MEDIANET GROUP TECHNOLOGIES INC

FORM 10-Q
(Quarterly Report)

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Address	5200 TOWN CENTER CIRCLE SUITE 601 BOCA RATON, FL 33486
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2012, or

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from ______________to _______________.

Commission File Number 0-49801

MEDIANET GROUP TECHNOLOGIES, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	**13-4067623**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5200 Town Center Circle, Suite 601
Boca Raton, FL 33486
(Address of principal executive offices)

561-417-1500
(Issuer's telephone number)
N/A
(Former name, former address and former fiscal year if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 366,246,522 Common Shares, $.001 par value per share at May 10, 2012.

USE OF NAMES

In this quarterly report, the terms “MediaNet,” “Company,” “we,” or “our,” unless the context otherwise requires, mean MediaNet Group Technologies, Inc. and its subsidiaries.

INDEX

PART I: FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

MediaNet Group Technologies, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets - Unaudited

	March 31, 2012	September 30, 2011
Assets:		
Current Assets:		
Cash and cash equivalents	$ 1,994,756	$ 1,503,234
Restricted cash	4,055,677	448,161
Accounts receivable	191,490	253,095
Inventories	138,810	168,846
Prepaid customer acquisition costs	6,628,110	6,958,894
Prepaid expenses	828,607	2,060,468
Total Current Assets	13,837,450	11,392,698
Property and Equipment, net	292,397	207,419
Other Assets:		
Restricted cash, net	-	1,864,293
Real estate contract, net	3,129,346	3,203,847
Other	95,477	74,651
Total Other Assets	3,224,823	5,142,791
Total Assets	$ 17,354,670	$ 16,742,908
Liabilities and Stockholders' Equity (Deficit):		
Current Liabilities:		
Accounts payable	$ 1,800,063	$ 1,650,540
Accrued and other liabilities	190,196	229,118
Loyalty points payable	219,445	318,653
Commissions payable	1,887,287	1,128,355
Deferred revenue	17,266,828	13,830,389
Note payable - related party	23,801	-
Total Current Liabilities	21,387,620	17,157,055
Stockholders' Equity (Deficit):		
Preferred stock- $0.01 par value, 50 million shares authorized, -0- and -0- outstanding, respectively	-	-
Common stock -$.001 par value, 500 million shares authorized 366,246,522 and 359,802,057 issued and outstanding, respectively	366,246	359,802
Additional paid-in capital	14,197,357	11,953,103
Accumulated other comprehensive loss	(71,195)	(85,923)
Accumulated deficit	(18,525,358)	(12,641,129)
Total Stockholders' Equity (Deficit)	(4,032,950)	(414,147)
Total Liabilities and Stockholders' Equity (Deficit)	$ 17,354,670	$ 16,742,908

See accompanying notes to condensed consolidated financial statements.

MediaNet Group Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations and Comprehensive Income - Unaudited

	For the Three Months Ended March 31,		For the Six Months Ended March 31,	
	2012	2011	2012	2011
Revenues	$ 29,361,662	$ 4,193,181	$ 49,472,226	$ 6,054,519
Direct cost of revenues	29,133,972	2,069,019	48,835,635	2,391,087
Gross profit	227,690	2,124,162	636,591	3,663,432
Selling, general and administrative	3,110,640	2,955,326	6,518,548	5,792,102
Loss (gain) on sale of Asset	-	999	-	(2,467)
Loss from operations	(2,882,950)	(832,163)	(5,881,957)	(2,126,203)
Interest expense	(1,019)	(1,303)	(2,272)	(3,801)
Loss from operations before income taxes	(2,883,969)	(833,466)	(5,884,229)	(2,130,004)
Income taxes - benefit (expense)	-	-	-	-
Net loss	(2,883,969)	(833,466)	(5,884,229)	(2,130,004)
Foreign currency translation adjustment	(61,821)	(251,635)	14,728	329,418
Comprehensive loss	$ (2,945,790)	$ (1,085,101)	$ (5,869,501)	$ (1,800,586)
Net loss per common share				
Basic	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Diluted	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average shares outstanding:				
Basic	361,481,056	247,129,155	360,694,346	246,148,800
Diluted	374,563,284	249,696,480	370,691,443	248,645,221

See accompanying notes to condensed consolidated financial statements.

MediaNet Group Technologies, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows - Unaudited
For the Six Months Ended March 31,

	2012	2011
Cash flows from operating activities		
Net loss	$ (5,884,229)	$ (2,130,004)
Reconcile net loss to net cash from operating activities:		
Depreciation and amortization	56,735	473,689
Real estate impairment	-	367,292
Recover restricted cash impairment allowance	(293,438)	-
Option agreement written off	-	250,000
Stock based compensation	2,936,767	560,876
Promotional DubLi Credits	39,351	93,740
Changes in operating assets and liabilities:		
Restricted cash	(1,500,520)	(61,332)
Accounts receivable	56,175	35,474
Inventories	26,402	114,818
Prepaid customer acquisition costs	180,588	(12,649,669)
Prepaid expenses	35,153	94,224
Accounts payable	727,031	119,822
Accrued and other liabilities	(71,658)	505,566
Loyalty points payable	(99,208)	(64,866)
Commission payable	744,296	(536,986)
Deferred revenue	3,736,764	11,605,524
Net cash used in operations	690,209	(1,221,832)
Investing activities:		
Purchases of equipment and software	(144,889)	(8,928)
Sale of equipment and software	2,056	-
Payments on real estate contract	(270,015)	(327,724)
Other assets	(20,826)	(26,127)
Restricted cash	-	256,888
Net cash provided by (used in) investing activities	(433,674)	(105,891)
Financing activities		
Proceeds from note payable - related party	-	287,819
Repayments of note payable - related party	(202,312)	(263,666)
Proceeds from stock subscriptions	468,643	1,146,117
Net cash provided by financing activities	266,331	1,170,270
Effect of exchange rate changes on cash	(31,344)	40,724
Net increase (decrease) in cash and equivalents	491,522	(116,729)
Cash at beginning of period	1,503,234	487,171
Cash at end of period	$ 1,994,756	$ 370,442
Supplemental cash flow information:		
Cash paid for interest	$ 2,272	$ 3,801
Cash paid for income taxes	-	-
Non-cash transactions		
Foreign currency translation adjustment	14,668	329,418
Two step common share transfer	-	63,394
Real estate loan from officer	223,000	-

See accompanying notes condensed to consolidated financial statements.

MediaNet Group Technologies, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - Description of Business

MediaNet Group Technologies, Inc. ("MediaNet Group," the "Company," "we," or "us"), through its wholly owned subsidiaries, is a global marketing company that sells merchandise to consumers through Internet-based auctions conducted under the trade name "DubLi.com." Our online auctions are conducted in Europe, North America, Australia and New Zealand and a global auction portal serving the balance of the world. We have a large network of independent Business Associates that sell the right to make a bid in one of our auctions (referred to herein as "Credit" or "DubLi Credits"). The Credits have no monetary value, no stored value, and they are not refundable after three days and they cannot be redeemed for products or services and may only be used to bid at auction . These auctions are designed to offer consumers substantial savings on these goods. The Company, through its BSP Rewards, Inc. subsidiary, also offers private branded loyalty and reward web malls where members receive rebates (rewards) on products and services from participating merchants.

The Company is organized in Nevada and has its principal executive offices in Boca Raton, Florida. The Company's wholly owned subsidiaries are incorporated in Delaware, Florida the British Virgin Islands and Cyprus.

As of March 31 2012 and September 30, 2011, our President and Chief Executive Officer, through his control of the Zen Trust, has the indirect power to cast approximately 88% of the combined votes that can be cast by the holders of the Common Stock. Accordingly, he has the power to influence or control the outcome of important corporate decisions or matters submitted to a vote of our shareholders, including, but not limited to, increasing the authorized capital stock of the Company, the dissolution, merger or sale of the Company's assets and the size and membership of the Board of Directors and all other corporate actions. The Company is in the process of amending the Zen Trust Agreement to extend the date by which the shares held in the trust will be distributed to the beneficiaries. It is now anticipated that the shares held in the Zen Trust will be distributed by May 31, 2012.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying Condensed Consolidated Financial Statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the financial position of the Company at March 31, 2012, the results of operations and cash flows for the three and six months ended March 31, 2012 and 2011. The results of operations for the three and six months ended March 31, 2012 are not necessarily indicative of the operating results expected for the fiscal year ending September 30, 2012. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended September 30, 2011. The Condensed Consolidated Financial Statements include the accounts of MediaNet Group Technologies, Inc. and its wholly owned subsidiaries. All significant intercompany transactions have been eliminated upon consolidation.

Recent Authoritative Accounting Pronouncements

The Company does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, will have a material effect on the Company's consolidated financial position, results of operations, or cash flows.

Foreign Currency

Financial statements of foreign subsidiaries operating in other than highly inflationary economies are translated at year-end exchange rates for assets and liabilities and historical exchange rates during the year for income and expense accounts. The resulting translation adjustments are recorded within accumulated other comprehensive income or loss. Financial statements of subsidiaries operating in highly inflationary economies are translated using a combination of current and historical exchange rates and any translation adjustments are included in current earnings. Gains or losses resulting from foreign currency transactions are recorded in operating expense. The Company has no subsidiaries operating in highly inflationary economies.

Management's Use of Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, deferred income, accruals for incentive awards and unearned auction Credits at the date of the consolidated financial statements, and the reported amounts of revenue and expense during the reporting periods. Examples, though not all-inclusive, include estimates and assumptions of: loss contingencies; depreciation or amortization of the economic useful life of an asset; stock-based compensation forfeiture rates; estimating the fair value and impairment of assets; potential outcome of future tax consequences of events that have been recognized in our financial statements or tax returns; estimates of incentive awards and unearned auction Credits and determining when investment impairments are other-than temporary. The Company bases its estimates on historical experience and on various assumptions that the Company 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 that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions and conditions.

Management regularly reviews estimates. Revisions to the estimates are reflected in results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, short term investments, accounts receivable, and accounts payable approximate fair value due to the short-term nature of these instruments. The Company believes that the carrying amount of its long term investments approximate fair value.

Note 3 – Restricted Cash

The Company has agreements with organizations that process the Master Card and Visa credit card transactions which arise from the purchase of products and DubLi Credits by business associates and customers of the Company. Credit card processors have financial risk of "chargebacks" associated with the credit card transactions because the processor generally forwards the cash generated by the purchase to the Company soon after the purchase is completed, and before the expiration of the time period in which the purchaser may object to the transaction and request a refund. The Company's agreements with its credit card processors allow the processors each to create and maintain a reserve account that is funded by retaining cash generated from the credit card transactions that it otherwise would deliver to the Company (i.e., "restricted cash"). The reserve requirements are 5% of the Company's gross daily credit card transactions to be held in reserve for a rolling term of six months from the date of the transaction. The Company has restricted cash on deposit with three of its processors, one in Europe and two in the United States. With its current European and U.S. processors, the Company had on deposit $1,921,825 as of March 31, 2012 and $448,161 as of September 30, 2011. With its former U.S. processor, the Company had on deposit $2,133,852, which was released to the Company in full on April 12, 2012.

The Company is in litigation with its former U.S. processor relating to the Company's restricted cash formerly on deposit as reserve funds with such processor and other matters. On March 29, 2012, the Court entered a Declaratory Judgment which declared that the Company was the prevailing party with regard to the Company's declaratory judgment claim seeking the immediate return of reserve funds in the amount over $2.1 million, and ordered the immediate release of the funds to the Company. For additional information about this case and other litigation involving the Company, see Note 8 and Part II, Item 1 of this Form 10-Q.

Note 4 – Foreign Currency

Three of the Company's foreign subsidiaries designate the Euro as their functional currency. The total amount of cash held by foreign subsidiaries, translated into U.S. Dollars at March 31, 2012 and September 30, 2011 is as follows:

	March 31, 2012			September 30, 2011		
	Unrestricted	Restricted Current	Restricted Long-Term	Unrestricted	Restricted Current	Restricted Long-Term
Euro	$ 308,483	$ 747,994	$ -	$ 868,294	$ 305,200	$ -
Australian Dollar	90,164	64,056	-	56,072	38,538	-
U.S. Dollar	1,315,951	3,243,627	-	520,932	104,423	1,864,293
Held in foreign subsidiaries	1,714,598	4,055,677	-	1,445,298	448,161	1,864,293
Held by the US Company	280,158	-	-	57,936	-	-
Total	$ 1,994,756	$ 4,055,677	$ -	$ 1,503,234	$ 448,161	$ 1,864,293

Note 5 – Deferred Revenue and Expense

The Company defers revenue from: (1) the unearned portion of the annual subscription fees paid by business associates who join the DubLi Network, (2) the unearned portion of the monthly online entertainment and shopping subscriptions fees, (3) the unearned portion of co-operative advertising programs, and (4) the value of the "DubLi Credits" sold to customers but not yet used to bid at auction, net of estimated breakage. Unused Credits remaining in closed or non-renewed Business Associate accounts are recorded as revenue as if earned 30 days after the account is closed. Unused Credits remaining in user accounts after one year of inactivity are also recorded as breakage revenue. Revenue from co-cop advertising programs received in advance from Business Associates is recognized ratably over the nine month life of the program. The Company also defers direct and incremental direct costs related to the sale of "DubLi Credits" under the caption "Prepaid customer acquisition costs." The following summarizes the components of deferred expense and revenue:

	March 31, 2012	September 30, 2011
Prepaid customer acquisition costs	$ 6,628,110	$ 6,958,894
Unused DubLi Credits	$ 11,949,603	$ 13,155,511
Subscription fees	837,058	605,760
Co-op advertising	4,477,252	-
Other	2,915	69,118
	$ 17,266,828	$ 13,830,389

Note 6 – Property and Equipment

Equipment consists of office furniture, computer equipment and software as follows:

	March 31, 2012	September 30, 2011
Cost	$ 462,853	$ 323,917
Accumulated Depreciation	(170,456)	(116,498)
Total	$ 292,397	$ 207,419

Depreciation expense was $23,094 and $56,735 for the three and six months ended March 31, 2012 and $196,066 and $473,689 for the three and six months ended March 31, 2011, respectively.

Note 7 – Real Estate Contract

The Cayman Property Rights have a net book value of $3,129,346 as of March 31, 2012 which includes the full contract price of $3 million, plus a landfill obligation of $487,500 less a valuation allowance of $358,154 that is based upon a November 2010 valuation report by an independent appraiser. All of the financial obligations under the contract have been fulfilled. The contract between DubLi Properties LLC and Crown is an agreement for deed, and title is transferable upon the completion of the land fill which is expected in June 2012. See also Note 10.

The primary purpose of the Cayman Property Rights, which consists of a purchase deed with respect to 15 lots in the Cayman Islands, is to reward the highest performing DubLi's Business Associates upon completion of certain performance objectives which the Company has not yet defined. The Company plans to create the bonus award program after it receives title to the land and defines the bonus objectives sometime during 2012 after which time we will publish and announce the program to the entire Business Associate Network. Such bonus awards when earned by Business Associates will be expensed as commissions when earned and then deeded to the Business Associate with free and clear title.

Note 8 – Commitments and Contingencies

Litigation

Prior to November 2009, the Company relied upon one service provider which was located in Europe to process all of the credit card transactions arising from purchases of the Company's products and DubLi Credits. On November 23, 2009, the Company entered into a processing agreement (the "Agreement") with National Merchant Center ("NMC"), a provider located in the United States, to process U.S. currency credit card transactions. NMC terminated the Agreement on October 27, 2010, alleging that the Company breached the Agreement. NMC refused the Company's numerous demands to release the funds owned by the Company, in the amount of $2,164,073, which were being held in a reserve account controlled by First Data Merchant Services, Inc. ("First Data") ("Reserve Funds" or "Reserves"). In February 2011, NMC filed suit against the Company in state court in California seeking payment of an "early termination fee" of $706,277, and the Company removed the case to the federal district court for the Central District of California ("California Federal Court" or "Court") and counterclaimed against NMC and First Data for the release of the Reserve Funds.

On February 24, 2012, the Court held an expedited bench trial on the issue of the Company's declaratory judgment claim seeking a declaration of the Company's rights under the Agreement and immediate possession of the Reserve Funds. At the close of the trial on February 24, 2012, the Court ruled that the Company was the prevailing party on its declaratory judgment claim and was entitled to the immediate return of the Reserve Funds, in the amount of $2,133,852, which was the balance of the Reserves after deduction of certain fees not challenged by the Company. On March 29, 2012, the Court entered a Declaratory Judgment in favor of the Company which declared the Company to be the prevailing party on its claim for immediate return of the Reserve Funds. The Judgment further ordered the Clerk of Court to immediately release to MediaNet, all of the Reserve Funds which NMC had deposited with the Court, ordered NMC and First Data to immediately release to MediaNet the remaining amount of the Reserve Funds and provided that the Company may move for further relief based on the Judgment under the federal Declaratory Judgment Act. The Company received all of the Reserve Funds on April 12, 2012. As further relief following the Declaratory Judgment, the Company, on April 13, 2012, filed an application with the Court to recover certain taxable costs incurred in connection with the February 24, 2012 bench trial and, on April 14, 2012, filed a motion for an award of attorneys' fees and nontaxable expenses incurred by the Company to litigate the Reserve Funds issues and obtain the return of the Reserve Funds. NMC and First Data have opposed the Company's application to recover certain taxable cost items and have also opposed, in its entirety, the Company's motion for attorneys' fees and nontaxable expenses. The Clerk of Court is currently scheduled to consider the Company's application to tax costs against NMC and First Data on May 4, 2012, and the hearing on the Company's motion for attorneys' fees and nontaxable expenses is currently set for May 14, 2012.

On April 6, 2012, NMC filed with the Court an Application for Writ of Attachment and for Issuance of a Right to Attach Order, seeking to obtain a pre-judgment attachment of property of the Company in the amount of $706,276, which is the amount of the early termination fee which NMC seeks to recover from the Company. On April 26, 2012, the Company filed its Opposition and Evidentiary Objections to NMC's Application. NMC's application for issuance of the attachment order is set for hearing on May 14, 2012.

NMC's claim against the Company seeking payment of an early termination fee, and the Company's counterclaims for damages arising from the wrongful retention by NMC and First Data of the Reserve Funds, are still pending and are set for trial on July 31, 2012. The Company opposes the payment of any termination fee to NMC and is vigorously defending NMC's claim.

For additional information about this case and other litigation involving the Company, see Part II, Item 1 of this Form 10-Q.

Note 9– Income Taxes

For the quarters and six months ended March 31, 2012 and 2011, the Company recorded a zero income tax provision. The effective tax rates for the periods ended March 31, 2012 and 2011 were each 0.0% which was attributed to the effect of foreign earnings, the net loss, the remaining net operating loss carryforwards and the valuation allowance against deferred tax assets.

Note 10 – Related Party Transactions:

Transactions with Directors and Officers

On March 23, 2011 the Company and Mr. Hansen entered into $5 million promissory grid note (“Grid Note”). The amount of the Grid Note equals an existing outstanding balance of $813,941 owed to Mr. Hansen plus any new borrowings under the Grid Note up to an aggregate of $5 million at any given time. The Grid Note had a term of one year; bore interest at 6% per annum accruing from the date of the Grid Note and was guaranteed by DubLi Properties, LLC and secured by a pledge of its assets. On September 30, 2011, the Grid Note was paid in full, cancelled and returned to Mr. Hansen.

DubLi Properties, LLC was contributed to the Company by Mr. Hansen on May 24, 2010 in satisfaction of Mr. Hansen’s oral pledge to contribute the Cayman Property Rights to the Company, pursuant to agreement between Mr. Hansen and MediaNet Group Technologies, Inc. On December 22, 2011, Mr. Hansen lent the Company $223,000 under a 3% promissory note that is due in full on September 30, 2012. On February 8, 2012, the Company repaid $200,000 leaving a balance of $23,000 plus accrued interest. The loan proceeds were used by the Company to fulfill its landfill obligations under the Real Estate Contract as more fully described in Note 7.

Note 11 – Changes in Stockholders’ Equity and Comprehensive Income:

Changes in stockholders’ equity for the year and six months ended March 31, 2012 are summarized below:

	Common Stock			Accumulated		
	Shares Outstanding	Par Value Value	Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Equity (Deficit)
Balance September 30, 2010	244,200,626	$ 244,201	$ 2,559,483	$ (486,845)	$ (8,484,095)	$ (6,167,256)
Common shares issued as compensation	5,000,000	5,000	919,402			924,402
Stock based compensation			1,258,574			1,258,574
Common shares issued for services	8,865,346	8,865	2,489,422			2,498,287
Two step transfer to Trust	63,393,933	63,394	(63,394)			-
Options exercised	3,000,000	3,000				3,000
Private Placement	35,342,152	35,342	4,789,616			4,824,958
Foreign currency translation adjustment				400,922		400,922
Net loss					(4,157,034)	(4,157,034)
Balance September 30, 2011	359,802,057	$ 359,802	$ 11,953,103	$ (85,923)	(12,641,129)	$ (414,147)
Common shares issued as compensation	3,000,000	3,000	587,000			590,000
Stock based compensation			1,135,500			1,135,500
Common shares issued for services	100,000	100	55,456			55,556
Options exercised	1,000,000	1,000				1,000
Common shares issued in Private placement	2,344,465	2,344	466,298			468,642
Foreign currency translation adjustment				14,728		14,728
Net loss					(5,884,229)	(5,884,229)
Balance March 31, 2012	366,246,522	$ 366,246	$ 14,197,357	$ (71,195)	$ (18,525,358)	$ (4,032,950)

Note 12 – Stock Based Compensation

The 2010 Omnibus Equity Compensation Plan (the “Plan”) became effective September 30, 2010. The 2010 Omnibus Equity Compensation Plan has not yet been ratified by our stockholders. The Plan is designed for the benefit of the directors, executives, employees and certain consultants and advisors of the Company (i) to attract and retain for the Company personnel of exceptional ability; (ii) to motivate such personnel through added incentives to make a maximum contribution to greater profitability; (iii) to develop and maintain a highly competent management team; and (iv) to be competitive with other companies with respect to executive compensation. Awards under the Plan may be made to Participants in the form of (i) incentive stock options; (ii) nonqualified stock Options; (iii) stock appreciation rights; (iv) restricted stock; (v) deferred stock; (vi) stock awards; (vii) performance shares; (viii) other stock-based awards; and (ix) other forms of equity-based compensation as may be provided and are permissible under the Plan and the law. A total of 100 million shares of Common Stock have been reserved for issuance under the Plan.

The Company recognizes compensation expense over the requisite service period for vesting of the award, or to an employee’s eligible retirement date, if earlier and applicable. Total stock-based compensation expense included in the Company’s Condensed Consolidated Statements of Operations for the three and six months ended March 31, 2012, was $1,505,086 and $2,936,767, respectively and for the three and six months ended March 31, 2011, was $330,438 and $560,876, respectively. At March 31, 2012, the Company had unrecognized stock based compensation cost of $6,529,935 which will be recorded in future periods as options and shares vest. The expense is expected to be recognized over a period of 4.5 years.

Stock Options

A summary of the activity under our stock option plans and agreements for the six months ended March 31, 2012 is as follows:

	Shares	Weighted average exercise price
Outstanding at September 30, 2011	41,661,772	$ 0.133
Granted	7,082,410	$ 0.318
Exercised	(1,000,000)	$ 0.001
Forfeited	(176,680)	$ 0.200
Outstanding at March 31, 2012	47,567,502	$ 0.163
Exercisable	9,687,500	$ 0.111

The following summarizes information about stock options outstanding and exercisable at March 31, 2012:

	Options Outstanding			Options Exercisable	
Exercise price	Number Outstanding	Weighted average remaining contract	Weighted average exercise price	Number exercisable	Weighted average exercise price
$ 0.001	4,500,000	1.18	$ 0.001	2,875,000	$ 0.001
$ 0.150	34,025,092	3.84	$ 0.150	6,500,000	$ 0.150
$ 0.200	2,000,000	4	$ 0.200	-	-
$ 0.310	5,000,000	4	$ 0.310	312,500	$ 0.310
$ 0.320	898,751	3	$ 0.320	-	-
$ 0.350	1,143,659	3	$ 0.150	-	-
	47,567,502		$ 0.163	9,687,500	$ 0.111

The following table shows all restricted stock activity for the six months ended March 31, 2012:

Restricted shares outstanding, September 30, 2011	7,000,000
Granted	100,000
Vested	(3,100,000)
Forfeited	-
Restricted shares outstanding, March 31, 2012	4,000,000

Note 13 – Earnings per Share

The following table sets forth the computation of basic and diluted weighted-average shares used in the denominator of the per share calculations:

	For the Three Months ended March 31,		For the Six Months ended March 31,	
	2012	2011	2012	2011
Basic weighted average shares outstanding	361,481,056	247,129,155	360,694,346	246,148,800
Effect of dilutive stock options and other equity-based compensation awards	13,082,228	2,567,325	9,997,096	2,496,421
Diluted weighted average shares outstanding	374,563,284	249,696,480	370,691,442	248,645,221

Options to purchase 47,567,502 and 2,125,000 shares of Common Stock were outstanding at March 31, 2012 and 2011, respectively, but were not included in the computation of diluted earnings per share because in periods in which a net loss has been incurred, all potentially dilutive shares of Common Stock are considered anti-dilutive and thus are excluded from the calculation.

Note 14 - Segment Information

The Company serves its customers using four websites that target major geographic regions. Each website has the same investment criteria and economic and operating characteristics and is considered one reportable operating segment. Management does not believe that the Company has any material reporting segments. Managements' evaluation procedures are performed on the Company as a whole and in major geographic regions served by our four separate web portals named below:

	For the Three Months ended March 31,				For the Six Months ended March 31,			
	2012		2011		2012		2011	
Revenues								
European Union	$ 21,217,378	72%	$ 1,908,820	46%	$ 35,359,039	71%	$ 2,693,260	44%
North America	3,492,084	12%	374,459	9%	5,867,833	12%	679,361	11%
Australia & New Zealand	1,256,840	4%	671,429	16%	2,521,007	5%	1,084,005	18%
Worldwide	3,395,360	12%	1,238,473	30%	5,724,347	12%	1,597,893	26%
Total	$ 29,361,662	100%	$ 4,193,181	100%	$ 49,472,226	100%	$ 6,054,519	100%

Long-lived assets include property and equipment all of which resided in the United States as of March 31, 2012 and September 30, 2011. Trademarks reside in Cyprus, but have no capitalized cost recorded in the Condensed Consolidated Balance Sheets.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

FORWARD LOOKING STATEMENTS

Introductory Note
Caution Concerning Forward-Looking Statements

The discussion contained in this Form 10-Q, contains forward-looking statements that involve risks and uncertainties. The issuer's actual results could differ significantly from those discussed herein. These include statements about our expectations, beliefs, intentions or strategies for the future, which we indicate by words or phrases such as "anticipate," "expect," "intend," "plan," "will," "we believe," "the Company believes," "management believes" and similar language, including those set forth in the discussions under "Notes to Financial Statements" and "Management's Discussion and Analysis or Plan of Operation" as well as those discussed elsewhere in this Form 10-Q. The forward-looking statements reflect our current view about future events and are subject to risks, uncertainties and assumptions. We wish to caution readers that certain important factors may have affected and could in the future affect our actual results and could cause actual results to differ significantly from those expressed in any forward-looking statement. The following important factors could prevent us from achieving our goals and cause the assumptions underlying the forward-looking statements and the actual results to differ materially from those expressed in or implied by those forward-looking statements:

- our inability to establish and maintain a large growing base of business associates;
- our inability to develop brand awareness for our online auctions;
- our failure to maintain the competitive bidding environment for our online auctions;
- our failure to adapt to technological change;
- an assertion by a regulatory agency that one or more of our auctions constitute some form of "gaming" or a "lottery";
- increased competition;
- increased operating costs;
- changes in legislation applicable to our business; and
- our failure to improve our internal controls.

See also the risks discussed in our Form 10-K for the fiscal year ended September 30, 2011 and those discussed in other documents we file with the Securities and Exchange Commission.

However, other factors besides those referenced could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us herein speak as of the date of this Form10-Q. We do not undertake to update any forward-looking statement, except as required by law. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting: (i) our consolidated results of operations for the three and six months ended March 31, 2012 compared to the three and six months ended March 31, 2011; and (ii) our financial liquidity and capital resources. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in this Form 10-Q.

Overview

MediaNet Group Technologies, Inc. has created a framework for attracting and maintaining consumers through a web based shopping and entertainment community. The foundation of MediaNet is grounded in innovative technology, a global platform and an expertise in understanding and capitalizing on global economic trends and changing consumer behaviors. The central hub of the MediaNet Group community is DubLi.com from which all other components of the business model are derived.

DubLi.com is global shopping and entertainment web portal that features two reverse auctions, Xpress and Unique Bid from which the Company's own currency, DubLi Credits, are banked, sold and spent. The Company supports four different auction websites in the US, Europe, Australia and a global portal in which people from all other countries can participate. In addition, DubLi.com features an online shopping mall which supplements the DubLi auction sites. From this mall, consumers shop at national, brand name merchants and earn cash value rewards points on these purchases. The Company has developed its own dynamic search feature that is designed to return only relevant results, based on prior shopping and search history, to the person engaging in the search. Supporting the growth of DubLi.com is the Company's sales and marketing engine, DubLi Network, a network marketing association of independent Business Associates who are engaged in direct selling of the Company's products and services. The global auction allows the Companies network marketing Business Associates to market to every person in the world while simultaneously developing an extensive clientele.

How We Generate Revenue:

Revenue recognized from the sales of DubLi Credits made up 10.9% of our revenue in the first half of fiscal year 2012. We charge $0.80 retail for each Dubli credit that is used to bid down the price of our products on both the Xpress and Unique bid reverse auctions. The revenue earned from the usage of the credits and the breakage from unused expired credits permits us to sell products at greatly discounted prices. Breakage of expired credits purchased in the prior year is a part of our revenue as we recognized an amount of breakage equal to 5.9% of our revenue. All remaining unused credits are categorized as a liability until used or expired. 87.6% of all DubLi Credits sold in first half of fiscal year 2012 were sold to the Business Associates affiliated with our network marketing company. The Business Associates purchase the DubLi credits at an average discounted price of $0.64 which enables them to earn an average of $0.16 per unit profit upon resale to their customers. The remaining 13.4% were sold directly from the DubLi.com website at the full retail value of $0.80. In the first half of fiscal year 2012, revenue from annual subscription fees paid by our Business Associates made up 0.1% of our revenue.

New name brand products and electronic gift cards sold from the auctions made up 86.0% of our revenue in first half of fiscal year 2012 and such sales are stated at the discounted price actually paid by the customer.

During 2011, we introduced three new subscription services which offer streaming music and entertainment and a new VIP and Smart Shopper shopping and rebate programs for a monthly subscription price. In conjunction with these new service offerings, we introduced our new corporate mascot, the "Dubot," an online assistant that demonstrates our service offerings. Sales of the subscription packages: VIP Package, Music On-Demand and the Smart Shopper Package produced 1.0% of our revenue in the first half of fiscal year 2012.

We also earn commission income from the online shops and stores affiliated with our online shopping mall from the sales they make to our customers. We split those commissions with our customers in the form of redeemable loyalty points. An immaterial amount of our revenue was from these commissions in the first half of fiscal year 2012. During 2011, we introduced new versions of our online malls, previously only available in the US and Australia. The new mall is a search engine and online community for shoppers. We initially launched the new online shopping malls launching in three markets; Germany, the US and Canada and Australia in the first and second quarters. We later launched the malls in Spain and Denmark in the third and fourth quarters and the Global Mall was launched in October, just after our fiscal year ended.

We believe the factors that influence the success of our programs include the following:

- the appeal of the products and services we market and auction;
- the number of visits to our sites and customer retention;
- the number of merchants affiliated with our online shopping mall;
- the continued expansion of our network marketing organization;
- the success of our Business Associates and our contribution to their success;
- the amounts we pay our Business Associates;
- the development of new products and services;
- the development of new advertising and marketing programs;
- the development of partner programs; and
- increasing competition from online reverse auctions and penny auctions.

Trends in Our Business

Shopping transactions continue to shift from offline to online as the digital economy evolves. This has contributed to the rapid growth of our business since inception, resulting in increased revenues, and we expect that our business will continue to grow. However, our revenue growth rate may not be sustainable over time, as a result of a number of factors, including increasing competition, the difficulty of maintaining growth rates as our revenues increase to higher levels, and increasing maturity of the online shopping market. We plan to continue to invest aggressively in our core areas of strategic focus.

The main focus of our shopping programs is to provide a fun and entertaining experience to our users, reflecting our commitment to constantly improve their overall web experience. As a result, we expect to continue to take steps to improve and increase the products offered on our website. These steps include the development of electronic gift cards, cash back shopping programs, and adventure based vacations, sweepstakes and an expanded global online shopping mall that provides a true worldwide shopping experience.

Both seasonal fluctuations in internet usage and traditional retail seasonality have affected, and are likely to continue to affect, our business. Internet usage generally slows during the summer months, and shopping typically increases significantly in the fourth quarter of each calendar year. These seasonal trends have caused, and will likely continue to cause, fluctuations in our quarterly results.

We also continue to invest aggressively in our systems, data centers, corporate facilities, information technology infrastructure, and employees. We expect to increase our hiring in 2012 and provide competitive compensation programs for our employees. Our full-time employee and contractor headcount was 22 at September 30, 2009, 40 at September 30, 2010, 50 at September 30, 2011, and 56 at March 31, 2012. We expect acquisitions will become an important component of our strategy and use of capital. We also expect partner programs will become an important component of our strategy as we seek out partners with large retail customer bases who are interested in earning incremental revenue by private labeling our shopping and entertainment website. We expect our cost of revenues will increase in dollars and may increase as a percentage of revenues in future periods, primarily as a result of forecasted increases in traffic acquisition costs, data center costs, credit card and other transaction fees, content acquisition costs, and other costs.

As we expand our shopping programs and other products to international markets, we continue to increase our exposure to fluctuations in foreign currency to US dollar exchange rates.

Recent Developments

The Company launched its Global online shopping mall in October 2011 and continues to work towards the launch of its first partner program. Throughout the fourth quarter of fiscal year 2011 and into the first quarter of fiscal year 2012, we continued to increase sales volumes as a result of the introduction of electronic gift cards onto the Xpress Auction on DubLi.com

Organization of Information

Management's discussion and analysis provides a narrative on our financial performance and condition that should be read in conjunction with our consolidated financial statements and the accompanying notes included elsewhere in this report. It includes the following sections:

- Use of estimates and critical accounting policies
- Results of operations
- Liquidity and capital resources
- Contractual obligations

Operating results are not necessarily indicative of results that may occur in future periods.

Use of Estimates and Critical Accounting Policies

Management's use of estimates and assumptions: The preparation of the consolidated financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates, judgments and assumptions that affect the reported amounts of the assets and liabilities, disclosure of contingent assets and liabilities, deferred income, accruals for incentive awards and unearned auction Credits at the date of the consolidated financial statements, and the reported amounts of revenue and expense during the reporting periods. Examples, though not all-inclusive, include estimates and assumptions of: loss contingencies; depreciation or amortization of the economic useful life of an asset; stock-based compensation forfeiture rates; estimating the fair value and impairment of assets; potential outcome of future tax consequences of events that have been recognized in our consolidated financial statements or tax returns; estimates of incentive awards and unearned auction Credits and determining when investment impairments are other-than temporary. The Company bases its estimates on historical experience and on various assumptions that the Company 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 that are not readily apparent from other sources. Actual results may materially differ from these estimates under different assumptions and conditions. The following items in our consolidated financial statements require significant estimates and judgments:

Revenue recognition and deferred revenue: Product Sales and Services - The Company recognizes revenue in accordance with Accounting Standards Codification subtopic 605-10, Revenue Recognition ("ASC 605-10"). ASC 605-10 requires that four basic criteria be met before revenue can be recognized: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the selling price is fixed and determinable; and (iv), collectability is reasonably assured. Determination of criteria (iii) and (iv) are based on management's judgments regarding the fixed nature of the selling prices of the products delivered and the collectability of those amounts. Provisions for discounts and rebates to customers, estimated returns and allowances, and other adjustments are provided for in the same period the related sales are recorded. The Company defers any revenue that is subject to refund, and, for which the product has not been delivered or the service has not been rendered. The Company's revenue recognition policies for each of its products and services are as follows:

- Goods and services sold at auction – Revenue is recognized after receipt of payment and product shipment net of credit card charge-backs and refunds.

- "DubLi Credits" – Consumers bid on the Company's online auctions by purchasing "DubLi Credits" either directly on DubLi.com or from DubLi's independent Business Associates who are members of the DubLi Marketing Network. All proceeds from the sales of "DubLi Credits" are recorded as deferred revenue until used by the consumer in the bidding process and the related revenue is earned. Purchases of DubLi Credits are non-refundable after three days. Unused Credits remaining in closed and inactive Business Associate accounts are recorded as revenue as if earned 30 days after the account is closed. Management makes this adjustment to reduce the deferred revenue liability and to increase revenue recognized based upon the remote possibility of future redemption. Unused Credits in consumers' accounts are not expired or broken and remain in deferred revenue until used.

- Subscription Fees – "DubLi Business Associates" pay a $175 annual subscription fee for the marketing and training services provided by DubLi Network. All proceeds from the sales of subscription fees are recorded as deferred revenue and recorded as revenue ratably over the twelve month service period plus any promotional extensions.

- Subscription Fees – DubLi Customers who purchase the "VIP", "Music-on-Demand" or the "Smart Shopper" packages pay a monthly subscription fee of $28.95, $9.95 and $4.95, respectively, for those services. All proceeds from the sales of subscription fees are recorded as deferred revenue and recorded as revenue ratably over the monthly service period.

- BSP Rewards revenue is earned principally from revenue rebates (commissions) earned from merchants participating in its online shopping malls, gift card sales from each rewards mall program and, web design/maintenance/hosting it earns for building and hosting its private-branded online mall platform for outside organizations. The Company receives rebates from participating merchants on all transactions processed by BSP through its online mall platform. The percentage rebate paid by merchants varies between 1% and 30% and BSP normally shares 50% of the rebate with the member who made the purchase in the form of "Rewards Points." The member share of the rebates are recorded as a liability until claimed by the member or until the two year expiration period is reached at which time the unclaimed Rewards Points are taken into income.

Direct cost of revenues and deferred expense: Included in Direct Cost of Revenues are the costs of goods sold and commissions and incentive bonuses earned by Business Associates on the sales of DubLi Credits. Commissions are based upon each Business Associate's volume of Credit sales and that of other Business Associates who are sponsored by the subject Business Associate. Commissions are paid to Business Associates at the time of the sale of the Credits and are recognized as a deferred expense described as "Prepaid customer acquisitions costs" until the Credits are used or expire as breakage and then are charged to expense in direct proportion to the revenue then recognized. Incentive bonuses are paid either monthly or quarterly and the related expense is recorded when the Business Associate meets the stated sales goal for each particular promotional event.

Management regularly reviews estimates. Revisions to the estimates are reflected in results of operations as a change in accounting estimate in the period in which the facts that give rise to the revision become known by management.

S *tock-based compensation* : We recognize compensation expense in the consolidated statements of operations for the fair value of all share-based payments to employees and directors, including grants of employee stock options and other share based awards. For stock options, we use the Black-Scholes option valuation model and the single-option award approach and straight-line attribution method. Using this approach, the compensation cost is amortized on a straight-line basis over the vesting period of each respective stock option, generally four years. We estimate forfeitures and adjust this estimate periodically based on the extent to which future actual forfeitures differ, or are expected to differ, from such estimates.

Income Taxes: We make estimates and judgments in determining the need for a provision for income taxes, including the estimation of our taxable income or loss for each full fiscal year. We have accumulated significant deferred tax assets. Deferred income taxes reflect the tax effects of net operating loss and tax credit carryovers and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Realization of certain deferred tax assets is dependent upon future earnings, if any. We are uncertain as to the timing and amount of any future earnings. Accordingly, we offset these net deferred tax assets with a valuation allowance. We may, in the future determine that more of our deferred tax assets will likely be realized, in which case we will reduce our valuation allowance in the quarter in which such determination is made. If the valuation allowance is reduced, we may recognize a benefit from income taxes in our statement of operations in that period. We classify interest recognized in connection with our tax positions as interest expense, when appropriate.

Results of Operations

The following tables sets forth certain of our results of operations for the periods indicated:

	Three months ended March 31,		Increase	Percent	Percent of Revenue	
	2012	2011	(Decrease)	Change	2012	2011
Revenues	$ 29,361,662	$ 4,193,181	$ 25,168,481	600.2%	100%	100%
Direct cost of revenues	29,133,972	2,069,019	27,064,953	1308.1%	99%	49%
Gross profit	227,690	2,124,162	(1,896,472)	-89.3%	1%	51%
Selling, general and administrative expense	3,110,640	2,956,325	154,315	5.2%	11%	71%
Loss from operations	(2,882,950)	(832,163)	(2,050,787)	246.4%	-10%	-20%
Other expense	(1,019)	(1,303)	284	-21.8%	0%	0%
Loss from operations before income taxes	(2,883,969)	(833,466)	(2,050,503)	246.0%	-10%	-20%
Income taxes	-	-	-		0%	0%
Net loss	(2,883,969)	(833,466)	(2,050,503)	246.0%	-10%	-20%
Foreign currency translation adjustment	(61,821)	(251,635)	189,814	-75.4%	0%	-6%
Comprehensive loss	$ (2,945,790)	$ (1,085,101)	$ (1,860,689)	171.5%	-10%	-26%

	Six months ended March 31,		Increase	Percent	Percent of Revenue	
	2012	2011	(Decrease)	Change	2012	2011
Revenues	$ 49,472,226	$ 6,054,519	$ 43,417,707	717.1%	100.0%	100.0%
Direct cost of revenues	48,835,635	2,391,087	46,444,548	1942.4%	98.7%	39.5%
Gross profit	636,591	3,663,432	(3,026,841)	-82.6%	1.3%	60.5%
Selling, general and administrative expense	6,518,548	5,789,635	728,913	12.6%	13.1%	95.6%
Loss from operations	(5,881,957)	(2,126,203)	(3,755,754)	176.6%	-11.9%	-35.1%
Other expense	(2,272)	(3,801)	1,529	-40.2%	0.0%	-0.1%
Loss from operations before income taxes	(5,884,229)	(2,130,004)	(3,754,225)	176.3%	-11.9%	-35.2%
Income taxes	-	-	-		0.0%	0.0%
Net loss	(5,884,229)	(2,130,004)	(3,754,225)	176.3%	-11.9%	-35.2%
Foreign currency translation adjustment	14,728	329,418	(314,690)	-95.5%	0.0%	5.4%
Comprehensive loss	$ (5,869,501)	$ (1,800,586)	$ (4,068,915)	226.0%	-11.9%	-29.7%

Revenues

The following tables set forth the major components of revenue for the periods indicated:

	Three months ended March 31, 2012					
Revenue	Q2 2012	% Revenue	Q2 2011	% Revenue	Change	% change
Credits used	1,346,274	4.6%	1,531,956	36.5%	(185,682)	-12.1%
Credits broken	1,569,758	5.3%	1,771,976	42.3%	(202,218)	-11.4%
Total credits	2,916,032	9.9%	3,303,932	78.8%	(387,900)	-11.7%
Auction sales	25,772,193	87.8%	213,235	5.1%	25,558,958	11986.3%
Network fees	344,468	1.2%	573,920	13.7%	(229,452)	-40.0%
Subscriptions	260,836	0.9%	21,241	0.5%	239,595	1128.0%
Other	68,133	0.2%	80,853	1.9%	(12,721)	-15.7%
Total	29,361,662	100.0%	4,193,181	100.0%	25,168,481	600.2%

	Six months ended March 31, 2012					
Revenue	Q2 2012	% Revenue	Q2 2011	% Revenue	Change	% change
Credits used	2,927,313	5.9%	2,071,154	34.2%	856,159	41.3%
Credits broken	2,469,946	5.0%	2,039,309	33.7%	430,637	21.1%
Total credits	5,397,259	10.9%	4,110,463	67.9%	1,286,796	31.3%
Auction sales	42,671,476	86.3%	547,349	9.0%	42,124,127	7696.0%
Network fees	671,990	1.4%	1,141,923	18.9%	(469,933)	-41.2%
Subscriptions	519,779	1.1%	24,956	0.4%	494,823	1982.8%
Other	211,722	0.4%	229,828	3.8%	(18,106)	-7.9%
Total	49,472,226	100.0%	6,054,519	100.0%	43,417,707	717.1%

During the second quarter of fiscal year 2012, we recorded revenue of $29.4 million, an increase of revenue of 600.2% from the $4.2 million recorded in the same quarter in 2011. During the first half of fiscal year 2012, we recorded revenue of $49.5 million, an increase of revenue of 717.1% from the $6.0 million recorded in the first half of 2011. A significant portion of this revenue increase is attributed to the change in format of our Xpress auctions and the growth of our network of Business Associates in new countries.

Our revenue earned from the sale of products from our online auction site was $25.8 million in the second quarter of fiscal year 2012 as compared to $0.2 million in the second quarter 2011, which resulted in an improvement of $25.6 million. The sale of products was $42.7 million and $0.5 million respectively for the six months ended March 31, 2012 an increase of $42.1 million. The large increase in volume is due to a change in the format of the Xpress Auction that we adopted in May 2011 whereby we replaced all products and services with electronic gift cards that are redeemable for cash. This new concept has a much broader appeal to consumers than the limited product offerings that we previously auctioned. We have experienced greatly expanded participation in the Xpress auction as a direct result of changing the format from low volume high margin goods, to high volume, low margin electronic gift cards. This is in line with the company's marketing strategy to attract traffic and business to our websites in order to drive incremental revenue from advertising and partner programs. Unlike most traditional business models, our revenue from the sale of products at our online auction site results from our use of a reverse auction business model, in which the customer bids down the selling price of the product sold. Accordingly, the lower the selling price, the more revenue we are earning from the sale of a Credit that is used to bid at our online auction site. For this reason, management does consider the revenue earned from the sale of products to be integral to its business model.

We recognize revenue from the sale of DubLi Credits when a customer makes a bid at one of our online auctions by using the Credit. In addition, revenue includes the Company's estimate, known as breakage, of DubLi Credits that will not be used. For the three and six months ended March 31, 2012, we sold 4.4 million and 7.4 million Dubli Credits for total sales proceeds of $2.9 million and $4.9 million, respectively compared to the three and six months ended March 31, 2011 when we sold 1.8 million and 5.2 million DubLi Credits for total sales proceeds of $1.2 million and $3.4 million, a 149% and 47% increase in quarterly and year to-date sales, respectively. This is attributable to an overall decrease in sales activity during fiscal 2011 because the Company scaled back its sales and marketing effort in 2011 while it made changes to its Xpress auction format, back office systems and other administrative changes. Now in fiscal 2012 with the implementation of the new format, we are again increasing sales and marketing efforts as described below. Of those unit sales, we recognize as revenue only those DubLi Credits that were used on the auction site ("usage") and those that expire unused in closed Business Associate accounts ("breakage"). For the three and six months ended March 31, 2012, revenue earned from the usage of the DubLi Credits from our online auctions was $1.3 million and $3.0 million, respectively as compared to $1.5 million and $2.1 million for the three and six months ended March 31, 2011. The result was a slight decrease of $0.2 million or 12.1% for the second quarter and a $0.9 million or 41.3% increase in usage in the first half of 2012 for DubLi Credits previously unused. Usage revenue made up 4.6% and 5.9% of total revenue in the second quarter and first half of fiscal year 2012, respectively. Revenue earned from the breakage of the DubLi Credits was $1.6 million and $2.5 million in in the second quarter and first half of fiscal year 2012, respectively as compared to $1.8 million and $2.0 million during the same periods in 2011. This $0.5 million half year increase was due to a larger number of Business Associates accounts closing in first quarter of fiscal year 2012 than in 2011, a result of our decreased marketing efforts. As new Business Associates join our network, there is always some percentage of Business Associates who do not remain in the program. With the new Xpress auction format we are reducing the breakage percentage and increasing the utilization rate. As the utilization rate increases, more Business Associates remain in the network thereby increasing the amount of DubLi Credits they sell to customers resulting in increased auction activity.

Total revenue recognized from usage and breakage of DubLi Credits was $3.0 million and $5.4 million for the three and six months ended March 31, 2012 as compared to $3.3 million and $4.1 during the same periods in 2011. The combined 11.7% quarterly decrease and 31.3% year to date increase indicates similar second quarter results that followed large increases in the first quarter 2012 in both usage and breakage. Total revenue recognized on DubLi Credits was 9.9% and 78.8% of total revenues in the second quarter of fiscal years 2012 and 2011, respectively, and 10.9% and 67.9% of year to date revenue in the first half of 2012 and 2011, respectively. Revenue from DubLi credits as a percentage of total sales decreased significantly due to the large increase in sales from the Xpress auctions in 2012. In the last quarter of 2011, we began to see increased sales activity resulting from renewed interest in our Xpress auction based on the format change from products and services to electronic gift cards. This change has increased auction sales activity and has significantly increased DubLi Credit usage as a percentage of total unit sales. Second quarter 2012 and 2011 usage was 59.0% and 78.6% of unit sales, respectively. We expect these trends to continue throughout 2012 as a result of our existing customers are becoming more familiar with the online auction process, reductions in the user learning curve for new customers, improvements in our website, increases and our continued training of Business Associates in customer retention, new product rollouts and technology.

In addition, revenue earned from the sale of DubLi Credits from our Company website was $0.7 million in the second half of 2012 as compared to $0.1 million in in the second half of 2011, an increase of $0.6 million or 583.2%. The increase is the result of an increase in traffic to the website resulting from the new auction format. We earn this revenue from customers purchasing DubLi Credits directly from the Company rather than from a Business Associate. The Company is more interested in revenue from the sale of DubLi Credits by Business Associates rather than from internally sold DubLi Credits because the Company believes that the Business Associate network is more efficient and cost effective than other forms of advertising and marketing. For this reason, the Company does not consider the increase resulting from customers purchasing DubLi Credits directly from the Company to be as important as revenue resulting from sale of DubLi Credits to Business Associates.

We also earn revenue from the enrollment fee charged to a Business Associate when they either join or renew their membership. Our revenue earned from enrolling new and renewing old Business Associates is not significant by design. Our goal is to earn revenue from sales of our products and services rather than recruitment of Business Associates and therefore these fees are kept low intentionally. Enrollment fee revenue was $0.03 million and $0.7 million in the second quarter and first half of fiscal year 2012 as compared to $0.06 million and $1.1 million in the periods in 2011; this 40.0% and 41.2% decline resulted from reduced marketing efforts while we restructured our business model. We did expand our multi-level marketing activities in new countries which enabled us to replace our turnover of Business Associates.

During the first quarter of 2011, we rolled out an improved website to enhance our customers shopping experience with improved integration of the web shopping mall experience with our auction and music sites. In addition, we introduced several new subscription packages. Revenue earned from the VIP, Music on Demand and Super Saver Packages was $0.3 million and $0.5 million for the second quarter and first half year ended March 31, 2012. Because these programs are new, revenue earned during 2011 from these new product offerings was not yet significant.

Direct Costs

Direct costs are those costs that consist of commissions that are earned by our Business Associates and costs of products acquired which are used in the auctions and gift cards that are redeemed by our shopping mall customers.

We incurred direct costs of $29.1 million and $48.8 million in the second quarter and first half of 2012 as compared to $2.0 million and $2.4 million during the same periods in 2011, which resulted in increases of $27.1 million and $46.4 million or 1,308.1% and 1,942.4%, respectively.

Our cost of inventory sold and cash deliveries of electronic gift cards for our online auctions were $26.5 million and $44.9 million in the second quarter and first half of 2012 as compared to $0.4 million and $1.0 million in the second quarter and first half of 2011, which resulted in an increases of $26.1 million and $43.9 million or 6,395.1% and 4302.0% respectively. This increase is due to the increase in sales volume that we experienced as a result of the change in format of the Xpress auction.

Commission expense to Business Associates was $2.6 million and $3.9 million in the second quarter and first half of fiscal year 2012 compared to $1.6 million and $2.5 million in the second quarter and first half of fiscal year 2011. The increases of $1.3 million occurred all in the second quarter of 2012 with the increase in marketing and overall business activity within DubLi Network.

Deferred revenue and Prepaid customer acquisition costs

Deferred (unearned) revenue is recorded for all sales of products and services for which we have been paid in advance. We earn the revenue from those sales when we provide the product or service. Deferred revenue consists primarily of unused DubLi credits and the unearned portion of monthly and annual subscription packages such as VIP packages and Ebiz kits. Revenue is recognized from DubLi Credits as they are used for bidding on the Unique Bid or Xpress Auction, or when they expire worthless in closed Business Associate accounts. Subscriptions packages collected in advance are recognized as revenue ratably over the subscription coverage period.

Prepaid customer acquisition costs consist primarily of commissions paid to Business Associates and other incremental direct marketing and website costs incurred to support the Business Associate Network. These costs are recognized as expense in direct proportion to the related revenue recognition described above.

These accounts have a significant effect on the Company earnings because we have been paid in advance of the service that we have sold and because we pay commissions and other costs in advance of the recognition of sales revenue. Our cash flow precedes our net earnings from such activities. The following tables show the significance of the asset and liability accounts and their future impact on our earnings results. The trend indicates a steady decrease in deferred revenue despite an increasing trend in sales of DubLi Credits. This trend indicates that consumers are presently using their DubLi Credits at a faster rate which will increase the rate of revenue recognition. In the current quarter, the growth in sales outpaced the usage of our services.

	December 31, 2010	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012
Prepaid customer acquisition costs	$ 10,844,727	$ 10,448,041	$ 7,620,225	$ 6,958,894	$ 6,710,127	$ 6,628,110
Deferred revenue	$ 21,337,242	$ 20,421,194	$ 15,081,425	$ 13,830,389	$ 14,037,163	$ 11,949,603

Selling, General and Administrative

Selling, general and administrative ("SG&A") expense consists primarily of: payroll and related expenses for executive and administrative personnel; fees for professional services; costs related to leasing, maintaining and operating our facilities; credit card fees; recruiting fees; travel costs for executive and administrative personnel; insurance, expenses and fees associated with the reporting and other obligations of a public company; bad debts; and other general and administrative services. Fees for professional services include amounts due to lawyers, auditors, tax advisors, and other professionals in connection with operating our business, and evaluating and pursuing new opportunities. These costs increased by $0.1 million from $3.0 million in the second quarter of fiscal year 2011 to $3.1 million in the second quarter of fiscal year 2012, a 5.2% increase. SG&A increased $0.7 million year to date from $5.8 million in fiscal year 2011 to $6.5 million in fiscal year 2012.

The significant changes to the components of SG&A expense for the six months ended March 31, 2012 were the results of a $0.5 million or 404.1% increase in advertising and marketing costs. Second quarter advertising and marketing were comparable at $0.06 million and $0.08 million in 2012 and 2011, respectively. We have increased our marketing efforts from $0.1 million in the first half of 2011 to $0.5 million in the first half of 2012 in order to promote our improved websites and new product offerings. Depreciation and amortization decreased 88.2% for the quarter and 88.0% for the half year. Depreciation and amortization expense decreased $0.18 million to $0.02 million from $0.2 million during the second quarters of 2012 and 2011, respectively and from $0.5 million to $0.05 million from the first half of fiscal year 2011 to 2012 due to an increase in fully depreciated assets in capitalized computer hardware and software. The primary factor driving the increase in SG&A costs was stock compensation which increased 182.9% when comparing the second quarter expense of $0.9 million in 2012 to that of $0.3 million in 2011. Year to date, stock compensation increased 217.5% from $0.6 million to $1.8 million as a result of new stock and option grants to the CEO, COO, the Board Members and various other employees and contractors. Other SG&A costs decreased 11.9% from $4.6 million to $4.1 million from the first half of 2011 to the first half 2012.

Interest Expense, Net

Interest expense, net, consists primarily of earnings on our cash, cash equivalents net of interest expense. Interest expense was $1,019 and $1,303 in the second quarter and $2,272 and 3,801 for 2012 and 2011, respectively. The decrease in interest expense results from the decreased borrowings from Michael Hansen, our Chief Executive Officer.

Income Taxes

For the quarters ended March 31 2012 and 2011, we recorded the following tax provisions (benefits) (in thousands except percentages):

	2011	2010
Provision (benefit) for taxes	$ -0-	$ -0-
Effective tax rates	0%	0%

Net Loss

As a result of the factors described above, for the quarter ended March 31, 2012, we generated a net loss of $2.9 million, or net loss of $0.01 per basic and diluted share. For the quarter ended March 31, 2011, we generated a net loss of $0.8 million, or a net loss of $0.00 per basic and diluted share. For the six months ended March 31, 2012 and 2011 our net loss was $5.9 million and $2.1 million respectively.

Impact of Foreign Currency Translation

Net revenues and related expenses generated from international locations are denominated in the functional currencies of the local countries, primarily in Euros. The results of operations and certain of our intercompany balances associated with our international locations are exposed to foreign exchange rate fluctuations. The consolidated statements of operations of our international subsidiaries are translated into US dollars at the average exchange rates in each applicable period. To the extent the US dollar weakens against foreign currencies, this translation methodology results in these local foreign currency transactions increasing the consolidated net revenues, operating expenses, and net income. Similarly, our consolidated net revenues, operating expenses, and net income will decrease when the US dollar strengthens against foreign currencies.

During the first and second quarter 2012, the US Dollar strengthened slightly against the Euro. The closing exchange rates in effect were 1.33022 at March 31, 2012 and 1.40990 at March 31, 2011 an increase of 5.6%. The average rate year-to-date decreased approximately 4.5% from 1.39427 to 1.33081. Had the exchange rates used in the consolidated financial statements not changed from September 30, 2011, our net revenues for the three and six months ended March 31, 2012, would have been approximately $1.6 and 2.8 million higher than we reported. In addition, had the exchange rates used in the consolidated financial statements not changed from the end of fiscal year 2010, direct costs and selling, general and administrative expenses for the three and six months ended March 31, 2012, would have been $1.8 and 3.1 million higher than we reported.

Liquidity and Capital Resources

As of March 31, 2012, the Company had total cash and cash equivalents of $2.0 million. This represents a $0.5 million or 32.7% increase from the total cash and cash equivalents of $1.5 million at September 30, 2011. Restricted cash included in current assets was $4.1 million at March 31, 2012 compared to $0.4 million at September 30, 2011, an increase of 805.0% resulting from the large increase in sales volume and the inclusion of $2.1 million in reserves funds moved from other assets to current assets as a result of the recovery of those funds on April 12, 2012. The restricted cash is that held in a six month rolling reserve for charge backs by credit card processors and averages 5% of credit card sales processed.

Operating Activities

Net cash provided by operating activities totaled $0.7 million during the six months ended March 31, 2012. Year-to-date net loss of $5.9 million included noncash depreciation and amortization and noncash equity compensation charges of $2.7 million. Since inception, the Company has met its working capital needs principally through sales of DubLi Credits to the Company's Business Associates. To attract and maintain the level of Business Associates, significant amounts are spent on customer acquisition costs and commissions. Together these factors are key cash flow drivers to the Company's operating cash flows. Changes to the amount of revenue deferred and breakage estimates had a significant impact on the Company's revenue and incremental costs in the year of the change and such changes may impact future years. During the second quarter, we continued to be impacted by a significant reduction of available cash due to the $2.1 million of restricted cash, which relates to a dispute between the Company and one of its credit card processors, in which the credit card processor has failed to remit customer proceeds that it is holding back from the Company. However, the Company recovered those funds in full on April 12, 2012.

Net cash used in operating activities totaled $1.2 million during the six months ended March 31, 2011. Year-to-date net loss of $2.1 million included noncash depreciation and amortization, and noncash equity charges of $1.7 million. In addition, a significant reduction of cash used in operating activities is reflected by the increased restricted cash, prepaid expenses offset by increases in commissions payable and deferred revenue. To attract and maintain the level of Business Associates, significant amounts are spent on customer acquisition costs and commissions. Together these factors are key cash flow drivers to the Company's operating cash flows. Changes to the amount of revenue deferred and breakage estimates had a significant impact on the Company's revenue and incremental costs in the year of the change and such changes may impact future years.

Investing Activities

Net cash provided by investing activities totaled approximately $1.7 million during the quarter ended March 31, 2012. Cash was used in investing activities to purchase capital assets and to make payments on real estate that amounted to $0.3 million, and $0.1 million was used for equipment. Uses of cash were offset by $2.1 million that was released from restricted cash

Net cash used in investing activities totaled approximately $0.1 million during the quarter ended March 31, 2011. Cash was used in investing activities to purchase capital assets and make payments on real estate that amounted to $0.4 million and cash was provided by $0.3 million that was released from restricted cash.

Financing Activities

$0.5 million in cash from stock subscriptions was provided by financing activities during the six months ended March 31, 2012. During the first quarter, Michael Hansen traded land that he owned personally to Crown Properties to liquidate $0.2 million of the debt that we owed to them for landfill obligations. We repaid Mr, Hansen that $0.2 million during the second quarter of 2012. Total cash provided by financing activities was $0.3 million for the six months ended March 31, 2012.

Net cash provided by financing activities totaled $1.1 million during the six months ended March 31, 2011 which primarily consisted of proceeds from stock subscriptions to a private placement of common shares.

The Company does not currently maintain a line of credit or term loan with any commercial bank or other financial institution. In March 2011, we did enter into a $5 million line of credit agreement with Mr. Hansen that was repaid in full and canceled on September 30, 2011. We can provide no assurance that we will not require additional financing. Likewise, we can provide no assurance that if we need additional financing that it will be available in an amount or on terms acceptable to us, if at all. If we are unable to obtain additional funds when they are needed or if such funds cannot be obtained on terms favorable to us, we may be unable to execute upon our business plan or pay our costs and expenses as they are incurred, which could have a material, adverse effect on our business, financial condition and results of operations.

Liquidity

The Company usually maintains a significant portion of its cash ("restricted cash") with its two credit card processing companies to mitigate their financial risk arising from the sale of the Company's products and services, one credit card processing company for US based transactions and the other for foreign based transactions. The reserve requirements have ranged from 5% to 50% for a rolling term of six months. The Company has classified these accounts as a current asset because the funds turnover regularly with both monthly inflows and outflows from the accounts and none of the funds are held for more than 12 months. During the first quarter of 2010, the Company became aware that one of its credit card processing companies that held $2.2 million was improperly retaining the cash for completed transactions that was due the Company. In October 2010, the Company instituted a lawsuit against this credit card processing company which in-turn terminated the agreement with the Company. In addition, the Company was informed that the credit card processing company entered into bankruptcy, however, the Company's counsel was informed that these funds are not part of the bankruptcy. Management has also been informed by the Company's counsel that such funds are collectible, and protracted litigation has been ongoing. Accordingly, such amount has been classified as long-term in the consolidated balance sheets. This situation has negatively impacted the Company's cash position and resulted in increased borrowings from Michael Hansen the Company's Chief Executive Officer. On February 24, 2012, the Court held an expedited trial on the issue of the Company's right to immediate possession of the Reserve Funds. The Court ruled that the Company was entitled to the immediate return of the Reserve Funds, in the amount of $2.1 million, which was the balance of the reserves after deduction of certain fees not challenged by the Company. On March 29, 2012, the Court entered a Declaratory Judgment in favor of the Company which declared the Company to be the prevailing party on its claim for immediate return of the Reserve Funds which the Company received in full on April 12, 2012.

The Company is growing and making changes to its product offerings and that growth will place additional demands on future cash flows and decrease liquidity as we improve our systems and increase our staff to meet those demands. Our future liquidity and capital requirements will depend on numerous factors including the pace of expansion of our operations, competitive pressures, and acquisitions of complementary products, technologies or businesses. We expect the Company to grow in a post recessionary, slow growth economic environment as a result of the business opportunity that our network marketing organization offers to many people. We expect to increase our marketing efforts in order to grow our network of Business Associates which will place additional demands on our cash flows and liquidity.

We currently anticipate that our cash and cash equivalents as of March 31 2012 will be sufficient, to meet our liquidity needs for working capital and capital expenditures over the next few months. We recognize that rapid growth may deplete our cash faster than anticipated and that traditional lending may not be available to our Company because of the current global economic debt crisis, and because web based businesses, specifically reverse auctions and network marketing companies, are considered higher risk borrowers. Even if available, there can be no assurance that any financing arrangements will be available in amounts or on terms acceptable to us.

Because of potential constraints to future sources of capital and increased liquidity, in the event we need additional cash to satisfy our commitments and fund our growth, we may continue to borrow from Michael Hansen, our Chief Executive Officer. As a result of our recapitalization, we increased our authorized shares to 500 million, of which approximately 366 million are issued and outstanding as of the date of this report. Accordingly, we also may seek additional capital through the issuance of debt or equity to fund working capital, expansion of our business and/or acquisitions, or to capitalize on market conditions. The sale of additional equity securities could result in additional dilution to existing stockholders.

Between March 31, 2012 and the date of this report, we have not borrowed any money from Mr. Hansen but he has committed to support the Company and make funds available for future working capital if needed. During 2011, we completed a private placement of $4.8 million in Europe using a Regulation S exemption from registration. We have made a second Regulation S offering available in February 2012 for 20 million shares at $0.30 per share in order to raise an additional $6 million in equity capital. As of the date of this report, we have received subscriptions of $0.5 million.

Cash in Foreign Subsidiaries

The Company has significant operations outside the US. As a result, cash generated by and used in the Company's foreign operations is repatriated only in amounts sufficient to pay management and administrative expenses in the US, or to fund certain US operational costs. As of March 31 2012, the Company held $1.7 million of unrestricted and $4.0 million of restricted cash in foreign subsidiaries.

Should foreign cash be repatriated, the Company will be subject to US tax at the applicable US federal statutory rate on the amount treated as a dividend for US income tax purposes. Dividend treatment will largely be the result of the collective financial position of the foreign subsidiaries at the time of repatriation. Any US income tax attributable to repatriated earnings may be offset by foreign income taxes paid on such earnings. Due to the significance of its foreign operations, the Company does not foresee the need to repatriate foreign cash in excess of its US funding needs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information has been omitted because the Company qualifies as a smaller reporting company.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures are the controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act as of March 31, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of such date, our disclosure controls and procedures were (1) not sufficiently designed to ensure that material information relating to the Company, including our consolidated subsidiaries, was made known to them by others within those entities, particularly in the period in which this report was being prepared and (2) not effective, in that they did not provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

(1) Control environment—We did not maintain an effective control environment. The control environment, which is the responsibility of senior management, sets the tone of the organization, influences the control consciousness of its people, and is the foundation for all other components of internal control over financial reporting. Each of the following control environment material weaknesses also contributed to the material weaknesses discussed in items (2) through (4) below. Our control environment was ineffective because of the following material weaknesses:

(a) We did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience, and training in the application of Generally Accepted Accounting Principles ("GAAP") commensurate with our financial reporting requirements and business environment. This material weakness resulted in material restatements and post-closing adjustments relating to revenue recognition, cutoffs, improper report groupings, consolidations and various account errors which have been reflected in the restated financial statements for the years ended September 30, 2010 and 2009 and the quarters ended December 31, 2009, March 31 and June 30 and December 31, 2010 and March 31 and June 30, 2011.

(b) We did not maintain an effective anti-fraud program designed to detect and prevent fraud relating to (i) an effective whistle-blower program or other comparable mechanism and (ii) an ongoing program to manage and identify fraud risks.

(c) We did not maintain effective controls over the segregation of duties. Specifically, effective controls were not designed and implemented to ensure the following accounting functions were properly segregated for inventory, purchasing, shipping, bank reconciliations, payroll and accounts payable. In addition, we did not have effective general controls over information technology security and user access.

(d) We experienced excessive employee turnover, including the replacement of our accounting staff and CFO, nor did we have proper job descriptions, performance appraisals, and as a result our employees may not have a clear understanding of their responsibilities to facilitate proper internal control over financial reporting.

(e) We rely extensively on outside service providers, most of which did not provide a Type II SAS 70 report on their internal controls.

(f) We did not maintain effective controls over spreadsheets used in the Company's financial reporting process. Specifically, controls were not designed and in place throughout the year to ensure that unauthorized modification of the data or formulas within spreadsheets were prevented.

(g) We experienced problems with the post-merger integration of our accounting processes, personnel, systems and procedures which differed greatly between Berlin, Germany and Boca Raton, Florida.

The control environment material weaknesses described above contributed to the material weaknesses related to our monitoring of internal control over financial reporting, period end financial close and reporting, as described in items (2) to (4) below.

(2) Monitoring of internal control over financial reporting—we did not maintain effective monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures because of the following material weaknesses:

(a) Our policies and procedures with respect to the review, supervision and monitoring of our accounting operations throughout the organization were either not designed, in place or operating effectively.

(b) We did not maintain an effective internal control monitoring function nor did we perform a risk assessment. Specifically, there were insufficient policies and procedures to effectively communicate and determine the adequacy of our internal control over financial reporting and to monitoring the ongoing effectiveness thereof.

(c) We did not maintain formal cash flow forecasts, business plans, and organizational structure documents to guide the employees in critical decision-making processes.

Each of these material weaknesses relating to the monitoring of our internal control over financial reporting contributed to the material weaknesses described in items (3) through (4) below.

(3) Period end financial close and reporting—Due to a pervasive lack of proper segregation of duties within the finance department, we did not establish and maintain effective controls over certain of our period-end financial close and reporting processes because of the following material weaknesses:

(a) We did not maintain effective controls over the preparation and review of the interim consolidated financial statements to ensure that we identified and accumulated all required supporting information to ensure the completeness and accuracy of the consolidated financial statements and that balances and disclosures reported in the consolidated financial statements reconciled to the underlying supporting schedules and accounting records.

(b) We did not maintain procedures and effective controls over the preparation, review and approval of account reconciliations and application programming interfaces ("API") with third parties or our own systems. Specifically, we did not have effective controls over the completeness and accuracy of supporting schedules for substantially all financial statement account reconciliations.

(c) We did not maintain effective controls over the recording of either recurring or non-recurring journal entries. Specifically, effective controls were not designed and implemented to ensure that journal entries were properly prepared with sufficient support or documentation or were reviewed and approved to ensure the accuracy and completeness of the journal entries recorded.

(4) Prior to April 8, 2011, we did not have a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures. Nor did we have a Compensation Committee, compensation charter or any formal procedure for the review, approval or ratification of certain related-party transactions that may be required to be reported under the SEC disclosure rules.

Changes in Internal Control over Financial Reporting

As previously reported in Part I, Item 4 of our Form 10-Q for the quarter ended June 30, 2011, we reported material weaknesses in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act). As a result of those material weaknesses in our internal control over financial reporting, our principal financial officer concluded that our internal controls over financial reporting were not effective in prior quarters. Those material weaknesses included the following:

- Inadequate accounting personnel.
- Delays in the post-Merger integration of the Company's and CG's administrative, accounting and reporting systems and procedures.
- Delays in the post-Merger integration and implementation of an effective system of internal control that governs the combined entities.
- Delays in the adoption of board charters and policies and procedures that specify the policies and procedures to be utilized by Company when considering and/or engaging in related party transactions.

There have been no changes in the Company's internal control over financial reporting during the most recently completed fiscal quarter that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting. In addition, during the fourth quarter of fiscal year 2010, we undertook and began a more detailed analysis of our material weaknesses to understand and disclose the nature of each material weakness and its impact on our financial reporting and its internal controls over financial reporting in order to develop a more detailed framework for remediation. However, as described below under "Remediation Plans" we have subsequently dedicated significant resources to support our efforts to improve the control environment and to remedy the control weaknesses described herein.

Remediation Plans

To address the identified material weakness discussed above, we have during fiscal year 2011 and the first half of 2012:

1. Engaged a firm of ERP system consultants to assist with the integration of the Company's accounting and reporting systems into a single automated system.
2. Hired a new Chief Financial Officer, and Controller.
3. Commenced a reorganization of our accounting and administrative staff designed to improve workflow and enhance internal controls.
4. Engaged a law firm to advise us regarding securities law compliance and corporate governance standards.
5. Hired a CPA firm to assist us in the preparation of our tax accrual and footnote.
6. Hired additional accounting staff.
7. Engaged an internal audit firm to assist with control assessment and remediation.

To address the identified material weakness discussed above, we are in the process of enhancing our internal control processes as follows:

1. Control Environment
    a. Continue to upgrade our accounting staff in order to achieve an effective control environment.
    b. Develop an anti-fraud program and implement a whistle-blower program and a program to manage and identify fraud risks.
    c. Continue to reorganize our accounting and administrative staff designed to improve workflow and enhance internal controls.
    d. Formalize our finance-related job descriptions for all staff levels that specifically identify required financial reporting roles, responsibilities, and competencies, and clarify responsibility for maintaining our internal controls over financial information.

e. The Company will use its best efforts to obtain appropriate Type II SAS 70 service auditor’s reports from its service organizations when available.
f. Complete system upgrades and take training to better utilize our ERP system to lessen the use of spreadsheets and to also develop controls over spreadsheets and migrate from spreadsheet based consolidations to using the consolidations capabilities built into our ERP system.

2. Monitoring of internal control over financial reporting
    a. Continue to improve our policies and procedures with respect to the review, supervision and monitoring of our accounting operations.
    b. Perform a risk assessment and improve our monitoring function in conjunction with our ERP system.
    c. Formalize our process to improve the organization structure and develop forecasts and plans by which our management can measure achievement against formalized benchmarks.

3. Period end financial close and reporting
    a. We will continue to improve our financial reporting and closing processes.
    b. We will continue to document and implement controls over financial reporting.

If the remedial measures described above are insufficient to address any of the identified material weaknesses or are not implemented effectively, or additional deficiencies arise in the future, material misstatements in our interim or annual consolidated financial statements may occur in the future and we may continue to be delinquent in our filings. We are currently working to improve and simplify our internal processes and implement enhanced controls, as discussed above, to address the material weaknesses in our internal control over financial reporting and to remedy the ineffectiveness of our disclosure controls and procedures. A key element of our remediation effort is the ability to recruit and retain qualified individuals to support our remediation efforts. While our Board of Directors has been supportive of our efforts by supporting the hiring of various individuals in our finance department, as well as, funding efforts to improve our financial reporting system, improvement in internal control will be hampered if we cannot recruit and retain more qualified professionals. Among other things, any un-remediated material weaknesses could result in material post-closing adjustments in future financial statements.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Prior to November 2009, the Company used one service provider, which was located in Europe, to process all of the credit card transactions which arise from the purchase of products and DubLi Credits by Business Associates and customers of the Company. On November 23, 2009, the Company entered into a processing agreement (the “Agreement”) with NMC, a service provider located in the United States, to process U.S. currency credit card transactions. NMC terminated the Agreement on October 27, 2010; and a dispute has arisen between the Company and NMC relating to the Agreement. NMC refused the Company's numerous demands made since early 2010 to release the approximately $2.1 million of Reserve Funds; and, on February 9, 2011, NMC filed suit, as described below, against the Company seeking payment of a “termination” or “early cancellation” fee in the amount of $706,277, which action is currently pending in the California Federal Court.

After NMC refused the Company's demands made in 2010 to begin releasing the Reserve Funds in accordance with the terms of the Agreement, on September 22, 2010, two wholly-owned subsidiaries of the Company, Dubli.com Limited and DubLi Network Limited (collectively, the "Subsidiaries"), through counsel, made demand upon NMC to release the Reserve Funds. On October 27, 2010, the Subsidiaries initiated legal action against NMC in the Circuit Court in and for Miami-Dade County, Florida seeking recovery of approximately $2,162,000 of Reserves held at the direction of NMC plus various other awards, costs and expenses. The Subsidiaries alleged that NMC committed civil theft and conversion by its wrongful retention and misuse of the Reserve Funds. On October 27, 2010, NMC informed the Company that it was terminating the Company's merchant account with NMC and holding all of the Company's funds then held in reserve for a period of 180 days after the last chargeback to the Company's account. Notably, the Company's historical chargebacks under the Agreement averaged less than 1.2% of sales or approximately $63,000 since the reserve account was established in December 2009. On November 1, 2010, NMC sent the Company an invoice demanding payment of a "termination fee" of $706,277 to which NMC claimed to be entitled based upon the early termination of the Company's merchant account under the Agreement. Thereafter, the Company learned that NMC was in Chapter 11 bankruptcy and, on or about November 12, 2010, the Company learned that the Reserve Funds were being held in an escrow account at Wells Fargo Bank, controlled by First Data, as "master processor" for NMC, and that the Reserve Funds were not involved in NMC's bankruptcy. The case filed in Circuit Court by the Subsidiaries was removed by NMC to the U.S. District Court for the Southern District of Florida ("Florida Federal Court") and thereafter transferred, in March 2011, by Order of the Florida Federal Court, to the California Federal Court. On December 5, 2011, the Company dismissed this action without prejudice.

On February 9, 2011, NMC filed suit against the Company in the Superior Court of the State of California, Case Number: 30-2011-00449062-CU-BC-CJC, seeking to recover approximately $706,277, as a "termination fee" under the Agreement, plus attorneys' fees, interest and costs. NMC alleges that the Company breached the Agreement by not using NMC as its exclusive credit card processor and by taking the position that the Company does not own the website www.dubli.com . NMC alleges that it terminated the Agreement based upon the Company's alleged breaches of the Agreement and is therefore entitled to recover a fee arising from the early cancellation of the Agreement. On March 17, 2011, the Company removed the action to the California Federal Court, where it is currently pending, Case No 8:11-cv-00433-AG-JCG. On April 7, 2011, the Company filed an Answer to the Complaint, in which it denied NMC's substantive allegations, raised affirmative defenses to NMC's claims and asserted counterclaims against NMC, First Data and other parties, identified as Roes 1 – 20. The Company's counterclaims, all of which are based upon or relate to the Agreement, assert claims for relief in tort, contract and unfair business practices in violation of California Business and Professions Code § 17200 et seq., and also assert claims for injunctive and declaratory relief. The Company asserted its counterclaims to obtain a judicial determination of its rights under the Agreement, to obtain the release of $2,164,073 of Reserve Funds then being held in an escrow account controlled by First Data, and to recover damages caused by the wrongful retention of the Reserve Funds. On December 13, 2011, the Company filed a motion seeking an expedited trial by early February 2012 of its counterclaims relating to the Reserve Funds, or alternatively of its equitable claims for declaratory judgment and injunction seeking the release of the Reserve Funds.

On January 9, 2012, the Court granted the Company's motion and on February 24, 2012, the Court held an expedited bench trial on the issue of the Company's declaratory judgment claim seeking a declaration of the Company's rights under its merchant agreement with NMC and immediate possession of the Reserve Funds. At the close of the trial on February 24, 2012, the Court ruled that the Company was the prevailing party on its declaratory judgment claim and was entitled to the immediate return of the Reserve Funds, in the amount of $2,133,852, which was the balance of the Reserves after deduction of certain fees not challenged by the Company. On March 29, 2012, the Court entered a Declaratory Judgment in favor of the Company which declared the Company to be the prevailing party on its claim for immediate return of the Reserve Funds. The Judgment further ordered the Clerk of Court to immediately release to MediaNet, all of the Reserve Funds which NMC had deposited with the Court, ordered NMC and First Data to immediately release to MediaNet the remaining amount of the Reserve Funds and provided that the Company may move for further relief based on the Judgment under the federal Declaratory Judgment Act. The Company received all of the Reserve Funds on April 12, 2012. As further relief following the Declaratory Judgment, the Company, on April 13, 2012, filed an application with the Court to recover certain taxable costs incurred in connection with the February 24, 2012 bench trial and, on April 14, 2012, filed a motion for an award of attorneys' fees and nontaxable expenses incurred by the Company to litigate the Reserve Funds issues and obtain the return of the Reserve Funds. NMC and First Data have opposed the Company's application to recover certain taxable cost items and have also opposed, in its entirety, the Company's motion for attorneys' fees and nontaxable expenses. The Clerk of Court is currently scheduled to consider the Company's application to tax costs against NMC and First Data on May 4, 2012, and the hearing on the Company's motion for attorneys' fees and nontaxable expenses is currently set for May 14, 2012.

On April 6, 2012, NMC filed with the Court an Application for Writ of Attachment and for Issuance of a Right to Attach Order, seeking to obtain a pre-judgment attachment of property of the Company in the amount of $706,276, which is the amount of the early termination fee which NMC seeks to recover from the Company. On April 26, 2012, the Company filed its Opposition and Evidentiary Objections to NMC's Application. NMC's application for issuance of the attachment order is set for hearing on May 14 2012.

NMC's claim against the Company seeking payment of an early termination fee, and the Company's counterclaims for damages arising from the wrongful retention by NMC and First Data of the Reserve Funds, are still pending and are set for trial on July 31, 2012. The Company opposes the payment of any termination fee to NMC and is vigorously defending NMC's claim.

ITEM 2. UNREGISTERED SALE OF SECURITIES AND USE OF PROCEEDS

(a) Unregistered sales of equity securities

On March 31, 2012, MediaNet Group Technologies, Inc. (the "Company") completed a private placement of 2,344,465 shares of its common stock, par value $0.001 per share, for total cash proceeds of $468,643. The Company issued the shares to the investors pursuant to Regulation S of the Securities Act of 1933, as amended, on the basis that each of the investors represented that he, she or it is not a "U.S. Person" as such term is defined in Regulation S. The proceeds are used for general corporate purposes.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Removed and Reserved.

ITEM 5. OTHER INFORMATION

Loans from Chief Executive Officer

On December 22, 2011, Michael Hansen loaned the Company $223,000 so that it could meet certain contractual obligations in connection with its Real Estate Contract more fully described in Note 7 to the Financial Statements. The unsecured promissory note bears interest at 3% per annum and the principal and interest are due on September 30, 2012. On February 8, 2012, the Company repaid $200,000 leaving a balance of $23,000 plus accrued interest.

ITEM 6. EXHIBITS

No.	Description
31.1	Certification of Chief Executive Officer*
31.2	Certification of Chief Financial Officer*
32.1	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Statement required by 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002*

* Filed Herewith

SIGNATURES

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

	MEDIANET GROUP TECHNOLOGIES, INC.	
Date: May 11, 2012	By:	/s/ Michael B. Hansen
		Michael B. Hansen
		President and Chief Executive Officer

EXHIBIT 31.1

Certifications

I, Michael B. Hansen, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MediaNet Group Technologies, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2012

/s/ Michael B. Hansen

Michael B. Hansen
President and Chief Executive Officer
(principal executive officer)

EXHIBIT 31.2

Certifications

I, Mark Mroczkowski, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of MediaNet Group Technologies, Inc.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the Consolidated Financial Statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Financial Statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2012

/s/ Mark Mroczkowski
Mark Mroczkowski
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of MediaNet Group Technologies, Inc. (the "Company") for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael B. Hansen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 results of operations of the Company

/s/ Michael B. Hansen
Michael B. Hansen
President and Chief Executive Officer
(principal executive officer)

May 11, 2012

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of MediaNet Group Technologies, Inc. (the "Company") for the period ended March 31, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Mroczkowski, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(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 results of operations of the Company

/s/ Mark Mroczkowski
Mark Mroczkowski
Chief Financial Officer
(principal financial and accounting officer)

May 11, 2012

The foregoing certification is being furnished solely to accompany this report pursuant to 18 U.S.C. 1350, and is not being filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.