shall require the Company to issue a fraction of a Share and any fractions of a Share shall be rounded up or down to the nearest whole number, with one-half a Share being rounded up to one Share.

6.4 **No Adjustment for Cash Dividends or Rights Offerings.** No adjustment shall be made to any Option pursuant to this Part in respect of the payment of any cash dividend or the distribution to the shareholders of the Company of any rights to acquire Shares or other securities of the Company.

7. EXCHANGE'S RULES & POLICIES GOVERN & APPLICABLE LAW

7.1 **Exchange's Rules and Policies Apply.** This Plan and the granting and exercise of any Options are also subject to such other terms and conditions as are set out in the rules and policies on stock options of the Exchange and any securities commission having authority and such rules and policies shall be deemed to be incorporated into and become a part of this Plan. If there is an inconsistency between the provisions of such rules and policies and of this Plan, the provisions of such rules and policies shall govern.

7.2 **Compliance With Applicable Laws.** Notwithstanding anything herein to the contrary, the Company shall not be obliged to cause any Shares to be issued or certificates evidencing Shares to be delivered pursuant to this Plan, where issuance and delivery is not, or would result in the Company not, being in compliance with all applicable laws, regulations, rules, orders of governmental or regulatory authorities and the requirements of the Exchange. **If any provision of this Plan, any Option or any agreement entered into pursuant to this Plan contravenes any applicable law, rule, regulation or order, or any policy, bylaw or regulation of the Exchange or any regulatory body having authority over the Company or this Plan, such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith, but the Company shall not be responsible to pay and shall not incur any penalty, liability or further obligation in connection therewith.**

7.3 **No Obligation to File Prospectus.** The Company shall not be liable to compensate any Optionee and in no event shall it be obliged to take any action, including the filing of any prospectus, registration statement or similar document, in order to permit the issuance and delivery of any Shares upon the exercise of any Option in order to comply with any applicable laws, regulations, rules, orders or requirements of any securities regulatory authority.

7.4 **Governing Law.** This Plan shall be governed by, and construed in accordance with, the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

8. AMENDMENT OF PLAN & OPTIONS

8.1 **Board May Amend Plan or Options.** The Board may amend or terminate this Plan or any Options but no such amendment or termination, except with the written consent of the Optionees concerned or unless required to make this Plan or the Options comply with the rules and policies of the Exchange, shall affect the terms and conditions of Options which have not then been exercised or terminated.

8.2 **Shareholder Approval.** The approval of disinterested shareholders for an amendment to this Plan or any Option shall be required in respect of Options granted to Insiders involving:

- (a) a reduction of the exercise price, including a reduction effected by cancelling an existing Option and granting a new Option exercisable at a lower price within the subsequent one year period, if the Shares are listed on the TSX-V, or three month period, if the Shares are listed on the TSX; or
- (b) an extension of the exercise period, if the Shares are listed on the TSX, unless the extension arises from a Blackout Period.

Approval by all holders of Shares, whether the holders are disinterested shareholders or not, is required for:

- (a) an increase in the number of Shares, or percentage of the outstanding Shares, reserved for issuance under this Plan; or
- (b) a change from a fixed number to a fixed percentage of the outstanding Shares, or from a fixed percentage to a fixed number, in the number of Shares reserved for issuance under this Plan.

No approval by any holders of Shares is required for:

- (a) an amendment to comply with applicable law or rules of the Exchange or of a 'housekeeping' nature required to correct typographical and similar errors;
- (b) a change to the vesting provisions;
- (c) a change to the termination provisions, other than an extension of an Option to a new expiry date that falls outside the maximum term currently permitted by this Plan when the Option was first granted; and
- (d) a reduction of the exercise price of an Option, including a reduction effected by cancelling an existing Option and granting a new Option exercisable at a lower price, or an extension of the exercise period, if the Optionee is not an Insider.

8.3 **Exchange Approval Required.** Any amendment to this Plan or Options shall not become effective until such amendments have been accepted for filing by the Exchange.

9. PLAN DOES NOT AFFECT OTHER COMPENSATION PLANS

9.1 **Other Plans Not Affected.** This Plan shall not in any way affect the policies or decisions of the Board in relation to the remuneration of Directors, Officers, Consultants, Employees and Management Company Employee.

10. OPTIONEE'S RIGHTS AS A SHAREHOLDER

10.1 **No Rights Until Option Exercised.** An Optionee shall be entitled to the rights pertaining to share ownership, such as to dividends, only with respect to Shares that have been fully paid for and issued to the Optionee upon exercise of an Option.

11. EFFECTIVE DATE & EXPIRY OF PLAN

11.1 **Effective Date.** This Plan has been adopted by the Board subject to the approval of the Exchange and if so approved, subject to the discretion of the Board, the Plan shall become effective upon such approvals being obtained. Thereafter this Plan shall be approved by the holders of the Shares annually, if the Shares are listed on the TSX-V, or tri-annually, if the Shares are listed on the TSX. If such annual approvals are not obtained, Options may no longer be granted. Options may be granted, but cannot be exercised, prior to the receipt of such approvals.

11.2 **Termination.** This Plan shall terminate upon a resolution to that effect being passed by the Board. Any Options shall continue to be exercisable according to their terms after the termination of this Plan.

Adopted by the Board of Directors on June 4, 2015.

SUBSIDIARIES OF THE REGISTRANT

<u>Name of Subsidiary</u>	<u>Jurisdiction</u>
Destiny Software Productions Inc. *	British Columbia, Canada
MPE Distribution, Inc.	Nevada, United States

* □estiny Software Productions Inc. has one wholly-owned subsidiary named Sonox Digital Inc. It was incorporated under the laws of British Columbia, Canada.

CERTIFICATIONS

I, Frederick Vandenberg, certify that:

- (1) I have reviewed this annual report on Form 10-K 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.
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Date: November 15, 2019

/s/Frederick Vandenberg

Frederick Vandenberg
Chief Executive Officer, President
(Principal Executive Officer)

CERTIFICATIONS

I, Sandra Boenisch, certify that:

- (1) I have reviewed this Annual Report on Form 10-K 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.
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Date: November 15, 2019

/s/Sandra Boenisch

Sandra Boenisch, CPA, CGA
Chief Financial Officer, Treasurer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report of Destiny Media Technologies Inc. (the "Company") on Form 10-K for the fiscal year ended August 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the date indicated below, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge, 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 Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By:	<u>/s/Frederick Vandenberg</u>
Name:	Frederick Vandenberg
Title:	Chief Executive Officer, President (Principal Executive Officer)
Date:	November 15, 2019
By:	<u>/s/Sandra Boenisch</u>
Name:	Sandra Boenisch, CPA, CGA
Title:	Chief Financial Officer, Treasurer (Principal Financial and Accounting Officer)
Date:	November 15, 2019
