FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2013-01-14** | Period of Report: **2012-11-30**
SEC Accession No. 0001056520-13-000019

FILER

DigitalTown, Inc.

CIK:**1065598**| IRS No.: **411427445** | State of Incorp.:**MN** | Fiscal Year End: **0228**
Type: **10-Q** | Act: **34** | File No.: **000-27225** | Film No.: **13528098**
SIC: **3570** Computer & office equipment

Mailing Address
11974 PORTLAND AVENUE
BURNSVILLE MN 55337

Business Address
11974 PORTLAND AVENUE
BURNSVILLE MN 55337
952 890-2362

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

| X | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: November 30, 2012

|__| TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number: *000-27225*

DigitalTown, Inc.

(Name of registrant in its charter)

Minnesota	41-1427445
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
11974 Portland Avenue, Burnsville, Minnesota	55337
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: (952) 890-2362

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[X] Yes [ ] No

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

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-Accelerated Filer [ ]
Smaller reporting company [X]

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

There were 29,165,599 shares of the registrant' s common stock outstanding as of December 31, 2012.

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS

DigitalTown, Inc.

CONSOLIDATED BALANCE SHEETS
ASSETS

	November 30, 2012 (unaudited)	February 29, 2012 (audited)
Current assets:		
Cash	$ 18,451	$ 221,904
Accounts receivable	1,315	9,225
Current portion of prepaid domain name renewal fees	84,670	155,804
Prepaid expenses	4,320	6,970
Total current assets	108,756	393,903
Prepaid domain name renewal fees, net of current portion	-	10,025
Property and equipment, net	20,504	25,658
Intangible assets, net	1,026,462	1,079,221
Total assets	$ 1,155,722	$ 1,508,807

LIABILITIES AND STOCKHOLDERS' EQUITY

	November 30, 2012 (unaudited)	February 29, 2012 (audited)
Current liabilities:		
Accounts payable	$ 145,979	$ 26,946
Advance from director/stockholder	31,450	-
Loan from director/stockholder	25,000	-
Deferred revenue	15,978	6,031
Accrued payroll	7,625	4,471
Deferred officer compensation	84,616	-
Total current liabilities	310,648	37,448
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value, 2,000,000,000 shares authorized, 29,165,599 and 29,047,638 shares issued and outstanding at November 30, 2012 and February 29, 2012, respectively	291,602	290,473
Additional paid-in-capital	26,767,510	26,555,219
Subscriptions receivable	(1,099,154)	(1,299,654)
Accumulated deficit	(25,114,884)	(24,074,679)
Total stockholders' equity	845,074	1,471,359
Total liabilities and stockholders' equity	$ 1,155,722	$ 1,508,807

The accompanying notes are an integral part of these consolidated financial statements.

DigitalTown, Inc.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
Revenues	$ 16,049	$ 7,153	$ 37,188	$ 17,678
Cost of revenues	113,142	72,846	368,866	203,356
Gross profit (loss)	(97,558)	(65,693)	(331,678)	(185,678)
Operating expenses:				
Selling, general and administrative expenses	162,849	3,221,452	883,189	3,740,383
Loss from operations	(260,407)	(3,287,145)	(1,214,867)	(3,926,061)
Other income (expense)				
Interest expense	(255)	(3)	(255)	(3,631)
Other income	51	209	174,917	285
Total other income (expense)	(204)	206	174,662	(3,346)
Net loss before income tax	(260,611)	(3,286,939)	(1,040,205)	(3,929,407)
I Income tax provision	-	-	-	-
Net loss	$ (260,611)	$ (3,286,939)	$ (1,040,205)	$ (3,929,407)
Net loss per common share – basic and diluted	$ (0.01)	$ (0.11)	$ (0.04)	$ (0.14)
Weighted average common shares outstanding - basic and diluted	29,165,599	29,011,928	29,141,649	28,630,481

The accompanying notes are an integral part of these consolidated financial statements.

DigitalTown, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended November 30,	
	2012	2011
	(unaudited)	(unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,040,205)	$ (3,929,407)
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Depreciation	9,680	7,540
Amortization of website development costs	84,602	54,926
Stock-based compensation expense	120,807	3,213,607
Stock issued for director fees	17,113	22,360
Stock issued for executive compensation	500	-
Changes in operating assets and liabilities:		
Account receivable	7,910	(5,000)
Prepaid domain name renewal fees	81,159	(47,194)
Prepaid expense	2,650	14,438
Accounts payable	119,033	(276,536)
Accounts payable – related party	7,950	-
Advance from director/stockholder	23,500	-
Accrued payroll	3,154	(1,933)
Deferred officer compensation	84,616	(50,288)
Deferred revenue	9,947	5,000
Gain from sale of domain name	(174,300)	-
Net cash used in operating activities	(641,884)	(992,487)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(4,526)	(13,896)
Purchase of intangible assets - website development	(9,023)	(30,000)
Purchase of intangible assets – domain names	(23,520)	(2,556)
Proceeds from sale of domain name	175,000	-
Net cash provided (used) from investing activities	137,931	(46,452)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from loan - director/stockholder	25,000	-
Payments on loan - director/stockholder	-	(137,088)
Payments received on stockholder subscription receivables	200,500	123,000
Proceeds from issuance of stock	75,000	1,457,722
Net cash provided by financing activities	300,500	1,443,634
Net change in cash and cash equivalents	(203,453)	404,695
Cash and cash equivalents, beginning of period	221,904	103,310
Cash and cash equivalents, end of period	$ 18,451	$ 508,005

The accompanying notes are an integral part of these consolidated financial statements.

DigitalTown, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial information has been prepared by DigitalTown, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, it does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of this financial information have been included. Financial results for the interim period presented are not necessarily indicative of the results that may be expected for the fiscal year as a whole or any other interim period. This financial information should be read in conjunction with the audited consolidated financial statements and notes included in the Company' s Annual Report on Form 10-K for the year ended February 29, 2012.

Note 2. Nature of Business and Summary of Significant Accounting Policies:

Nature of Business

The Company was founded in 1982 under the laws of the State of Minnesota as Command Small Computer Learning Center, Inc., a computer training company and operated under several different names in the computer hardware and training sector. In 2005, the Company began acquiring domain names. On March 1, 2007, the Company changed its name to DigitalTown, Inc. and began developing a business plan to develop a platform to monetize the domain names. The Company' s headquarters are located at 11974 Portland Avenue, Burnsville, MN 55337, and its telephone and facsimile numbers are (952) 890-2362 and (952) 890-7451, respectively. The Company's Internet address is www.digitaltown.com. The Company is traded in the over-the-counter market under the ticker DGTW.

The Company has sustained losses and negative cash flows from operations and expects these conditions to continue into the foreseeable future. At November 30, 2012, the Company had an accumulated deficit of $25,114,884. The Company anticipates that existing cash, expected future proceeds from its stock subscriptions receivable, future sales of its common stock, cash generated from the sale of its webmail service and additional sales of existing domain names should be sufficient to meet its working capital and capital expenditures needs through at least November 30, 2013. In the event that we are unable to obtain additional capital in the future, we would be forced to reduce operating expenses and/or cease operations altogether.

Principles of Consolidation

The Company files consolidated financial statements that include its wholly-owned subsidiaries Tiger Media and The School Network, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable arose from the sale of display advertising. The Company evaluates collectability of accounts receivable based on a combination of factors including the age of the receivable or a specific customer' s inability to meet its financial conditions. In these circumstances, the Company records an allowance to reduce the receivable to an amount it deems collectible. The Company has determined that an allowance for doubtful accounts is not necessary as of November 30, 2012.

Revenue Recognition

The Company recognizes revenue when the following four criteria have been met:

- Persuasive evidence that an agreement exists
- Delivery has occurred
- The price is fixed and determinable
- Collectability is reasonably assured

The Company recognizes revenue from the sale of display advertising appearing on specific pages of individual spirit sites within DigitalTown' s network. Display advertising is sold by the Company directly to local merchants and placed by the Company on specific pages of individual spirit sites targeted by the local merchant. The terms of these sales are for a fixed monthly amount for a period ranging from three months to one year. The Company has also entered into certain third party agreements which allow display advertising to be placed on individual spirit sites within DigitalTown' s network. Per these agreements, the Company receives commissions based on a percentage of the per click or per-impression revenue generated by these ads. The Company recognizes these commissions received as revenue.

Concentrations

During the nine months ended November 30, 2012, one customer accounted for 32% of revenues. During the nine months ended November 30, 2011, one customer accounted for 91% of revenues. At November 30, 2012, one customer accounted for 51% of accounts receivable totaling $668 and at December 31, 2011, one customer accounted for 41% of accounts receivable totaling $3,800.

Deferred Revenue

Deferred revenue is comprised of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition from customers for which services have not been delivered.

Intangible Assets – Domain Names/Website Development Costs

Domain name costs are accounted for in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 350-50) guidance pertaining to Intangibles-Goodwill and Other,

Website Development Costs. Certain modules and components of the Company' s overall website development are ready for their intended use and the Company' s resulting websites are currently operational. Accordingly, the annual domain name renewal fees are currently being amortized over one year and the purchase of any new domain names are the only amounts being capitalized. Previously, during the infrastructure development stage of its websites, the Company capitalized the purchase of new domain names and the annual domain name renewal fees. Additionally, since the ownership of each domain name can be renewed for a nominal renewal fee each year prior to their expiration date, the useful lives of the domain names are deemed to be indefinite and no amortization of the capitalized costs for the domain names will be recorded.

Website development costs are accounted for in accordance with the FASB Accounting Standards Codification (ASC 350-40) guidance pertaining to Intangibles-Goodwill and Other, Internal-Use Software which requires that all internal and external costs incurred to develop the internal-use software necessary to operate the websites be capitalized. The guidance further states, amortization should begin when an individual module or component of the overall internal-use software is ready for its intended use. The cost of such module or component will be amortized on a straight-line basis over its estimated useful life, as determined by the Company, after taking into account the effects of obsolescence, technology, competition and other economic factors. The Company has components of its website development that are operational and are being amortized on a straight-line basis over a three year life. See Note 3 for further information.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets – domain names/website development costs are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income Taxes

Deferred tax assets (net of any valuation allowance) and liabilities resulting from temporary differences, net operating loss carry-forwards and tax credit carry-forwards are recorded using an asset-and-liability method. Deferred taxes relating to temporary differences and loss carry-forwards are measured using the tax rate expected to be in effect when they are reversed or are realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be ultimately realized. The Company has recorded a full valuation allowance against its net deferred tax asset due to the uncertainty of realizing the related future benefits.

The Company accounts for income taxes pursuant to Financial Accounting Standards Board guidance. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company' s adoption of these provisions specifically related to uncertain tax positions resulted in no cumulative effect adjustment. The Company believes its income tax filing positions and deductions will be sustained upon examination and, accordingly, no reserves or related accruals for interest and penalties have been recorded at November 30, 2012 and February 29, 2012. In accordance with the guidance, the Company

has adopted a policy under which, if required to be recognized in the future, interest related to the underpayment of income taxes will be classified as a component of interest expense and any related penalties will be classified in operating expenses in the statements of operations. The Company has three open years of tax returns subject to examination.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees, directors and consultants on a straight-line basis over the respective vesting period of the awards. The compensation expense for the Company's stock-based payments is based on estimated fair values at the time of the grant of the portion of stock-based payment awards that are ultimately expected to vest.

The Company estimates the fair value of stock-based payment awards on the date of grant using the Black-Scholes option pricing model. This option pricing model involves a number of assumptions, including the expected lives of stock options, the volatility of the public market price for the Company's common stock and interest rates.

Recently Issued Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, “Technical Corrections and Improvements” in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, “Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)” in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, “Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment” in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08,Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity’ s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on our financial position or results of operations.

Note 3. Intangible Assets

Intangible assets, net are as follows:

	November 30, 2012	February 29, 2012
Domain names	$ 858,628	$ 835,809
Website development costs	360,481	351,457
Less accumulated amortization	(192,647)	(108,045)
	$ 1,026,462	$ 1,079,221

During the nine months ended November 30, 2012, the Company capitalized $23,520 in additional domain name purchases and sold a single domain name with a book value of $700 which decreased the capitalized cost of domain name purchases. Since the useful life of the domain names is deemed to be indefinite, no amortization has been recorded.

During the nine months ended November 30, 2012, the Company incurred $59,576 of annual domain name renewal fees and recorded them as prepaid domain name renewal fees and expensed $140,735 on a straight line basis, to cost of revenues in the Company' s consolidated statement of operations for the nine months ended November 30, 2012. At November 30, 2012, the Company had $84,670 of prepaid domain name renewal fees which will be amortized over future periods.

During the nine months ended November 30, 2012, the Company capitalized $9,023 of additional website development costs which the Company determined were not ready for their intended use and therefore no amortization expense has been recorded for these costs. The Company has a total recorded cost of $360,481 at November 30, 2012 and it has determined that $351,458 of these costs pertain to components of the Company' s website development that are ready for their intended use and have an estimated useful life of three years. During the three and nine months ended November 30, 2012, the Company recorded $27,342 and $84,602, respectively, to cost of revenues for amortization expense pertaining to these website components.

Note 4. Deferred Officer Compensation

Richard Pomije, the Chairman of the Company, has elected to forego a portion of his salary at various times due to limited operating funds. These amounts do not accrue interest and are due and payable as funds become available in the future. During the nine months ended November 30, 2012, the Company recorded $84,616 of deferred officer compensation. During the nine months ended November 30, 2011, the Company recorded $8,654 of deferred officer compensation and made a payment of $58,942. As of February 29, 2012; no balance was noted; whereas, as of November 30, 2012, $84,616 was recorded as deferred officer compensation.

Note 5. Stockholders' Equity

Stock Transactions

On March 19, 2012, the Company entered into a stock purchase agreement and issued 75,000 shares of restricted common stock at a per share price of $1.00, for total cash proceeds of $75,000.

On May 15, 2012, the Company issued 21,775 restricted common shares at $0.40 per share, valued at $8,710, to six directors of the Company for payment of director fees. The restricted common shares were valued based on the market price at time of issue.

On August 15, 2012, the Company issued 15,277 restricted common shares at $0.55 per share, valued at $8,403, to six directors of the Company for payment of director fees and 909 restricted common shares at $0.55 per share, valued at $500, as compensation for the interim CFO/President. The restricted common shares were valued based on the market price at time of issue.

Stock Warrants

As of November 30, 2012, the Company has a total of 980,410 stock purchase warrants outstanding with an exercise price of $4.00. The warrants expire two years from their date of issuance. The weighted average remaining exercise period as of November 30, 2012 is 0.27 years.

Other

On December 3, 2010, the Company signed a drawdown equity financing agreement ("Drawdown Agreement") with Auctus Private Equity Fund, LLC ("Auctus"). In connection with the Drawdown Agreement, in April 2011, the Company registered 3,000,000 shares of common stock with the SEC under the Securities Act of 1933 and at its discretion, has the right to sell up to the registered shares of common stock to Auctus over a thirty six month period for maximum aggregated consideration of up to $10,000,000, subject to the following terms and conditions.

- The maximum advance amount available to the Company is limited to the greater of $150,000 or 200% of the average daily volume based on the 10 days preceding the Company' s notice requesting a draw.
- Auctus' purchase price per common share will be 94% of the lowest closing volume weighted average price ("VWAP") of the Company' s common stock during the five trading days immediately following the Company' s delivery of notice to Auctus.
- At its option, the Company can establish a floor price under which Auctus may not sell the shares. The floor price shall be 75% of the closing VWAP for the 10 days prior to the notice requesting a draw. Auctus must cease selling any shares purchased in connection with the Drawdown Agreement if the price falls below the established floor price. The Company, at its discretion, may waive the floor price and allow Auctus to sell its shares below the floor price.
- In no event can the number of shares owned by Auctus exceed 4.99% of the then outstanding shares of the Company' s common stock. As of November 30, 2012, this would translate into maximum ownership by Auctus of approximately 1,455,000 shares of the Company' s common stock.

In April 2011, the Company issued a drawdown notice to Auctus for $50,000. Auctus honored $2,108 on April 27, 2011 of the notice, but has refused to honor the balance. The Company considers Auctus to be in breach of the Drawdown Agreement.

DigitalTown, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 6. Stock Options

The Company has one stock option plan called The 2006 Employee Stock and Option Plan (the "Plan"). As of November 30, 2012, an aggregate of 5,000,000 shares of common stock may be granted under this plan as determined by the Board of Directors. The stock options may be granted to directors, officers, employees, consultants and advisors of the Company. Options granted under the Plan are non-qualified stock options and have exercise prices and vesting terms established by the Board of Directors at the time of each grant. Vesting terms of the outstanding options range from immediate to two years from the grant date anniversary or upon consummation of employment. The terms of the options range from five to ten years from the date of grant.

For the nine months ended November 30, 2012, the Company granted stock options to an officer/director allowing for the purchase of up to an aggregate of 600,000 shares of common stock. The stock option agreement has a term of 10 years and the options vest as follows: 200,000 on March 19, 2012, 100,000 on March 19, 2013, 100,000 on March 19, 2014, 100,000 on March 19, 2015 and 100,000 on March 19, 2016. The fair value of the Company' s stock options have been estimated using the Black-Scholes pricing model, which requires assumptions as to expected dividends, the options expected life, volatility and risk-free interest rate at the time of the grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite vesting periods of each tranche in the Company' s consolidated statements of operations.

For stock options granted during the nine months ended November 30, 2012, we utilized the following key assumptions in computing fair value using the Black-Scholes option-pricing model:

	March 19, 2012
Weighted-average volatility	115%
Expected dividends	None
Expected term (in years)	5
Weighted-average risk-free interest rate	1.20%
Weighted-average fair value of options granted	$0.32

The total fair value of the stock options granted by the Company for the nine months ended November 30, 2012 was $194,580.

During the three months ended November 30, 2012, 650,000 stock options were canceled with 600,000 due to the resignation of an Officer/Director and 50,000 due to the expiration of options issued to an advisor. The Company reversed $28,151 of stock compensation expense previously recognized in the current year due to the cancelation of these options.

During the nine months ended November 30, 2012, the Company cancelled a total of 850,000 stock options and reversed $37,650 of stock option expense previously recognized in the current year. Total stock compensation expense for all option grants was ($9,502) and $3,065,042 for the three months ended November 30, 2012 and 2011, respectively, and $120,807 and $3,213,607 for the nine months ended November 30, 2012 and 2011, respectively. This expense is included in selling, general and administrative expense. As of November 30, 2012, the Company has not recorded any tax benefit from this non-cash expense due to the Company having a

full valuation allowance against its deferred tax assets. The compensation expense impacted the three months ended November 30, 2012 and 2011 basic earnings (loss) per common share by $0.0003 and $(0.11), respectively, and the nine months ended November 30, 2012 and 2011 basic (loss) per common share by $(0.004) and $(0.11), respectively. There is no unrecognized compensation expense at November 30, 2012.

The following table summarizes information about the Company' s stock options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Aggregate Intrinsic Value (1)
Outstanding - February 29, 2012	4,170,000	$ 1.313	-	-
Granted	600,000	1.000	-	-
Canceled or expired	(850,000)	1.293	-	-
Exercised	-	-	-	-
Outstanding - November 30, 2012	3,920,000	$ 1.269	7.19	-
Exercisable at November 30, 2012	3,820,000	$ 1.254	7.30	-

(1) The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price.

Note 7. Related Party Transactions

The Company entered into a five year lease with Jeff Mills, a director and stockholder of the Company, for approximately 2,650 square feet of space used for offices and operations equipment storage at 11974 Portland Avenue, Burnsville, Minnesota. The lease commenced on December 15, 2006 at a monthly rent of $2,650 for the five year term of the lease and contains an option to renew for an additional term of one year at a monthly rent of $3,650. In November 2011, the Company entered into a three year lease renewal through December 15, 2014 at a monthly rent of $2,650 for the period of December 16, 2011 to December 15, 2012, $2,750 for the period of December 16, 2012 to December 15, 2013 and $2,850 for the period of December 16, 2013 to December 15, 2014 with the option to renew the lease for an additional term of one year at a monthly rent of $3,500. The Company's lease payments to the director for the three months ended November 30, 2012 and 2011, totaled $7,950 for each period. For the nine months ended November 30, 2012 and 2011, the Company recorded $23,850 in lease payments to the director for each period. As of November 30, 2012, the Company owed $7,950 in the form of related party accounts payable to Jeff Mills. No amount was payable as of February 29, 2012.

Minimum lease payments at November 30, 2012 are as follows:

FY 2013	$ 8,250
FY 2014	33,300
FY 2015	25,650
	$ 67,200

Loan from Director/Stockholder

As of November 30, 2012, the Company had an outstanding working capital loan of $25,000 from Jeff Mills, a director/stockholder of the Company. The loan is due on demand and bears annual interest at 7.5%. The Company made principal payments of $0 and received a draw of $25,000 during the nine months ended November 30, 2012. Interest expense incurred on this loan for the three months ended November 30, 2012 and 2011 was $255 and $3, respectively, and for the nine months ended November 30, 2012 and 2011 was $255 and $3,631, respectively.

Advance from Director/Stockholder

As of November 30, 2012, the Company had an outstanding cash advance of $23,500 from Richard Pomije, a director/stockholder and chairman of the Company. The advance does not accrue interest and is due and payable as funds become available in the future.

Note 8. Commitments and Contingencies

The Company is exposed to asserted and unasserted claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations.

On August 22, 2011, the Company entered into a nine month agreement with Enable Consulting, LLC ("Enable") to complete the design and development of the Company' s Sales Center Application. The Company committed up to $66,000 for the development and maintenance support of this software application through May 31, 2012. On June 27, 2012, the Company signed an amendment to its existing contract with Enable which establishes payment terms for the remaining balance due to Enable at May 31, 2012, of $36,000, pertaining to subscription fees from the original contract, and prioritizes the remaining unresolved maintenance items which Enable will complete by August 15, 2012. As of November 30, 2012, the prioritized maintenance items previously agreed to remained unresolved and the balance due of $22,500 was reversed and credited to professional fees.

On December 8, 2010, the Company entered into a five year strategic partnership agreement with the National Interscholastic Athletic Administrators Association ("NIAAA"). The NIAAA and DigitalTown will work together to establish a national, standardized system for recording schedules, scores, rosters and statistics for interscholastic sports teams and individual students. Pursuant to the agreement, the Company has committed to pay the expenses related to this strategic partnership; however any expenses in excess of $5,000 must be preapproved by the Company. The Company has committed to deposit $50,000 for such expenses for the first fiscal year of the contract which the Company has paid as of February 29, 2012. In addition, as of November 30, 2012, the Company has paid $20,000 of the $50,000 due for the second fiscal year of the contract. In addition, the Company has committed to donate 25% of the annual net sponsorship revenue in the scheduling and stats areas of its websites, with a total annual donation cap of $3,000,000, to yet to be named program funds that promote youth activities and the NIAAA. Lastly, the Company has committed to a minimal revenue share of $100,000 per year with the future launch of its beta 3 software. As of November 30, 2012, the Company has not yet launched its beta 3 software nor has it generated any net sponsorship revenue.

Note 9. Common Stock Subscriptions Receivable

As of November 30, 2012, the Company has the following stock subscription agreements outstanding all of which are due from a related party:

2005 Agreements

Material terms of the subscription agreements received by the Company on December 30, 2005 for 4,733,333 restricted common shares at $0.75 per share (total value of $3,550,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2005 subscription agreements at November 30, 2012 is $0.

2007 Agreements

On October 5, 2007, the Company received subscriptions for 1,300,000 restricted common shares at $2.50 per share (total value of $3,250,000). Significant terms of the original subscription agreement are as follows:

- The price per share of $2.50 was based on the closing price on October 4, 2007.
- At 24 months, 1/36 payments are due monthly.
- The Company, at its option, may call up to 1/12 of the gross receivable per month if the preceding 30 day average trading price is at or above $7.00 a share with minimum trading volume of 5,000 shares per day.
- If the purchaser sells these common shares, the purchaser shall be entitled to an amount equal to 200% of the original purchase price of each share and the Company shall be entitled to 50% of any additional net sales proceeds from the stock sale.

On February 25, 2010, due to the economic downturn and the market value decline of the Company' s stock, which was trading below $2.50 per share, the Company amended the pricing terms of the subscription agreements received by the Company on October 5, 2007. The amendment changed the following significant terms of the subscription agreement:

The parties agree that the Initial Pricing terms in the Confidential Binding Term Sheet dated October 5, 2007 of the Agreement will be amended to state as follows:

1. The Subscriber offers to purchase shares of the Company for $0.75 per share. After the price adjustment, the revised total value of this subscription agreement is $975,000.

The following other provisions of the Initial Pricing and Final Pricing terms in the Confidential Binding Term Sheet dated October 5, 2007 of the Agreement will be deleted, and are not enforceable by either party:

- Beginning October 5, 2009, and 1/36 payments are due each month thereafter on the 5th of every month.
- The Company at its option may call up to 1/12 of the (gross) receivable note per month if the preceding 30 day average trading price is at or above $7.00 a share. Minimum trading volume must be 5,000 shares a day.
- As total consideration for the purchase and sale of the Company' s stock, purchaser shall ultimately pay to the Company the following amount (the "Purchase Price"):
  A. Purchaser shall first be entitled to an amount equal to 200% of the face amount of each share.
  B. After the purchaser receives the amount in A above, the Company shall be entitled to 50% of any additional net sales proceeds of the stock. Net sales proceeds shall mean the gross proceeds received from the sale of the stock, less reasonable brokerage commissions.
  C. Final adjusted net sales proceeds will be wired to the Company within 7 days from the final settlement of the sale of stock sold.

The outstanding balance owed on the revised 2007 subscription agreements at November 30, 2012 is $799,154.

2010 Agreement

Material terms of the subscription agreement received by the Company on June 22, 2010, for 400,000 restricted common shares at $0.75 per share (total value of $300,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2010 subscription agreement at November 30, 2012 is $300,000.

Summary

For the nine months ended November 30, 2012, the Company received stock subscription payments of $200,500 and as of November 30, 2012, the Company had related party stock subscriptions receivable aggregating $1,099,154 for the 2007 and 2010 agreements.

The following tables summarize information about the stock subscription receivable:

Receivable balance at February 29, 2008	$ 5,030,795
Cash collected	(523,832)
Receivable balance at February 28, 2009	4,506,963
Cash collected	(337,500)
2007 Subscription agreement pricing revised (1)	(2,275,000)
Receivable balance at February 28, 2010	1,894,463
New subscription agreement (2)	300,000
Cash collected	(771,809)
Receivable balance at February 28, 2011	1,422,654

Cash collected	(123,000)

Receivable balance at February 29, 2012	1,299,654
Cash collected	(50,000)
Receivable balance at May 31, 2012	1,249,654
Cash collected	(80,000)
Receivable balance at August 31, 2012	1,169,654
Cash collected	(70,500)
Receivable balance at November 30, 2012	$ 1,099,154

Summary of outstanding subscriptions:	
2005 subscriptions	$ -
2007 subscriptions	799,154
2010 subscriptions	300,000
	$ 1,099,154

(1) Amendment to the terms of the subscription agreements received by the Company on October 5, 2007 for 1,300,000 restricted common shares reducing the price paid per share from $2.50 to $0.75.
(2) New subscription agreement received on June 22, 2010.

The Company has not exercised its rights, per the 2005 subscription agreements, to demand monthly 1/36 payments or to charge up to 4.0% interest on the subscription amounts outstanding and they have provided no "downside protection" to the subscribers. The "downside protection" in the terms for the 2005 subscription agreements requires the Company to reimburse the subscription holder up to 30% of the $0.75 purchase price, or $0.225, if the market price of the stock is below $0.75 when converted. The protection may be provided in additional shares if necessary. For the nine month period ended November 30, 2012, there was no downside protection provided because the stock price did not go below $0.75 when converted. The subscription agreements do not define the term "when converted." The Company has taken the position that if at the time that a purchaser makes a payment in full for the shares under a subscription agreement and the closing price of the shares of the Company's stock is less than $0.75, the shareholder would be entitled to up to 30% additional shares, depending on the trading share price. As of April 2012, the 2005 subscription agreements were paid for in their entirety and any downside protection ceased.

Note 10. Earnings (Loss) Per Share

The Company computes earnings per share using two different methods, basic and diluted, and presents per share data for all periods in which statements of operations are presented. Basic earnings per share are computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings per share are computed by dividing net income (loss) by the weighted average number of common stock and common stock equivalents outstanding.

The following tables provide a reconciliation of the numerators and denominators used in calculating basic and diluted earnings (loss) per share for the three and nine month periods ended November 30, 2012 and 2011:

Three months ended
November 30,

	2012	2011
Basic earnings (loss) per share calculation:		

DigitalTown, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Net loss to common shareholders	$	(260,611)	$	(3,286,939)
Weighted average of common shares outstanding		29,165,599		29,011,928
Basic net loss per share	$	(0.01)	$	(0.11)
Diluted earnings (loss) per share calculation:				
Net loss to common shareholders	$	(260,611)	$	(3,286,939)
Weighted average of common shares outstanding		29,165,599		29,011,928
Stock options (1)		-		-
Warrants (2)		-		-
Diluted weighted average common shares outstanding		29,165,599		29,011,928
Diluted net loss per share	$	(0.01)	$	(0.11)

	Nine months ended November 30,			
	2012		2011	
Basic earnings (loss) per share calculation:				
Net loss to common shareholders	$	(1,040,205)	$	(3,929,407)
Weighted average of common shares outstanding		29,141,649		28,630,481
Basic net loss per share	$	(0.04)	$	(0.14)
Diluted earnings (loss) per share calculation:				
Net loss to common shareholders	$	(1,040,205)	$	(3,929,407)
Weighted average of common shares outstanding		29,141,649		28,630,481
Stock options (1)		-		-
Warrants (2)		-		-
Diluted weighted average common shares outstanding		29,141,649		28,630,481
Diluted net loss per share	$	(0.04)	$	(0.14)

(1) At November 30, 2012 and 2011, there were outstanding stock options equivalent of 3,920,000 and 4,720,000 common shares, respectively. The stock options are anti-dilutive at November 30, 2012 and 2011 and therefore have been excluded from diluted earnings (loss) per share.

(2) At November 30, 2012 and 2011, there were outstanding warrants equivalent to 980,410 and 1,089,077 common shares, respectively. The warrants are anti-dilutive at November 30, 2012 and 2011 and therefore have been excluded from diluted earnings (loss) per share.

Note 11. Supplemental Disclosure of Cash Flow Information

	Nine months ended November 30, 2012	Nine months ended November 30, 2011
Non-cash flow information:		
Cash paid for interest	$ 255	$ 3,631

Note 12. Subsequent Events

The Company has collected $27,500 of its stock subscription receivables during the period from December 1, 2012 to January 15, 2013.

The Company has paid $15,000 of its director/stockholder advance during the period from December 1, 2012 to January 15, 2013.

On December 1, 2012, the Company granted 200,000 options to David W. Dahl who was appointed to the board of directors on December 10, 2012. The options have an exercise price of $1.00 per share, a term of 10 years and the options vest as follows: 20,000 on December 1, 2012, 30,000 on May 1, 2013, 50,000 on December 1, 2013, 50,000 December 1, 2014 and 50,000 on December 1, 2015.

On December 1, 2012, the Company granted 200,000 options each to David W. Dahl and Andy Dahl as advisors to the Company. The options have an exercise price of $1.00 per share, a term of 10 years and the options vest as follows: 20,000 on December 1, 2012, 30,000 on May 1, 2013, 50,000 on December 1, 2013, 50,000 December 1, 2014 and 50,000 on December 1, 2015. The options that vest on December 1, 2013, December 1, 2014 and December 1, 2015 carry a vesting period stock appreciation goal restriction of a $4.00 volume weighted average price ("VWAP") with an average of 25,000 shares trading per day over a 15 day period. Once this goal is achieved, the restriction is lifted for all the effected options and they will vest as scheduled.

On December 13, 2012, the Company received an additional working capital draw of $24,000 from Jeff Mills, a director/stockholder of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of the financial condition of the Company as of November 30, 2012, and its results of operations for the three and nine months ended November 30, 2012 and 2011, which should be read in conjunction with, and is qualified in its entirety by, the financial statements and notes thereto included elsewhere in this report and the audited consolidated financial statements and notes thereto included in the Company's Form 10-K for the fiscal year ended February 29, 2012.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Form 10-Q for the quarter ended November 30, 2012, contains forward-looking statements. Forward-looking statements may be identified by the use of forward-looking terminology, such as "may," "shall," "could," "expect," "estimate," "anticipate," "predict," "probable," "should," "continue," or similar terms, variations of those terms or the negative of those terms. The forward-looking statements specified in the following information have been compiled by our management and are considered by management to be reasonable. Our future operating results, however, are impossible to predict and no representation, guaranty, or warranty is to be inferred from those forward-looking statements.

Company Overview

DigitalTown owns and operates a nationwide social networking site of hyper-local on-line communities built around their domain names and the schools and communities they represent. In October 2010, the Company completed the initial rollout of its new high school spirit websites on approximately 20,000 of their high school spirit websites. The high school spirit websites continue to feature schedules, scores and Active Power Rankings for high school football, basketball and boys' and girls' lacrosse.

On December 8, 2010, the Company entered into a five year strategic partnership agreement with the National Interscholastic Athletic Administrators Association ("NIAAA"). The NIAAA and DigitalTown are working together to establish a national, standardized system for recording schedules, scores, rosters and statistics for interscholastic sports teams and individual students. Pursuant to the agreement, the Company has committed to pay the expenses related to this strategic partnership; however any expenses in excess of $5,000 must be preapproved by the Company. The Company has committed to deposit $50,000 for such expenses for the first fiscal year of the contract and an additional $50,000 for the second year. In addition, the Company has committed to donate 25%, up to $3,000,000 of the annual net sponsorship revenue in the scheduling and statistics areas of its high school spirit websites to yet to be named program funds that promote youth activities and the NIAAA. Lastly, the Company has committed to a minimal revenue share of $100,000 per year with the future launch of its beta 3 software.

On March 22, 2011, the Company entered into a marketing partnership with Daktronics (NASDAQ: DAKT) to extend Daktronics reach into the high school market and strengthen DigitalTown's access to statistical data. As part of the agreement, Daktronics grants DigitalTown access to its Daktronics statistical software furthering DigitalTown's goal of creating the first nationwide network for high school sports statistics. On November 1, 2011, Daktronics made its sports statistical software available for all high schools nationwide free of charge via the DigitalTown network. School administrators can access Daktronics statistics software via any one of DigitalTown's approximate 27,000 online communities.

On April 5, 2011, the Company's registration statement, initially filed December 23, 2010, was declared effective by the Securities and Exchange Commission ("SEC"). The effective registration statement allows the Company to sell up to 3,000,000 of its shares to Auctus Private Equity Fund, LLC ("Auctus") as part of a

drawdown equity financing agreement ("Drawdown Agreement") the Company signed with Auctus on December 3, 2010. Per the agreement, the Company, at its discretion, has the right to sell up to $10.0 million of common stock to Auctus over a 36 month period per the conditions set forth in the agreement. The Company issued a drawdown notice to Auctus for $50,000. Auctus honored $2,108 of the notice, but has refused to honor the balance. The Company considers Auctus to be in breach of the drawdown agreement. As of November 30, 2012, the Company has not issued any additional drawdown notices.

On January 24, 2012, DigitalTown launched its hyper-local, high school network across its 20,000 plus, high school spirit websites, allowing national and local advertisers the ability to place ads on any hyper-local high school spirit website in the DigitalTown network. Inside each hyper-local, high school spirit website, an advertiser can pick the sport or team of their choice including approximately 18,000 basketball teams, 15,000 football teams and 8,500 boys' and girls' lacrosse teams. Ad prices range from $40 to $125 per month with site-wide corporate sponsorship packages available. With more than 20,000, hyper-local, high-school spirit websites, this launch represents in excess of $500 million in available ad inventory, with only three sports currently launched.

On February 6, 2012, DigitalTown announced that its ad revenue sharing program for its hyper-local, high school spirit websites would become effective beginning March 1, 2012. For the remainder of 2012 and the entire 2012/13 school year, DigitalTown has committed to sharing the revenue generated on up to 55% of its ad space with the local schools and the NIAAA.

On April 4, 2012, the Company executed a Domain Sale Agreement under which it agreed to sell one of the domain names the Company currently owns. The Company received $175,000 cash in consideration of the transfer of the domain name.

On May 3, 2012, DigitalTown created a new, wholly-owned subsidiary, The School Network, Inc. ("TSN"), under the laws of the State of Nevada.

On May 14, 2012, DigitalTown Limited ("DTL") was incorporated under Chapter 32 of the Laws of Hong Kong. DTL is 100% owned by TSN.

On May 14, 2012, DigitalTown unilaterally terminated the Custom Platform Partnership Agreement ("CPPA") between F5-SIM, LLC (k/n/a 3D Sports Technology, Inc. ("3D Sports") and DigitalTown, dated February 11, 2010. On May 24, 2012, DigitalTown informed 3D Sports of the provisions of the CPPA that it believes that 3D Sports breached.

On May 23, 2012, DigitalTown, Inc. ("DigitalTown") and The Active Network, Inc. ("Active") completed a Handoff Agreement of the technology assets supporting DigitalTown' s school spirit websites and its related social networking sites. The Handoff Agreement indicates that both DigitalTown and Active agreed to mutually terminate the Strategic Alliance Agreement, initially entered between the parties on September 29, 2009, and subsequently re-entered between the parties on September 30, 2011.

On July 31, 2012, DigitalTown and the National Interscholastic Athletic Administrators Association ("NIAAA") jointly announced that TrustedWebmail will be the official recommended email provider of the NIAAA for athletic administrators, coaches and athletes nationwide.

In December, 2012, DigitalTown launched its webmail service called TrustedWebmail which is currently completing its final live beta testing. TrustedWebmail features advanced monitoring controls for schools, athletic directors, youth leagues and business and will provide an easy method for monitoring emails sent and received. DigitalTown plans to launch a second tool called Trusted Cell Phone, which is a predator-averse

parental/coach/teacher monitoring application which allows you to monitor all texts (SMS or MMS), phone calls, or images into or out of any android based cellular phone under your control. The launch of Trusted Cell Phone should occur by the end of the Company' s fiscal fourth quarter.

RESULTS OF OPERATIONS

THREE MONTHS ENDED NOVEMBER 30, 2012 and 2011

During the three months ended November 30, 2012, the Company recorded revenues of $16,049 and cost of revenues of $113,607 for a negative gross profit of $(97,558) compared to revenues of $7,153 and cost of revenues of $72,846 for a negative gross profit of $(65,693), for the same period in 2011. For the three months ended November 30, 2012, revenue consisted of the direct sale of display advertising of $9,644, commissions generated from advertising on our websites of $6,245 and $160 from sales of our webmail service. For the comparable period, revenue consisted entirely of commissions generated from advertising on our websites of $7,153. Cost of revenue consisted of amortization of prepaid annual domain name renewal fees of $47,048 for 2012 compared to $45,517 for 2011, server/bandwidth expense of $14,546 for 2012 and $9,020 for 2011, amortization of website development fees of $27,342 for 2012 and $18,309 for 2011 and direct sales expense of $24,671 for 2012 compared to $0 for 2011. The direct sales expense for 2012 consisted of sales and graphic design personnel salaries and commissions. For the two comparable periods, the increase of $24,206 in direct sales expense and $9,033 in amortization of website development fees pertain to the Company' s launch of its direct sales effort and sales center, respectively.

Selling, general and administrative expenses for the most current three months decreased by $3,058,603 to $162,849 compared to a year ago. Stock compensation expense, included in selling, general and administration expenses, was ($9,502) for the three months ended November 30, 2012 compared to $3,065,042 for the three months ended November 30, 2011, a decrease of $3,074,544, compared to a year ago. Excluding non-cash stock compensation expense for the two comparable periods, selling, general, and administrative expenses were $172,351 for the three months ended November 30, 2012 compared to $156,410 for the three months ended November 30, 2011. The increase of $15,641 was primarily due to a $23,598 increase in salary expense and $11,823 increase in benefits cost offset by a $13,154 decrease in professional fees and a $7,500 decrease in administrative fees. The Company' s overall net loss for the three months ended November 30, 2012, decreased by $3,026,328 to $260,611.

NINE MONTHS ENDED NOVEMBER 30, 2012 and 2011

During the nine months ended November 30, 2012, the Company recorded revenues of $37,188 and cost of revenues of $368,866 for a negative gross profit of $(331,678) compared to revenues of $17,678 and cost of revenues of $203,356 for a negative gross profit of $(185,678), for the same period in 2011. For the nine months ended November 30, 2012, revenue consisted of commissions generated from advertising on our websites of $15,051, the direct sale of display advertising of $21,977 and $160 from sales of our webmail service. For the comparable period, revenue consisted entirely of commissions generated from advertising on our websites of $17,678. Cost of revenue consisted of amortization of prepaid annual domain name renewal fees of $140,735 for 2012 compared to $131,205 for 2011, server/bandwidth expense of $35,198 for 2012 and $17,225 for 2011, amortization of website development fees of $84,602 for 2012 and $54,926 for 2011 and direct sales expense of $108,331 for 2012 compared to $0 for 2011. The direct sales expense for 2012 consisted of sales and graphic design personnel salaries, commissions and fees paid to a call center. For the two comparable periods, the increase of $108,331 in direct sales expense and $29,676 in amortization of website development fees pertain to the Company' s launch of its direct sales effort and sales center, respectively.

Selling, general and administrative expenses for the most current nine months decreased by $2,857,194 to $883,189 compared to a year ago. Stock compensation expense, included in selling, general and administration expenses, was $120,807 for the nine months ended November 30, 2012 compared to $3,213,607 for the nine months ended November 30, 2011, a decrease of $3,092,800, compared to a year ago. Excluding non-cash stock compensation expense for the two comparable periods, selling, general, and administrative expenses were $762,382 for the nine months ended November 30, 2012, compared to $526,776 for the nine months ended November 30, 2011. The increase of $235,606 was primarily due to a $136,120 increase in salary expense, $40,873 increase in professional fees, $39,563 increase in benefits cost and $13,234 increase in travel & entertainment. The Company' s overall net loss for the nine months ended November 30, 2012, decreased by $2,889,202 to $1,040,205.

LIQUIDITY AND CAPITAL RESOURCES

NINE MONTHS ENDED NOVEMBER 30, 2012

The Company' s cash position at November 30, 2012, was $18,451, a decrease of $203,453 from $221,904 at February 29, 2012. Net cash used in operating activities during the nine months ended November 30, 2012 and 2011, was $641,884 and $992,487, respectively. When comparing the two periods, the decrease in cash used in operating activities of $350,603 is primarily due to a $403,519 increase in accounts payable, a $134,904 increase in deferred officer compensation and an increase of $128,353 in prepaid domain name renewal fees paid offset by a $174,300 gain from sale of domain name.

Net cash provided from investing activities for the nine months ended November 30, 2012, was $137,931 which consisted of $175,000 of proceeds from the sale of a domain name offset by $23,520 used for the purchase of additional domain names, $9,023 used for additional website development costs and $4,526 used for the purchase of property and equipment compared to net cash used of $46,452 for the nine months ended November 30, 2011, which consisted of $30,000 used for additional website development costs, $13,896 used for the purchase of property and equipment and $2,556 used for the purchase of additional domain names.

Net cash provided by financing activities for the nine months ended November 30, 2012, was $300,500 which consisted of payments received on stockholder subscription receivables of $200,500, proceeds from issuance of stock of $75,000 and proceeds from director/stockholder loan of $25,000. For the comparable period ended November 30, 2011, the Company received net cash provided by financing activities of $1,443,634 which consisted of proceeds from the issuance of common stock of $1,457,722, payments received on stockholder subscription receivables of $123,000 offset by a $137,088 payment on loan with director/stockholder.

Monthly cash operating expenses for the nine months ended November 30, 2012, were approximately $71,000 per month. Based on current projections, the Company' s monthly cash operating expenses going forward for the remainder of the fiscal year should be approximately $76,000 per month, which includes the remaining projected cost of the renewal of the existing domain names totaling approximately $3,000. In addition to the normal monthly operating expenses, the Company' s committed cash requirements at November 30, 2012 consist of $30,000 due to the NIAAA for expenses pertaining to the Company' s Strategic Partnership Agreement, $23,500 due to director/stockholder for a cash advance, $84,616 of deferred compensation due to director/stockholder and a $25,000 loan due to director/stockholder which is payable on demand. From December 1, 2012 to January 14, 2013, the Company has received cash proceeds of $27,500 from its stock subscription receivables.

As of November 30, 2012, the Company has the following stock subscription agreements outstanding:

2005 Agreements

Material terms of the subscription agreements received by the Company on December 30, 2005, for 4,733,333 restricted common shares at $0.75 per share (total value of $3,550,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2005 subscription agreements at November 30, 2012 is $0.

2007 Agreements

On October 5, 2007, the Company received subscriptions for 1,300,000 restricted common shares at $2.50 per share (total value of $3,250,000). Significant terms of the original subscription agreement are as follows:

- The price per share of $2.50 was based on the closing price on October 4, 2007.
- At 24 months, 1/36 payments are due monthly.
- The Company, at its option, may call up to 1/12 of the gross receivable per month if the preceding 30 day average trading price is at or above $7.00 a share with minimum trading volume of 5,000 shares per day.
- If the purchaser sells these common shares, the purchaser shall be entitled to an amount equal to 200% of the original purchase price of each share and the Company shall be entitled to 50% of any additional net sales proceeds from the stock sale.

On February 25, 2010, due to the economic downturn and the market value of the Company' s stock, which was trading below $2.50 per share, the Company amended the pricing terms of the subscription agreements received by the Company on October 5, 2007. The amendment changed the following significant terms of the subscription agreement:

The parties agree that the initial pricing terms in the Confidential Binding Term Sheet dated October 5, 2007, of the Agreement will be amended to state as follows:

1. The Subscriber offers to purchase shares of the Company for $0.75 per share. After the price adjustment, the revised total value of this subscription agreement is $975,000.

The following other provisions of the initial pricing and final pricing terms in the Confidential Binding Term Sheet dated October 5, 2007, of the Agreement will be deleted, and are not enforceable by either party:

- Beginning October 5, 2009, and 1/36 payments are due each month thereafter on the 5th of every month.
- The Company at its option may call up to 1/12 of the (gross) receivable note per month if the preceding 30 day average trading price is at or above $7.00 a share. Minimum trading Volume must be 5,000 shares a day.
- As total consideration for the purchase and sale of the Company' s stock, purchaser shall ultimately pay to the Company the following amount (the "Purchase Price"):
    A. Purchaser shall first be entitled to an amount equal to 200% of the face amount of each share.

B. After the purchaser receives the amount in A above, the Company shall be entitled to 50% of any additional net sales proceeds of the stock. Net sales proceeds shall mean the gross proceeds received from the sale of the stock, less reasonable brokerage commissions.
C. Final adjusted net sales proceeds will be wired to the Company within 7 days from the final settlement of the sale of stock sold.

The outstanding balance owed on the revised 2007 subscription agreements at November 30, 2012, is $799,154.

2010 Agreement

Material terms of the subscription agreement received by the Company on June 22, 2010, for 400,000 restricted common shares at $0.75 per share (total value of $300,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4.0%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2010 subscription agreement at November 30, 2012, is $300,000.

Summary

As of November 30, 2012, the Company had stock subscription receivables of $1,099,154 and for the nine months ended November 30, 2012, the Company received stock subscription payments of $200,500.

The following table summarizes the stock subscription receivable, by quarter, at November 30, 2012:

Quarter Ended	Total Balance Due	Total Amount Collected	New Subscription Agreements	Participatory Rights in the Proceeds of the Resales Collected	Amount of Downside Protection Provided
February 28, 2011	$ 1,422,654	$ 257,734	-	-	-
May 31, 2011	1,299,654	123,000	-	-	-
August 31, 2011	1,299,654	-	-	-	-
November 30, 2011	1,299,654	-	-	-	-
February 29, 2012	1,299,654	-	-	-	-
May 31, 2012	1,249,654	50,000	-	-	-
August 31, 2012	1,169,654	80,000	-	-	-
November 30, 2012	1,099,154	70,500			

The Company has not exercised its rights, per the 2005 subscription agreements, to demand monthly 1/36 payments or to charge up to 4.0% interest on the subscription amounts outstanding and they have provided no "downside protection" to the subscribers. The "downside protection" in the terms for the 2005 subscription agreements requires the Company to reimburse the subscription holder up to 30% of the $0.75 purchase price, or $0.225, if the market price of the stock is below $0.75 when converted, the protection may be provided in additional shares if necessary. The subscription agreements do not define the term "when converted." The Company has taken the position that if at the time that a purchaser pays in full for the shares under a subscription agreement, the closing price of the shares of the Company' s stock is less than $0.75; the shareholder then would be entitled to up to 30% additional shares, depending on the trading share price. As of April 2012, the 2005 subscription agreements were paid for in their entirety and any downside protection ceased.

In summary, we believe our current cash reserves, the amounts we expect to collect on our outstanding stock subscription receivables, future proceeds from the issuance of our common stock, proceeds from the sale of current domain names and cash generated from the sale of its webmail service should be sufficient to enable us to operate for the next 12 months. In the event that we are unable to collect our stock subscription receivables as needed or raise additional capital through the sale of our common stock or sell additional domain names on acceptable terms or generate sufficient cash flow from the sale of its webmail service, we would be forced to reduce operating expenses and/or cease operations altogether.

Critical Accounting Policies

The discussion and analysis of DigitalTown, Inc.' s financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the U.S. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities. Management reviews its estimates on an ongoing basis. Management bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions. While DigitalTown Inc.' s significant accounting policies are described in more detail in Note 2 to its financial statements, management believes the following accounting policies to be critical to the judgments and estimates used in the preparation of its financial statements:

Intangible Assets – Domain Names/Website Development Costs

Domain name costs are accounted for in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 350-50) guidance pertaining to Intangibles-Goodwill and Other, Website Development Costs. Certain modules and components of the Company' s overall website development are ready for their intended use and the Company' s resulting websites are currently operational. Accordingly, the annual domain name renewal fees are currently being amortized over one year and the purchase of any new domain names are capitalized. Previously, during the infrastructure development stage of its websites, the Company capitalized the purchase of new domain names and the annual domain name renewal fees. Since the ownership of each domain name can be renewed for a nominal renewal fee each year prior to their expiration date, the useful lives of the domain names are deemed to be indefinite and no amortization of the capitalized costs for the domain names will be recorded.

Website development costs are accounted for in accordance with the FASB Accounting Standards Codification (ASC 350-40) guidance pertaining to Intangibles-Goodwill and Other, Internal-Use Software which requires that all internal and external costs incurred to develop the internal-use software necessary to operate the websites be capitalized. The guidance further states, amortization should begin when an individual module or component of the overall internal-use software is ready for its intended use. The cost of such module or component will be amortized on a straight-line basis over its estimated useful life, as determined by the Company, after taking into account the effects of obsolescence, technology, competition and other economic factors. The Company has components of its website development that are operational and are being amortized on a straight-line basis over a three year life.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets – domain names/website development costs are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees and directors on a straight-line basis over the respective vesting period of the awards. The compensation expense for the Company's stock-based payments is based on estimated fair values at the time of the grant of the portion of stock-based payment awards that are ultimately expected to vest.

The Company estimates the fair value of stock-based payment awards on the date of grant using the Black-Scholes option pricing model. This option pricing model involves a number of assumptions, including the expected lives of stock options, the volatility of the public market price for the Company's common stock and interest rates.

Recently Issued Accounting Pronouncements:

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, “Technical Corrections and Improvements” in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, “Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)” in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, “Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment” in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08,Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity’ s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on our financial position or results of operations.

FORWARD-LOOKING INFORMATION

Any statements contained herein related to future events are forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. DigitalTown, Inc. undertakes no obligation to update any such statements to reflect actual events.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company has not entered into, and does not expect to enter into, financial instruments for trading or hedging purposes. The Company does not currently anticipate entering into interest rate swap and/or similar instruments. Our primary market risk exposure with regard to financial instruments is to changes in interest rates, which would only impact interest income earned on such instruments. As of November 30, 2012, the Company does not have any material currency exchange or interest rate risk exposure.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness, as of November 30, 2012, of our disclosure controls and procedures, as defined in Rules 13(a)-13(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act. The purpose of this evaluation was to determine whether as of the evaluation date our disclosure controls and procedures were effective to provide reasonable assurance that the information we are required to disclose in our filings with the Securities and Exchange Commission, or SEC, under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the SEC' s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based on their evaluation, our management has concluded, as previously discussed in Item 9A of our Form 10-K for the fiscal year ended February 29, 2012, that material weaknesses continue to exist in our internal control over financial reporting as of November 30, 2012, and as a result our disclosures controls and procedures were not effective. Notwithstanding the material weaknesses that continue to exist as of November 30, 2012, our Chief Executive Officer and Chief Financial Officer have concluded that the financial statements included in this Quarterly Report on Form 10-Q present fairly, in all material aspects, the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America ("GAAP").

(b) Changes in Internal Controls over Financial Reporting.

Management continues to evaluate the Company' s internal controls over financial reporting to insure that the design and implementation of corrective procedures are adequate to remediate the previously identified material weaknesses from our Form 10-K at February 29, 2012. Due to the small number of employees dealing with general administrative and financial matters and the expenses associated with increases to remediate the disclosure controls and procedures that have been identified, the Company continued to operate without changes to its internal controls over financial reporting for the period covered by this Quarterly Report on Form 10-Q while continuing to evaluate and improve to remediate the material weaknesses at an appropriate cost benefit basis.

During the fiscal quarter ended November 30, 2012, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

DigitalTown, Inc. is, from time to time, a party to litigation arising in the normal course of its business. The Company believes that none of these actions will have a material adverse effect on its financial condition or results of operations.

ITEM 1A. RISK FACTORS

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended February 29, 2012. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On March 19, 2012, the Company entered into a stock purchase agreement and issued 75,000 shares of restricted common stock at a per share price of $1.00, for total cash proceeds of $75,000, which was used for general working capital. These shares are unregistered with no underwriter used for the sale of the common stock. The shares of stock were sold pursuant to an exemption from registration under Section 4(2) of the Securities Act of 1933 and/or Rule 506 of Regulation D promulgated thereunder.

On May 15, 2012, the Company issued 21,775 restricted common shares at $0.40 per share, valued at $8,710, to six directors of the Company for payment of director fees. The restricted common shares were valued based on the market price at time of issue.

On August 15, 2012, the Company issued 15,277 restricted common shares at $0.55 per share, valued at $8,403, to six directors of the Company for payment of director fees and 909 restricted common shares at $0.55 per share, valued at $500, as compensation for the interim CFO/President. The restricted common shares were valued based on the market price at time of issue.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

(a) All information required to be disclosed on a report on Form 8-K during the period ended November 30, 2012, has previously been reported.

(b) There have been no material changes to the procedures by which security holders may recommend nominees to the registrant' s board of directors.

ITEM 6. EXHIBITS

3.1	Articles of Incorporation, as amended *	Previously Filed
3.2	Bylaws*	Previously Filed
31	Certifications of Chief Executive Officer and Chief Financial Officer under Rule 13a-14(a)/15d-14(a)	Included
32	Certifications under Section 1350	Included
101.INS**	XBRL Instance	Included
101.SCH**	XBRL Taxonomy Extension Schema	Included
101.CAL**	XBRL Taxonomy Extension Calculation	Included
101.DEF**	XBRL Taxonomy Extension Definition	Included
101.LAB**	XBRL Taxonomy Extension Labels	Included
101.PRE**	XBRL Taxonomy Extension Presentation	Included

*Incorporated by reference to exhibit filed as a part of Registration Statement on Form 10-SB (Commission File No. 000-27225).

** XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

SIGNATURES

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

DigitalTown, Inc.

Dated: January 14, 2013

/s/ Paul R. Gramstad_____________________
Paul R. Gramstad
Chief Executive Officer and President
Principal Executive Officer
Chief Financial Officer
Principal Financial Officer

Exhibit 31.1

CERTIFICATION AS REQUIRED BY RULE 13a-14(a) OR RULE 15d-14(a)

I, Paul R. Gramstad, certify that:

1. I have reviewed this quarterly report of DigitalTown, 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 the 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 of 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.

Dated: January 14, 2013

/s/ Paul R. Gramstad
Paul R. Gramstad
Chief Executive Officer and President
Principal Executive Officer
Chief Financial Officer
Principal Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(18 U.S.C. SECTION 1350)

In connection with the Quarterly Report of DigitalTown, Inc. (the *"Company"*), on Form 10-Q for the period ended November 30, 2012 as filed with the Securities and Exchange Commission (the *"Report"*), the undersigned hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 135)), that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: January 14, 2013

/s/ Paul R. Gramstad
Paul R. Gramstad
Chief Executive Officer and President
Principal Executive Officer
Chief Financial Officer
Principal Financial Officer

Commitment and Contingencies	3 Months Ended Nov. 30, 2012
Commitments and contingencies	
Commitments and Contingencies Disclosure [Text Block]	**Note 8. Commitments and Contingencies** The Company is exposed to asserted and unasserted claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material adverse effect on the Company's financial position or results of operations. On August 22, 2011, the Company entered into a nine month agreement with Enable Consulting, LLC (“Enable”) to complete the design and development of the Company’ s Sales Center Application. The Company committed up to $66,000 for the development and maintenance support of this software application through May 31, 2012. On June 27, 2012, the Company signed an amendment to its existing contract with Enable which establishes payment terms for the remaining balance due to Enable at May 31, 2012, of $36,000, pertaining to subscription fees from the original contract, and prioritizes the remaining unresolved maintenance items which Enable will complete by August 15, 2012. As of November 30, 2012, the prioritized maintenance items previously agreed to remained unresolved and the balance due of $22,500 was reversed and credited to professional fees. On December 8, 2010, the Company entered into a five year strategic partnership agreement with the National Interscholastic Athletic Administrators Association (“NIAAA”). The NIAAA and DigitalTown will work together to establish a national, standardized system for recording schedules, scores, rosters and statistics for interscholastic sports teams and individual students. Pursuant to the agreement, the Company has committed to pay the expenses related to this strategic partnership; however any expenses in excess of $5,000 must be preapproved by the Company. The Company has committed to deposit $50,000 for such expenses for the first fiscal year of the contract which the Company has paid as of February 29, 2012. In addition, as of November 30, 2012, the Company has paid $20,000 of the $50,000 due for the second fiscal year of the contract. In addition, the Company has committed to donate 25% of the annual net sponsorship revenue in the scheduling and stats areas of its websites, with a total annual donation cap of $3,000,000, to yet to be named program funds that promote youth activities and the NIAAA. Lastly, the Company has committed to a minimal revenue share of $100,000 per year with the future launch of its beta 3 software. As of November 30, 2012, the Company has not yet launched its beta 3 software nor has it generated any net sponsorship revenue.
Disclosure Text Block Supplement [Abstract]	
Commitments Disclosure [Text Block]	**Note 4. Deferred Officer Compensation** **Richard Pomije, the Chairman of the Company, has elected to forego a portion of his salary at various times due to limited operating funds. These**

amounts do not accrue interest and are due and payable as funds become available in the future. During the nine months ended November 30, 2012, the Company recorded $84,616 of deferred officer compensation. During the nine months ended November 30, 2011, the Company recorded $8,654 of deferred officer compensation and made a payment of $58,942. **As of February 29, 2012; no balance was noted; whereas, as of November 30, 2012, $84,616 was recorded as deferred officer compensation.**

Intangible Assets, Goodwill and Other	3 Months Ended Nov. 30, 2012
Goodwill and Intangible Assets Disclosure [Abstract]	
Intangible Assets Disclosure [Text Block]	**Note 3. Intangible Assets**

Intangible assets, net are as follows:

	November 30,	2012	February 29,	2012
Domain names	$	858,628	$	835,809
Website development costs		360,481		351,457
Less accumulated amortization		(192,647)		(108,045)
	$	1,026,462	$	1,079,221

During the nine months ended November 30, 2012, the Company capitalized $23,520 in additional domain name purchases and sold a single domain name with a book value of $700 which decreased the capitalized cost of domain name purchases. Since the useful life of the domain names is deemed to be indefinite, no amortization has been recorded.

During the nine months ended November 30, 2012, the Company incurred $59,576 of annual domain name renewal fees and recorded them as prepaid domain name renewal fees and expensed $140,735 on a straight line basis, to cost of revenues in the Company' s consolidated statement of operations for the nine months ended **November 30, 2012**. **At November 30, 2012, the Company had $84,670 of prepaid domain name renewal fees which will be amortized over future periods.**

During the nine months ended November 30, 2012, the Company capitalized $9,023 of additional website development costs which the Company determined were not ready for their intended use and therefore no amortization expense has been recorded for these costs. The Company has a total recorded cost of $360,481 at November 30, 2012 and it has determined that $351,458 of these costs pertain to components of the Company' s website development that are ready for their intended use and have an estimated useful life of three years. **During the three and nine months ended November 30, 2012**, the Company recorded $27,342 and $84,602, respectively, to cost of revenues for amortization expense pertaining to these website components.

CONSOLIDATED BALANCE SHEETS (USD $)	Nov. 30, 2012	Feb. 29, 2012
Current assets:		
Cash	$ 18,451	$ 221,904
Accounts receivable	1,315	9,225
Current portion of prepaid domain name renewal fees	84,670	155,804
Prepaid expenses	4,320	6,970
Total current assets	108,756	393,903
Prepaid domain name renewal fees, net of current portion		10,025
Property and equipment, net	20,504	25,658
Intangible assets, net	1,026,462	1,079,221
Total assets	1,155,722	1,508,807
Accounts payable	145,979	26,946
Advance from director/stockholder	31,450	
Loan from director/stockholder	25,000	
Deferred revenue	15,978	6,031
Accrued payroll	7,625	4,471
Deferred officer compensation	84,616	
Total current liabilities	310,648	37,448
Common stock, $0.01 par value, 2,000,000,000 shares authorized, 29,165,599 and 29,047,638 shares issued and outstanding at November 30, 2012 and February 29, 2012, respectively	$ 291,602	$ 290,473
Additional paid-in-capital	26,767,510	26,555,219
Subscriptions receivable	(1,099,154)	(1,299,654)
Accumulated deficit	(25,114,884)	(24,074,679)
Total stockholders' equity	845,074	1,471,359
Total liabilities and stockholders' equity	$ 1,155,722	$ 1,508,807

Organization, Consolidation and Presentation of Financial Statements	3 Months Ended
	Nov. 30, 2012

Organization, Consolidation and Presentation of Financial Statements [Abstract]

Nature of Operations [Text Block]

Note 2. Nature of Business and Summary of Significant Accounting Policies:

Nature of Business

The Company was founded in 1982 under the laws of the State of Minnesota as Command Small Computer Learning Center, Inc., a computer training company and operated under several different names in the computer hardware and training sector. In 2005, the Company began acquiring domain names. On March 1, 2007, the Company changed its name to DigitalTown, Inc. and began developing a business plan to develop a platform to monetize the domain names. The Company' s headquarters are located at 11974 Portland Avenue, Burnsville, MN 55337, and its telephone and facsimile numbers are (952) 890-2362 and (952) 890-7451, respectively. The Company's Internet address is www.digitaltown.com. The Company is traded in the over-the-counter market under the ticker DGTW.

The Company has sustained losses and negative cash flows from operations and expects these conditions to continue into the foreseeable future. At November 30, 2012, the Company had an accumulated deficit of $25,114,884. The Company anticipates that existing cash, expected future proceeds from its stock subscriptions receivable, future sales of its common stock, cash generated from the sale of its webmail service and additional sales of existing domain names should be sufficient to meet its working capital and capital expenditures needs through at least November 30, 2013. In the event that we are unable to obtain additional capital in the future, we would be forced to reduce operating expenses and/or cease operations altogether.

Principles of Consolidation

The Company files consolidated financial statements that include its wholly-owned subsidiaries Tiger Media and The School Network, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable arose from the sale of display advertising. The Company evaluates collectability of accounts receivable based on a combination of factors including the age of the receivable or a specific customer' s inability to meet its financial conditions. In these circumstances, the Company records an allowance to reduce the receivable to an amount it deems collectible. The Company has determined that an allowance for doubtful accounts is not necessary as of November 30, 2012.

Revenue Recognition

The Company recognizes revenue when the following four criteria have been met:

- Persuasive evidence that an agreement exists
- Delivery has occurred
- The price is fixed and determinable
- Collectability is reasonably assured

The Company recognizes revenue from the sale of display advertising appearing on specific pages of individual spirit sites within DigitalTown' s network. Display advertising is sold by the Company directly to local merchants and placed by the Company on specific pages of individual spirit sites targeted by the local merchant. The terms of these sales are for a fixed monthly amount for a period ranging from three months to one year. The Company has also entered into certain third party agreements which allow display advertising to be placed on individual spirit sites within DigitalTown' s network. Per these agreements, the Company receives commissions based on a percentage of the per click or per-impression revenue generated by these ads. The Company recognizes these commissions received as revenue.

Concentrations

During the nine months ended November 30, 2012, one customer accounted for 32% of revenues. During the nine months ended November 30, 2011, one customer accounted for 91% of revenues. At November 30, 2012, one customer accounted for 51% of accounts receivable totaling $668 and at December 31, 2011, one customer accounted for 41% of accounts receivable totaling $3,800.

Deferred Revenue

Deferred revenue is comprised of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition from customers for which services have not been delivered.

Intangible Assets – Domain Names/Website Development Costs

Domain name costs are accounted for in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 350-50) guidance pertaining to Intangibles-Goodwill and Other, Website Development Costs. Certain modules and components of the Company' s overall website development are ready for their intended use and the Company' s resulting websites are currently operational. Accordingly, the annual domain name renewal fees are currently being amortized over one year and the purchase of any new domain names are the only amounts being capitalized. Previously, during the infrastructure development stage of its websites, the Company capitalized the purchase of new domain names and the annual domain name renewal fees. Additionally, since the ownership of each domain name can be renewed for a nominal renewal fee each year prior to their expiration date, the useful lives of the domain names are deemed to be indefinite and no amortization of the capitalized costs for the domain names will be recorded.

Website development costs are accounted for in accordance with the FASB Accounting Standards Codification (ASC 350-40) guidance pertaining to Intangibles-Goodwill and Other, Internal-Use Software which requires that all internal and external costs incurred to develop the internal-use software necessary to operate the websites be capitalized. The guidance further states, amortization should begin when an individual module or component of the overall internal-use software is ready for its intended use. The cost of such module or component will be amortized on a straight-line basis over its estimated useful life, as determined by the Company, after taking into account the effects of obsolescence, technology, competition and other economic factors. The Company has components of its website development that are operational and are being amortized on a straight-line basis over a three year life. See Note 3 for further information.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets – domain names/website development costs are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income Taxes

Deferred tax assets (net of any valuation allowance) and liabilities resulting from temporary differences, net operating loss carry-forwards and tax credit carry-forwards are recorded using an asset-and-liability method. Deferred taxes relating to temporary differences and loss carry-forwards are measured using the tax rate expected to be in effect when they are reversed or are realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be ultimately realized. The Company has recorded a full valuation allowance against its net deferred tax asset due to the uncertainty of realizing the related future benefits.

The Company accounts for income taxes pursuant to Financial Accounting Standards Board guidance. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company' s adoption of these provisions specifically related to uncertain tax positions resulted in no cumulative effect adjustment. The Company believes its income tax filing positions and deductions will be sustained upon examination and, accordingly, no reserves or related accruals for interest and penalties have been recorded at November 30, 2012 and February 29, 2012. In accordance with the guidance, the Company has adopted a policy under which, if required to be recognized in the future, interest related to the underpayment of income taxes will be classified as a component of interest expense and any related penalties will be classified in operating expenses in the statements of operations. The Company has three open years of tax returns subject to examination.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees, directors and consultants on a straight-line basis over the respective vesting period of the awards. The compensation expense for the Company's stock-based payments is based on estimated fair values at the time of the grant of the portion of stock-based payment awards that are ultimately expected to vest.

The Company estimates the fair value of stock-based payment awards on the date of grant using the Black-Scholes option pricing model. This option pricing model involves a number of assumptions, including the expected lives of stock options, the volatility of the public market price for the Company's common stock and interest rates.

Recently Issued Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, "Technical Corrections and Improvements" in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, "Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)" in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08,Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity' s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on our financial position or results of operations.

Accounting Policies	3 Months Ended Nov. 30, 2012

Accounting Policies [Abstract]

Nature of Operations [Text Block]

Note 2. Nature of Business and Summary of Significant Accounting Policies:

Nature of Business

The Company was founded in 1982 under the laws of the State of Minnesota as Command Small Computer Learning Center, Inc., a computer training company and operated under several different names in the computer hardware and training sector. In 2005, the Company began acquiring domain names. On March 1, 2007, the Company changed its name to DigitalTown, Inc. and began developing a business plan to develop a platform to monetize the domain names. The Company' s headquarters are located at 11974 Portland Avenue, Burnsville, MN 55337, and its telephone and facsimile numbers are (952) 890-2362 and (952) 890-7451, respectively. The Company's Internet address is www.digitaltown.com. The Company is traded in the over-the-counter market under the ticker DGTW.

The Company has sustained losses and negative cash flows from operations and expects these conditions to continue into the foreseeable future. At November 30, 2012, the Company had an accumulated deficit of $25,114,884. The Company anticipates that existing cash, expected future proceeds from its stock subscriptions receivable, future sales of its common stock, cash generated from the sale of its webmail service and additional sales of existing domain names should be sufficient to meet its working capital and capital expenditures needs through at least November 30, 2013. In the event that we are unable to obtain additional capital in the future, we would be forced to reduce operating expenses and/or cease operations altogether.

Principles of Consolidation

The Company files consolidated financial statements that include its wholly-owned subsidiaries Tiger Media and The School Network, Inc. All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable arose from the sale of display advertising. The Company evaluates collectability of accounts receivable based on a combination of factors including the age of the receivable or a specific customer' s inability to meet its financial conditions. In these circumstances, the Company records an allowance to reduce the receivable to an amount it deems collectible. The Company has determined that an allowance for doubtful accounts is not necessary as of November 30, 2012.

Revenue Recognition

The Company recognizes revenue when the following four criteria have been met:

- Persuasive evidence that an agreement exists
- Delivery has occurred
- The price is fixed and determinable
- Collectability is reasonably assured

The Company recognizes revenue from the sale of display advertising appearing on specific pages of individual spirit sites within DigitalTown' s network. Display advertising is sold by the Company directly to local merchants and placed by the Company on specific pages of individual spirit sites targeted by the local merchant. The terms of these sales are for a fixed monthly amount for a period ranging from three months to one year. The Company has also entered into certain third party agreements which allow display advertising to be placed on individual spirit sites within DigitalTown' s network. Per these agreements, the Company receives commissions based on a percentage of the per click or per-impression revenue generated by these ads. The Company recognizes these commissions received as revenue.

Concentrations

During the nine months ended November 30, 2012, one customer accounted for 32% of revenues. During the nine months ended November 30, 2011, one customer accounted for 91% of revenues. At November 30, 2012, one customer accounted for 51% of accounts receivable totaling $668 and at December 31, 2011, one customer accounted for 41% of accounts receivable totaling $3,800.

Deferred Revenue

Deferred revenue is comprised of contractual billings in excess of recognized revenue and payments received in advance of revenue recognition from customers for which services have not been delivered.

Intangible Assets – Domain Names/Website Development Costs

Domain name costs are accounted for in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 350-50) guidance pertaining to Intangibles-Goodwill and Other, Website Development Costs. Certain modules and components of the Company' s overall website development are ready for their intended use and the Company' s resulting websites are currently operational. Accordingly, the annual domain name renewal fees are currently being amortized over one year and the purchase of any new domain names are the only amounts being capitalized. Previously, during the infrastructure development stage of its websites, the Company capitalized the purchase of new domain names and the annual domain name renewal fees. Additionally, since the ownership of each domain name can be renewed for a nominal renewal fee each year prior to their expiration date, the useful lives of the domain names are deemed to be indefinite and no amortization of the capitalized costs for the domain names will be recorded.

Website development costs are accounted for in accordance with the FASB Accounting Standards Codification (ASC 350-40) guidance pertaining to Intangibles-Goodwill and Other, Internal-Use Software which requires that all internal and external costs incurred to develop the internal-use software necessary to operate the websites be capitalized. The guidance further states, amortization should begin when an individual module or component of the overall internal-use software is ready for its intended use. The cost of such module or component will be amortized on a straight-line basis over its estimated useful life, as determined by the Company, after taking into account the effects of obsolescence, technology, competition and other economic factors. The Company has components of its website development that are operational and are being amortized on a straight-line basis over a three year life. See Note 3 for further information.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets – domain names/website development costs are reviewed for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Income Taxes

Deferred tax assets (net of any valuation allowance) and liabilities resulting from temporary differences, net operating loss carry-forwards and tax credit carry-forwards are recorded using an asset-and-liability method. Deferred taxes relating to temporary differences and loss carry-forwards are measured using the tax rate expected to be in effect when they are reversed or are realized. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be ultimately realized. The Company has recorded a full valuation allowance against its net deferred tax asset due to the uncertainty of realizing the related future benefits.

The Company accounts for income taxes pursuant to Financial Accounting Standards Board guidance. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company' s adoption of these provisions specifically related to uncertain tax positions resulted in no cumulative effect adjustment. The Company believes its income tax filing positions and deductions will be sustained upon examination and, accordingly, no reserves or related accruals for interest and penalties have been recorded at November 30, 2012 and February 29, 2012. In accordance with the guidance, the Company has adopted a policy under which, if required to be recognized in the future, interest related to the underpayment of income taxes will be classified as a component of interest expense and any related penalties will be classified in operating expenses in the statements of operations. The Company has three open years of tax returns subject to examination.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees, directors and consultants on a straight-line basis over the respective vesting period of the awards. The compensation expense for the Company's stock-based payments is based on estimated fair values at the time of the grant of the portion of stock-based payment awards that are ultimately expected to vest.

The Company estimates the fair value of stock-based payment awards on the date of grant using the Black-Scholes option pricing model. This option pricing model involves a number of assumptions, including the expected lives of stock options, the volatility of the public market price for the Company's common stock and interest rates.

Recently Issued Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-04, "Technical Corrections and Improvements" in Accounting Standards Update No. 2012-04. The amendments in this update cover a wide range of Topics in the Accounting Standards Codification. These amendments include technical corrections and improvements to the Accounting Standards Codification and conforming amendments related to fair value measurements. The amendments in this update will be effective for fiscal periods beginning after December 15, 2012. The adoption of ASU 2012-04 is not expected to have a material impact on our financial position or results of operations.

In August 2012, the FASB issued ASU 2012-03, "Technical Amendments and Corrections to SEC Sections: Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin (SAB) No. 114, Technical Amendments Pursuant to SEC Release No. 33-9250, and Corrections Related to FASB Accounting Standards Update 2010-22 (SEC Update)" in Accounting Standards Update No. 2012-03. This update amends various SEC paragraphs pursuant to the issuance of SAB No. 114. The adoption of ASU 2012-03 is not expected to have a material impact on our financial position or results of operations.

In July 2012, the FASB issued ASU 2012-02, "Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment" in Accounting Standards Update No. 2012-02. This update amends ASU 2011-08,Intangibles – Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment and permits an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test in accordance with Subtopic 350-30, Intangibles - Goodwill and Other - General Intangibles Other than Goodwill. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted, including for annual and interim impairment tests performed as of a date before July 27, 2012, if a public entity' s financial statements for the most recent annual or interim period have not yet been issued or, for nonpublic entities, have not yet been made available for issuance. The adoption of ASU 2012-02 is not expected to have a material impact on our financial position or results of operations.

Basis of Presentation and Significant Accounting Policies [Text Block]

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial information has been prepared by DigitalTown, Inc. (the "Company") in accordance with accounting principles generally accepted in the United States of America for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, it does not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair statement of this financial information have been included. Financial results for the interim period presented are not necessarily indicative of the results that may be expected for the fiscal year as a whole or any other interim period. This financial information should be read in conjunction with the audited consolidated financial statements and notes included in the Company' s Annual Report on Form 10-K for the year ended February 29, 2012.

CONSOLIDATED STATEMENTS OF OPERATIONS (USD $)	3 Months Ended		9 Months Ended	21 Months Ended
	Nov. 30, 2012	Nov. 30, 2011	Nov. 30, 2012	Nov. 30, 2012
Income				
Revenues	$ 16,049	$ 7,153	$ 137,188	$ 17,678
Cost of revenues	113,142	72,846	368,866	203,356
Gross profit (loss)	(97,558)	(65,693)	(331,678)	(185,678)
Selling, general and administrative expenses	162,849	3,221,452	883,189	3,740,383
Loss from operations	(260,407)	(3,287,145)	(1,214,867)	(3,926,061)
Interest expense	(255)	(3)	(255)	(3,631)
Other income	51	209	174,917	285
Total other income (expense)	(204)	206	174,662	(3,346)
Net loss before income tax	(260,611)	(3,286,939)	(1,040,205)	(3,929,407)
Net loss	$ (260,611)	$ (3,286,939)	$ (1,040,205)	$ (3,929,407)
Net loss per common share - basic and diluted	$ (0.01)	$ (0.11)	$ (0.04)	$ (0.14)
Weighted average common shares outstanding - basic and diluted	$ 29,165,599	$ 29,011,928	$ 29,141,649	$ 28,630,481

Document and Entity Information	3 Months Ended Nov. 30, 2012
Document and Entity Information	
Entity Registrant Name	DIGITALTOWN, INC.
Document Type	10-Q
Document Period End Date	Nov. 30, 2012
Amendment Flag	false
Entity Central Index Key	0001065598
Current Fiscal Year End Date	--02-28
Entity Common Stock, Shares Outstanding	29,165,599
Entity Filer Category	Smaller Reporting Company
Entity Current Reporting Status	No
Entity Voluntary Filers	No
Entity Well-known Seasoned Issuer	No
Document Fiscal Year Focus	2013
Document Fiscal Period Focus	Q3

CONSOLIDATED STATEMENTS OF CASH FLOWS (USD $)	9 Months Ended	
	Nov. 30, 2012	Nov. 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,040,205)	$ (3,929,407)
Depreciation	9,680	7,540
Amortization of website development costs	84,602	54,926
Stock-based compensation expense	120,807	3,213,607
Stock issued for director fees	17,113	22,360
Stock issued for executive compensation	500	
Account receivable	7,910	(5,000)
Prepaid domain name renewal fees	81,159	(47,194)
Prepaid expense	2,650	14,438
Accounts payable	119,033	(276,536)
Accounts payable - related party	7,950	
Advance from director/stockholder	23,500	
Accrued payroll	3,154	(1,933)
Deferred officer compensation	84,616	(50,288)
Deferred revenue	9,947	5,000
Gain from sale of domain name	(174,300)	
Net cash used in operating activities	(641,884)	(992,487)
Purchase of property and equipment	(4,526)	(13,896)
Purchase of intangible assets - website development	(9,023)	(30,000)
Purchase of intangible assets - domain names	(23,520)	(2,556)
Proceeds from sale of domain name	175,000	
Net cash provided (used) from investing activities	137,931	(46,452)
Proceeds from loan - director/stockholder	25,000	
Payments on loan - director/stockholder		(137,088)
Payments received on stockholder subscription receivables	200,500	123,000
Proceeds from issuance of stock	75,000	1,457,722
Net cash provided by financing activities	300,500	1,443,634
Net change in cash and cash equivalents	(203,453)	404,695
Cash and cash equivalents, beginning of period	221,904	103,310
Cash and cash equivalents, end of period	$ 18,451	$ 508,005

Earnings Per Share	3 Months Ended Nov. 30, 2012
Earnings Per Share [Abstract]	
Earnings Per Share [Text Block]	**Note 9. Common Stock Subscriptions Receivable**

Note 9. Common Stock Subscriptions Receivable

As of November 30, 2012, the Company has the following stock subscription agreements outstanding all of which are due from a related party:

2005 Agreements

Material terms of the subscription agreements received by the Company on December 30, 2005 for 4,733,333 restricted common shares at $0.75 per share (total value of $3,550,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2005 subscription agreements at November 30, 2012 is $0.

2007 Agreements

On October 5, 2007, the Company received subscriptions for 1,300,000 restricted common shares at $2.50 per share (total value of $3,250,000). Significant terms of the original subscription agreement are as follows:

- The price per share of $2.50 was based on the closing price on October 4, 2007.
- At 24 months, 1/36 payments are due monthly.
- The Company, at its option, may call up to 1/12 of the gross receivable per month if the preceding 30 day average trading price is at or above $7.00 a share with minimum trading volume of 5,000 shares per day.
- If the purchaser sells these common shares, the purchaser shall be entitled to an amount equal to 200% of the original purchase price of each share and the Company shall be entitled to 50% of any additional net sales proceeds from the stock sale.

On February 25, 2010, due to the economic downturn and the market value decline of the Company' s stock, which was trading below $2.50 per share, the Company amended the pricing terms of the subscription agreements received by the Company on October 5, 2007. The amendment changed the following significant terms of the subscription agreement:

The parties agree that the Initial Pricing terms in the Confidential Binding Term Sheet dated October 5, 2007 of the Agreement will be amended to state as follows:

1. The Subscriber offers to purchase shares of the Company for $0.75 per share. After the price adjustment, the revised total value of this subscription agreement is $975,000.

The following other provisions of the Initial Pricing and Final Pricing terms in the Confidential Binding Term Sheet dated October 5, 2007 of the Agreement will be deleted, and are not enforceable by either party:

- Beginning October 5, 2009, and 1/36 payments are due each month thereafter on the 5^{th} of every month.
- The Company at its option may call up to 1/12 of the (gross) receivable note per month if the preceding 30 day average trading price is at or above $7.00 a share. Minimum trading volume must be 5,000 shares a day.
- As total consideration for the purchase and sale of the Company's stock, purchaser shall ultimately pay to the Company the following amount (the "Purchase Price"):
    A. Purchaser shall first be entitled to an amount equal to 200% of the face amount of each share.
    B. After the purchaser receives the amount in A above, the Company shall be entitled to 50% of any additional net sales proceeds of the stock. Net sales proceeds shall mean the gross proceeds received from the sale of the stock, less reasonable brokerage commissions.
    C. Final adjusted net sales proceeds will be wired to the Company within 7 days from the final settlement of the sale of stock sold.

The outstanding balance owed on the revised 2007 subscription agreements at November 30, 2012 is $799,154.

2010 Agreement

Material terms of the subscription agreement received by the Company on June 22, 2010, for 400,000 restricted common shares at $0.75 per share (total value of $300,000) are as follows:

- Payment is due in full in 60 months.
- At 24 months, the Company can demand at its option, monthly 1/36 payments on the subscription agreement.
- The Company has the option to charge simple annual interest of up to 4%.
- The Company will provide downside protection of up to 30% of the stock price upon conversion.

The outstanding balance owed on the 2010 subscription agreement at November 30, 2012 is $300,000.

Summary

For the nine months ended November 30, 2012, the Company received stock subscription payments of $200,500 and as of November 30, 2012, the Company had related party stock subscriptions receivable aggregating $1,099,154 for the 2007 and 2010 agreements.

The following tables summarize information about the stock subscription receivable:

Receivable balance at February 29, 2008	$ 5,030,795
Cash collected	(523,832)
Receivable balance at February 28, 2009	4,506,963
Cash collected	(337,500)
2007 Subscription agreement pricing revised (1)	(2,275,000)
Receivable balance at February 28, 2010	1,894,463
New subscription agreement (2)	300,000
Cash collected	(771,809)
Receivable balance at February 28, 2011	1,422,654
Cash collected	(123,000)
Receivable balance at February 29, 2012	1,299,654
Cash collected	(50,000)
Receivable balance at May 31, 2012	1,249,654
Cash collected	(80,000)
Receivable balance at August 31, 2012	1,169,654
Cash collected	(70,500)
Receivable balance at November 30, 2012	$ 1,099,154

Summary of outstanding subscriptions:	
2005 subscriptions	$ -
2007 subscriptions	799,154
2010 subscriptions	300,000
	$ 1,099,154

(1) Amendment to the terms of the subscription agreements received by the Company on October 5, 2007 for 1,300,000 restricted common shares reducing the price paid per share from $2.50 to $0.75.
(2) New subscription agreement received on June 22, 2010.

The Company has not exercised its rights, per the 2005 subscription agreements, to demand monthly 1/36 payments or to charge up to 4.0% interest on the subscription amounts outstanding and they have provided no "downside protection" to the subscribers. The "downside protection" in the terms for the 2005 subscription agreements requires the Company to reimburse the subscription holder up to 30% of the $0.75 purchase price, or $0.225, if the market price of the stock is below $0.75 when converted. The protection may be provided in additional shares if necessary. For the nine month period ended November 30, 2012, there was no downside protection provided because the stock price did not go below $0.75 when converted. The subscription agreements do not define the term "when converted." The Company has taken the position that if at the time that a purchaser makes a payment in full for the shares under a subscription agreement and the closing price of the shares of the Company' s stock is less than $0.75, the shareholder would be entitled to up to 30% additional shares, depending on the trading share price. As of April 2012, the 2005 subscription agreements were paid for in their entirety and any downside protection ceased.

Note 10. Earnings (Loss) Per Share

The Company computes earnings per share using two different methods, basic and diluted, and presents per share data for all periods in which statements of operations are presented. Basic earnings per share are computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. Diluted earnings per share are computed by dividing net income (loss) by the weighted average number of common stock and common stock equivalents outstanding.

The following tables provide a reconciliation of the numerators and denominators used in calculating basic and diluted earnings (loss) per share for the three and nine month periods ended November 30, 2012 and 2011:

	Three months ended November 30,	
	2012	2011
Basic earnings (loss) per share calculation:		
Net loss to common shareholders	$ (260,611)	$ (3,286,939)
Weighted average of common shares outstanding	29,165,599	29,011,928
Basic net loss per share	$ (0.01)	$ (0.11)
Diluted earnings (loss) per share calculation:		
Net loss to common shareholders	$ (260,611)	$ (3,286,939)
Weighted average of common shares outstanding	29,165,599	29,011,928
Stock options (1)	-	-
Warrants (2)	-	-
Diluted weighted average common shares outstanding	29,165,599	29,011,928
Diluted net loss per share	$ (0.01)	$ (0.11)

	Nine months ended November 30, 2012	2011
Basic earnings (loss) per share calculation:		
Net loss to common shareholders	$ (1,040,205)	$ (3,929,407)
Weighted average of common shares outstanding	29,141,649	28,630,481
Basic net loss per share	$ (0.04)	$ (0.14)
Diluted earnings (loss) per share calculation:		
Net loss to common shareholders	$ (1,040,205)	$ (3,929,407)
Weighted average of common shares outstanding	29,141,649	28,630,481
Stock options (1)	-	-
Warrants (2)	-	-
Diluted weighted average common shares outstanding	29,141,649	28,630,481
Diluted net loss per share	$ (0.04)	$ (0.14)

(1) At November 30, 2012 and 2011, there were outstanding stock options equivalent of 3,920,000 and 4,720,000 common shares, respectively. The stock options are anti-dilutive at November 30, 2012 and 2011 and therefore have been excluded from diluted earnings (loss) per share.

(2) At November 30, 2012 and 2011, there were outstanding warrants equivalent to 980,410 and 1,089,077 common shares, respectively. The warrants are anti-dilutive at November 30, 2012 and 2011 and therefore have been excluded from diluted earnings (loss) per share.

Compensation Related Costs, Share Based Payments	3 Months Ended
	Nov. 30, 2012
Disclosure Text Block Supplement [Abstract]	
Shareholders' Equity and Share-based Payments [Text Block]	*Note 6. Stock Options*

Note 6. Stock Options

The Company has one stock option plan called The 2006 Employee Stock and Option Plan (the "Plan"). As of **November 30, 2012**, an aggregate of 5,000,000 shares of common stock may be granted under this plan as determined by the Board of Directors. The stock options may be granted to directors, officers, employees, consultants and advisors of the Company. Options granted under the Plan are non-qualified stock options and have exercise prices and vesting terms established by the Board of Directors at the time of each grant. Vesting terms of the outstanding options range from immediate to two years from the grant date anniversary or upon consummation of employment. The terms of the options range from five to ten years from the date of grant.

For the nine months ended **November 30, 2012**, the Company granted stock options to an officer/director allowing for the purchase of up to an aggregate of 600,000 shares of common stock. The stock option agreement has a term of 10 years and the options vest as follows: 200,000 on March 19, 2012, 100,000 on March 19, 2013, 100,000 on March 19, 2014, 100,000 on March 19, 2015 and 100,000 on March 19, 2016. The fair value of the Company' s stock options have been estimated using the Black-Scholes pricing model, which requires assumptions as to expected dividends, the options expected life, volatility and risk-free interest rate at the time of the grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite vesting periods of each tranche in the Company' s consolidated statements of operations.

For stock options granted during the nine months ended November 30, 2012, we utilized the following key assumptions in computing fair value using the Black-Scholes option-pricing model:

	March 19, 2012
Weighted-average volatility	115%
Expected dividends	None
Expected term (in years)	5
Weighted-average risk-free interest rate	1.20%
Weighted-average fair value of options granted	$0.32

The total fair value of the stock options granted by the Company for the nine months ended November 30, 2012 was $194,580.

During the three months ended November 30, 2012, 650,000 stock options were canceled with 600,000 due to the resignation of an Officer/Director and 50,000 due to the expiration of options issued to an advisor. The Company reversed $28,151 of stock compensation expense previously recognized in the current year due to the cancelation of these options.

During the nine months ended November 30, 2012, the Company cancelled a total of 850,000 stock options and reversed $37,650 of stock option expense previously recognized in the current year. Total stock compensation expense for all option grants was ($9,502) and $3,065,042 for the three months ended **November 30, 2012** and 2011, respectively, and $120,807 and $3,213,607 for the nine months ended **November 30, 2012** and 2011, respectively. This expense is included in selling, general and administrative expense. As of **November 30, 2012**, the Company has not recorded any tax benefit from this non-cash expense due to the Company having a full valuation allowance against its deferred tax assets. The compensation expense impacted the three months ended **November 30, 2012 and 2011** basic earnings (loss) per common share by $0.0003 and $(0.11), respectively, and the nine months ended **November 30, 2012 and 2011** basic (loss) per common share by $(0.004) and $(0.11), respectively. There is no unrecognized compensation expense at November 30, 2012.

The following table summarizes information about the Company' s stock options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Aggregate Intrinsic Value (1)
Outstanding - February 29, 2012	4,170,000	$ 1.313	-	-
Granted	600,000	1.000	-	-
Canceled or expired	(850,000)	1.293	-	-
Exercised	-	-	-	-
Outstanding - November 30, 2012	3,920,000	$ 1.269	7.19	-
Exercisable at November 30, 2012	3,820,000	$ 1.254	7.30	-

(1) The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price.

Related Party Disclosures	3 Months Ended Nov. 30, 2012
Related Party Transactions [Abstract]	
Related Party Transactions Disclosure [Text Block]	**Note 7. Related Party Transactions**

The Company entered into a five year lease with Jeff Mills, a director and stockholder of the Company, for approximately 2,650 square feet of space used for offices and operations equipment storage at 11974 Portland Avenue, Burnsville, Minnesota. The lease commenced on December 15, 2006 at a monthly rent of $2,650 for the five year term of the lease and contains an option to renew for an additional term of one year at a monthly rent of $3,650. In November 2011, the Company entered into a three year lease renewal through December 15, 2014 at a monthly rent of $2,650 for the period of December 16, 2011 to December 15, 2012, $2,750 for the period of December 16, 2012 to December 15, 2013 and $2,850 for the period of December 16, 2013 to December 15, 2014 with the option to renew the lease for an additional term of one year at a monthly rent of $3,500. The Company's lease payments to the director for the three months ended November 30, 2012 and 2011, totaled $7,950 for each period. For the nine months ended November 30, 2012 and 2011, the Company recorded $23,850 in lease payments to the director for each period. As of November 30, 2012, the Company owed $7,950 in the form of related party accounts payable to Jeff Mills. No amount was payable as of February 29, 2012.

Minimum lease payments at November 30, 2012 are as follows:

FY 2013	$	8,250
FY 2014		33,300
FY 2015		25,650
	$	67,200

Loan from Director/Stockholder

As of November 30, 2012, the Company had an outstanding working capital loan of $25,000 from Jeff Mills, a director/stockholder of the Company. The loan is due on demand and bears annual interest at 7.5%. The Company made principal payments of $0 and received a draw of $25,000 during the nine months ended November 30, 2012. Interest expense incurred on this loan for the three months ended November 30, 2012 and 2011 was $255 and $3, respectively, and for the nine months ended November 30, 2012 and 2011 was $255 and $3,631, respectively.

Advance from Director/Stockholder

As of November 30, 2012, the Company had an outstanding cash advance of $23,500 from Richard Pomije, a director/stockholder and chairman of the

Company. The advance does not **accrue interest and is due and payable as funds become available in the future.**

Subsequent Events	3 Months Ended Nov. 30, 2012
Subsequent Events [Abstract]	
Subsequent Events [Text Block]	**Note 12. Subsequent Events** The Company has collected $27,500 of its stock subscription receivables during the period from December 1, 2012 to January 15, 2013. The Company has paid $15,000 of its director/stockholder advance during the period from December 1, 2012 to January 15, 2013. On December 1, 2012, the Company granted 200,000 options to David W. Dahl who was appointed to the board of directors on December 10, 2012. The options have an exercise price of $1.00 per share, a term of 10 years and the options vest as follows: 20,000 on December 1, 2012, 30,000 on May 1, 2013, 50,000 on December 1, 2013, 50,000 December 1, 2014 and 50,000 on December 1, 2015. On December 1, 2012, the Company granted 200,000 options each to David W. Dahl and Andy Dahl as advisors to the Company. The options have an exercise price of $1.00 per share, a term of 10 years and the options vest as follows: 20,000 on December 1, 2012, 30,000 on May 1, 2013, 50,000 on December 1, 2013, 50,000 December 1, 2014 and 50,000 on December 1, 2015. The options that vest on December 1, 2013, December 1, 2014 and December 1, 2015 carry a vesting period stock appreciation goal restriction of a $4.00 volume weighted average price ("VWAP") with an average of 25,000 shares trading per day over a 15 day period. Once this goal is achieved, the restriction is lifted for all the effected options and they will vest as scheduled. On December 13, 2012, the Company received an additional working capital draw of $24,000 from Jeff Mills, a director/stockholder of the Company.

Statement of Cash Flows, Supplemental Disclosures	3 Months Ended Nov. 30, 2012
Supplemental Cash Flow Elements [Abstract]	
Cash Flow, Supplemental Disclosures [Text Block]	**Note 11. Supplemental Disclosure of Cash Flow Information**

	Nine months ended November 30,	
	2012	2011
Non-cash flow information:		
Cash paid for interest	$ 255	$ 3,631

Equity	3 Months Ended Nov. 30, 2012
Stockholders' Equity Note [Abstract]	
Stockholders' Equity Note Disclosure [Text Block]	**Note 5. Stockholders' Equity**

Stock Transactions

On March 19, 2012, the Company entered into a stock purchase agreement and issued 75,000 shares of restricted common stock at a per share price of $1.00, for total cash proceeds of $75,000.

On May 15, 2012, the Company issued 21,775 restricted common shares at $0.40 per share, valued at $8,710, to six directors of the Company for payment of director fees. The restricted common shares were valued based on the market price at time of issue.

On August 15, 2012, the Company issued 15,277 restricted common shares at $0.55 per share, valued at $8,403, to six directors of the Company for payment of director fees and 909 restricted common shares at $0.55 per share, valued at $500, as compensation for the interim CFO/President. The restricted common shares were valued based on the market price at time of issue.

Stock Warrants

As of **November 30, 2012***, the Company has a total of 980,410 stock purchase warrants outstanding with an exercise price of $4.00. The warrants expire two years from their date of issuance. The weighted average remaining exercise period as of* **November 30, 2012** *is 0.27 years.*

Other

On December 3, 2010, the Company signed a drawdown equity financing agreement ("Drawdown Agreement") with *Auctus Private Equity Fund, LLC ("Auctus"). In connection with the Drawdown Agreement, in April 2011, the Company registered 3,000,000 shares of common stock with the SEC under the Securities Act of 1933 and at its discretion, has the right to sell up to the registered shares of common stock to Auctus over a thirty six month period for maximum aggregated consideration of up to $10,000,000, subject to the following terms and conditions.*

- *The maximum advance amount available to the Company is limited to the greater of $150,000 or 200% of the average daily volume based on the 10 days preceding the Company's notice requesting a draw.*
- *Auctus' purchase price per common share will be 94% of the lowest closing volume weighted average price ("VWAP") of the Company's common stock during the five trading days immediately following the Company's delivery of notice to Auctus.*
- *At its option, the Company can establish a floor price under which Auctus may not sell the shares. The floor price shall be 75% of the closing VWAP for the 10 days prior to the notice requesting a draw. Auctus must cease selling any shares purchased in connection with the Drawdown Agreement if the price falls below the established floor price. The Company, at its discretion, may waive the floor price and allow Auctus to sell its shares below the floor price.*

- *In no event can the number of shares owned by Auctus exceed 4.99% of the then outstanding shares of the Company's common stock. As of November 30, 2012, this would translate into maximum ownership by Auctus of approximately 1,455,000 shares of the Company's common stock.*

In April 2011, the Company issued a drawdown notice to Auctus for $50,000. Auctus honored $2,108 on April 27, 2011 of the notice, but has refused to honor the balance. The Company considers Auctus to be in breach of the Drawdown Agreement.

Disclosure Text Block Supplement [Abstract]

Shareholders' Equity and Share-based Payments [Text Block]

Note 6. Stock Options

The Company has one stock option plan called The 2006 Employee Stock and Option Plan (the "Plan"). As of **November 30, 2012**, an aggregate of 5,000,000 shares of common stock may be granted under this plan as determined by the Board of Directors. The stock options may be granted to directors, officers, employees, consultants and advisors of the Company. Options granted under the Plan are non-qualified stock options and have exercise prices and vesting terms established by the Board of Directors at the time of each grant. Vesting terms of the outstanding options range from immediate to two years from the grant date anniversary or upon consummation of employment. The terms of the options range from five to ten years from the date of grant.

For the nine months ended **November 30, 2012**, the Company granted stock options to an officer/director allowing for the purchase of up to an aggregate of 600,000 shares of common stock. The stock option agreement has a term of 10 years and the options vest as follows: 200,000 on March 19, 2012, 100,000 on March 19, 2013, 100,000 on March 19, 2014, 100,000 on March 19, 2015 and 100,000 on March 19, 2016. The fair value of the Company' s stock options have been estimated using the Black-Scholes pricing model, which requires assumptions as to expected dividends, the options expected life, volatility and risk-free interest rate at the time of the grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite vesting periods of each tranche in the Company' s consolidated statements of operations.

For stock options granted during the nine months ended November 30, 2012, we utilized the following key assumptions in computing fair value using the Black-Scholes option-pricing model:

	March 19, 2012
Weighted-average volatility	115%
Expected dividends	None
Expected term (in years)	5
Weighted-average risk-free interest rate	1.20%
Weighted-average fair value of options granted	$0.32

The total fair value of the stock options granted by the Company for the nine months ended November 30, 2012 was $194,580.

During the three months ended November 30, 2012, 650,000 stock options were canceled with 600,000 due to the resignation of an Officer/Director and 50,000 due to the expiration of options issued to an advisor. The Company reversed $28,151 of stock compensation expense previously recognized in the current year due to the cancelation of these options.

During the nine months ended November 30, 2012, the Company cancelled a total of 850,000 stock options and reversed $37,650 of stock option expense previously recognized in the current year. Total stock compensation expense for all option grants was ($9,502) and $3,065,042 for the three months ended **November 30, 2012** and 2011, respectively, and $120,807 and $3,213,607 for the nine months ended **November 30, 2012** and 2011, respectively. This expense is included in selling, general and administrative expense. As of **November 30, 2012**, the Company has not recorded any tax benefit from this non-cash expense due to the Company having a full valuation allowance against its deferred tax assets. The compensation expense impacted the three months ended **November 30, 2012 and 2011** basic earnings (loss) per common share by $0.0003 and $(0.11), respectively, and the nine months ended **November 30, 2012 and 2011** basic (loss) per common share by $(0.004) and $(0.11), respectively. There is no unrecognized compensation expense at November 30, 2012.

The following table summarizes information about the Company' s stock options:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Life (years)	Aggregate Intrinsic Value (1)
Outstanding - February 29, 2012	4,170,000	$ 1.313	-	-
Granted	600,000	1.000	-	-
Canceled or expired	(850,000)	1.293	-	-
Exercised	-	-	-	-
Outstanding - November 30, 2012	3,920,000	$ 1.269	7.19	-
Exercisable at November 30, 2012	3,820,000	$ 1.254	7.30	-

(1) The intrinsic value of an option is the amount by which the fair value of the underlying stock exceeds its exercise price.