

DUBLI, INC.

FORM 10-Q/A (Amended Quarterly Report)

Filed 06/19/13 for the Period Ending 12/31/11

Address	5200 TOWN CENTER CIRCLE SUITE 601 BOCA RATON, FL 33486
Telephone	561-362-7704
CIK	0001097792
Symbol	DUBL
SIC Code	7389 - Business Services, Not Elsewhere Classified
Industry	Computer Services
Sector	Technology
Fiscal Year	09/30

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

FORM 10-Q/A
(Mark One)

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

For the quarterly period ended December 31, 2011, or

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

For the transition period from _____ to _____.

Commission File Number 0-49801

DUBLI, INC.

(Exact name of small business issuer as specified in its charter)

Nevada

(State or other jurisdiction of incorporation or organization)

13-4067623

(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: 361,402,057 Common Shares, \$.001 par value per share at March 9, 2012.

EXPLANATORY NOTE

DubLi, Inc. (“the Company” or “DubLi”) is amending this Form 10-Q for the quarter ended December 31, in order to restate revenues from the sales of its electronic gift cards sold and the DubLi credits used on its Xpress auction to be net of the related cost of the gift cards. Historically, the Company has reported the gross amount of the gift card sold plus the DubLi credits used in the auction as revenue and the face value of the gift card delivered to the customer was reported as a direct cost of revenue. However, on December 12, 2012, the audit committee and the Board of Directors concluded that its accounting for revenue was in error and must be corrected to report revenue only after deducting the face value of the gift card sold. We must correct the accounting error because the sales of the proprietary electronic gift cards are not considered revenue generating activities under Generally Accepted Accounting Principles. This report on Form 10-Q/A is presented as of the filing date of the Original Form 10-Q and does not reflect events occurring after that date, or modify or update disclosures in any way other than as required to reflect the restatement described below.

The effect of the correction to the Condensed Consolidated Financial Statements will result in a reduction of previously reported revenue and a corresponding reduction in the direct cost of revenue in those periods. However, the change in presentation will have no effect on the Company’s financial position, results of operations or cash flows or any per share amounts for any period presented in the Financial Statements.

Previously, the Company recognized revenue on the sale of gift cards based on the gross transaction price, with the value of the gift card being treated as cost of sales. However, management has now determined that, because the Company’s proprietary gift cards provide the purchaser with a right to receive cash in the amount of the gift card, the transactions are an exchange of one type of cash equivalent for another. As such, the value of the gift card should be deducted from the proceeds the Company receives, with only the net amount recognized as revenue. The sales of the proprietary electronic gift cards are not considered revenue generating activities. Also included in the face value of the gift card is a cash incentive equal to the difference between the face value of a proprietary gift card and the agreed upon sale price (i.e., winning bid amount) and is recognized as a reduction of the related revenue.

The following sections of this Form 10-Q/A have been amended to reflect the restatement:

Part I – Item 1 – Financial Statements;

Part I – Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations;

This Form 10-Q/A has been signed as of a current date and, as required by Rule 12b-15 of the Securities Exchange Act of 1934, all certifications of the Company’s Chief Executive Officer and our Chief Financial and Accounting Officer are given as of a current date. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the SEC subsequent to the filing of the Original 10-Q, including any amendments to those filings.

USE OF NAMES

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

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PART I: FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

DubLi, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets – Unaudited

	December 31, 2011	September 30, 2011
Assets:		
Current Assets:		
Cash and cash equivalents	\$ 785,590	\$ 1,503,234
Restricted cash	936,422	448,161
Accounts receivable	106,854	253,095
Inventories	157,962	168,846
Prepaid customer acquisition costs	6,710,127	6,958,894
Prepaid expenses	1,421,483	2,060,468
Total Current Assets	10,118,438	11,392,698
Property and Equipment, net	240,586	207,419
Other Assets:		
Restricted cash, net	1,864,073	1,864,293
Real estate contract, net	3,129,346	3,203,847
Other	95,476	74,651
Total Other Assets	5,088,895	5,142,791
Total Assets	\$ 15,447,919	\$ 16,742,908
Liabilities and Stockholders' Equity (Deficit):		
Current Liabilities:		
Accounts payable	\$ 1,851,400	\$ 1,650,540
Accrued and other liabilities	166,963	229,118
Loyalty points payable	280,366	318,653
Commissions payable	1,380,690	1,128,355
Deferred revenue	14,037,163	13,830,389
Note payable - related party	223,000	-
Total Current Liabilities	17,939,582	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 361,402,057 and 359,802,057 issued and outstanding, respectively	361,402	359,802
Additional paid-in capital	12,797,698	11,953,103
Accumulated other comprehensive loss	(9,374)	(85,923)
Accumulated deficit	(15,641,389)	(12,641,129)
Total Stockholders' Equity (Deficit)	(2,491,663)	(414,147)
Total Liabilities and Stockholders' Equity (Deficit)	\$ 15,447,919	\$ 16,742,908

See accompanying notes to condensed consolidated financial statements.

DubLi, Inc. and Subsidiaries*Condensed Consolidated Statements of Operations - Unaudited*

For the Three Months ended December 31,

	2011 <u>(Restated)</u>	2010 <u></u>
Revenues	\$ 2,830,094	\$ 1,861,338
Direct cost of revenues	<u>2,421,193</u>	<u>322,068</u>
Gross profit	408,901	1,539,270
Selling, general and administrative	<u>3,407,908</u>	<u>2,836,776</u>
Loss from operations	(2,999,007)	(1,297,506)
Interest (expense) income - net	<u>(1,253)</u>	<u>968</u>
Loss from operations before income taxes	(3,000,260)	(1,296,538)
Income taxes - benefit (expense)	<u>-</u>	<u>-</u>
Net loss	(3,000,260)	(1,296,538)
Foreign currency translation adjustment	76,549	581,053
Comprehensive loss	<u>\$ (2,923,711)</u>	<u>\$ (715,485)</u>
Net loss per common share		
Basic	\$ (0.01)	\$ (0.01)
Diluted	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding:		
Basic	359,916,187	244,211,496
Diluted	366,861,687	246,623,881

See accompanying notes to condensed consolidated financial statements.

DubLi, Inc. and SubsidiariesCondensed Consolidated Statements of Cash Flows - Unaudited
For the Three Months Ended December 31,

	2011	2010
Cash flows from operating activities		
Net loss	\$ (3,000,260)	\$ (1,296,538)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	33,641	277,623
Real estate impairment	-	367,292
Option Agreement written off	-	250,000
Stock based compensation	1,431,681	230,438
Promotional DubLi Credits	9,879	86,749
Changes in operating assets and liabilities:		
Restricted cash	(533,082)	(114,555)
Accounts receivable	140,656	16,197
Inventory	2,636	63,918
Prepaid expenses	(21,053)	(39,018)
Prepaid customer acquisition costs	(100,055)	(12,881,885)
Accounts payable	835,709	(20,537)
Accrued liabilities	(223,510)	97,421
Accrued loyalty points	(38,287)	(26,233)
Commission payable	311,992	(263,310)
Deferred revenue	931,122	12,979,008
Net cash used in operations	(218,931)	(273,430)
Investing activities:		
Purchases of equipment and software	(68,682)	(281)
Payments on real estate contract	(273,817)	(150,000)
Other assets	(20,826)	(45,047)
Restricted cash	(96,174)	130,588
Net cash used in investing activities	(459,499)	(64,740)
Financing activities		
Proceeds from note payable - related party	-	207,707
Repayments of note payable	-	(37,895)
Net cash provided by financing activities	-	169,812
Effect of exchange rate changes on cash	(39,214)	40,724
Net decrease in cash and equivalents	(717,644)	(127,634)
Cash and cash equivalents at beginning of period	1,503,234	487,171
Cash and cash equivalents at end of period	\$ 785,590	\$ 359,537
Supplemental cash flow information:		
Cash paid for interest	\$ 1,253	\$ 2,498
Cash paid for income taxes	-	-
Non-cash transactions		
Foreign currency translation adjustment	76,549	581,053
Proceeds from note payable - related party	223,000	-

See accompanying notes condensed to consolidated financial statements.

DubLi, Inc. and Subsidiaries
Condensed Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1 - Description of Business

DubLi, Inc. (“DubLi 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.” As of December 31 2011, our online auctions were 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 domiciled in Delaware, Florida and Nevada in the United States and in the British Virgin Islands, Cyprus and Berlin, Germany.

As of December 31 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.

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 December 31, 2011, the results of operations and cash flows for the three months ended December 31, 2011 and 2010. The results of operations for the three months ended December 31, 2011 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 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 DubLi, 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.

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.

Restatement of Previously Filed Interim and Annual Financial Statements

On December 12, 2012, the audit committee of the board of directors of the Company, in consultation with the Company's auditors, Cherry Bekaert LLP, determined that the Company's Consolidated Statements of Operations for the year ended September 30, 2011, and for each of the three quarters ended December 31, 2011, March 31, 2012 and June 30, 2012 (collectively, the "Financial Statements") should not be relied upon because the Company must correct accounting errors in revenue recognition.

The Company is amending this Form 10-Q for the quarter ended December 31, 2011 in order to restate revenues from the sales of its electronic gift cards sold and the DubLi credits used on its Xpress auction to be net of the related cost of the gift cards. Historically, the Company has reported the gross amount of the gift card sold plus the DubLi credits used in the auction as revenue and the face value of the gift card delivered to the customer was reported as a direct cost of revenue. However, on December 12, 2012, the audit committee concluded that the Company's accounting for revenue was in error and must be corrected to report revenue only after deducting the face value of the gift card sold. We must correct the accounting error because the sales of the proprietary electronic gift cards are not considered revenue generating activities under Generally Accepted Accounting Principles.

Previously, the Company recognized revenue on the sale of gift cards based on the gross transaction price, with the value of the gift card being treated as cost of sales. However, management has now determined that, because the Company's proprietary gift cards provide the purchaser with a right to receive cash in the amount of the gift card, the transactions are an exchange of one type of cash equivalent for another. As such, the value of the gift card should be deducted from the proceeds the Company receives, with only the net amount recognized as revenue. The sales of the proprietary electronic gift cards are not considered revenue generating activities. Also included in the face value of the gift card is a cash incentive equal to the difference between the face value of a proprietary gift card and the agreed upon sale price (i.e., winning bid amount) and is recognized as a reduction of the related revenue.

The effect of the correction to the Financial Statements will result in a reduction of previously reported revenue and a corresponding reduction in the direct cost of revenue in those periods. However, the change in presentation will have no effect on the Company's financial position, results of operations or cash flows or any per share amounts for any period presented in the Financial Statements.

The following table presents selected unaudited financial data for the quarter ended December 31, 2011 as restated.

	Last reported	Adjustment	Restated
Revenues	20,110,564	17,280,470	2,830,094
Direct cost of revenues	19,701,663	(17,280,470)	2,421,193
Gross profit	408,901	-	408,901
Net loss	(3,000,260)	-	(3,000,260)
Comprehensive loss	(2,923,711)	-	(2,923,711)

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 have ranged from a low of 5% to a high of 50% 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 \$936,422 as of December 31, 2011 and \$448,161 as of September 30, 2011. With its former U.S. processor, the Company had on deposit \$2,164,073, with a \$300,000 provision for impairment loss for a net asset value of \$1,864,073, as of December 31, 2011.

The Company is in litigation with its former U.S. processor relating to the Company's restricted cash on deposit with such processor. 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 December 31, 2011 and September 30, 2011 is as follows:

	December 31, 2011			September 30, 2011		
	Unrestricted	Restricted Current	Restricted Long-Term	Unrestricted	Restricted Current	Restricted Long-Term
Euro	\$ 158,773	\$ 418,468	\$ -	\$ 868,294	\$ 305,200	\$ -
Australian Dollar	63,476	32,868	-	56,072	38,538	-
U.S. Dollar	421,775	485,086	1,864,073	520,932	104,423	1,864,293
Held in foreign subsidiaries	644,024	936,422	1,864,073	1,445,298	448,161	1,864,293
Held by the US Company	141,567	-	-	57,936	-	-
Total	<u>\$ 785,591</u>	<u>\$ 936,422</u>	<u>\$ 1,864,073</u>	<u>\$ 1,503,234</u>	<u>\$ 448,161</u>	<u>\$ 1,864,293</u>

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, and (3) the value of the “DubLi Credits” sold to customers but not yet used to bid at auction, net of estimated breakage. 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:

	December 31, 2011	September 30, 2011
Prepaid customer acquisition costs	<u>\$ 6,710,127</u>	<u>\$ 6,958,894</u>
Unused DubLi Credits	\$ 12,519,746	\$ 13,155,511
Subscription fees	645,408	605,760
Co-op advertising	872,009	-
Other	-	69,118
	<u>\$ 14,037,163</u>	<u>\$ 13,830,389</u>

Note 6 – Property and Equipment

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

	December 31, 2011	September 30, 2011
Cost	\$ 386,877	\$ 323,917
Accumulated Depreciation	(146,291)	(116,498)
Total	<u>\$ 240,586</u>	<u>\$ 207,419</u>

Depreciation expense was \$33,641 and \$277,623 for the three months ended December 31, 2011 and 2010, respectively.

Note 7 – Real Estate Contract

The Cayman Property Rights have a net book value of \$3,129,346 as of December 31, 2011 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 with 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 Reserve Funds owned by the Company, in the amount of \$2,164,073, which were and are being held in a reserve account controlled by First Data Merchant Services, Inc. ("First Data"). In February 2011, NMC filed suit against the Company seeking payment of a "termination fee" of \$706,277, and the Company counterclaimed against NMC and First Data for the release of the Reserve Funds, which action is currently pending in the California Federal Court.

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 \$2,133,852, which was the balance of the reserves after deduction of certain fees not challenged by the Company. The Company is taking all necessary steps to obtain a Judgment against NMC and First Data to obtain the prompt return of the Reserve Funds. The Company is also seeking to recover as part of the Judgment pre-judgment interest for the time period the Reserve Funds were wrongfully withheld and the taxable costs of suit and attorneys' fees incurred by the Company to obtain the return of the reserves. NMC's claim against the Company for payment of a termination fee is still pending and is set for trial in July 2012.

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

Note 9 – Income Taxes

For the quarters ended December 31, 2011 and 2010, the Company recorded a zero income tax provision. The effective tax rates for the quarters ended December 31, 2011 and 2010 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

Michael Hansen - As a Company founder, Mr. Hansen has been involved in the Company's operations since its inception and accordingly, he was Business Associate No. 1 in the DubLi network organization. Mr. Hansen had numerous Business Associates whose income from earned commissions was shared with him. In this connection, for the three months ended December 31, 2010 Mr. Hansen earned \$71,569 and was paid \$-0-in commissions leaving an unpaid balance of \$59,991 that was subsequently forgiven. Mr. Hansen was owed no commissions as of December 31, 2011 and September 30, 2011 after he waived his right to the earned but unpaid commissions and forgave the debt of \$66,765 that the Company owed to him at the end of 2011. The debt forgiveness was recorded as reduction of Commissions expense included in direct cost of sales in 2011. As Founder, Mr. Hansen was exempt from the requirement that Business Associates must purchase credits from the Company for resale in order to earn the maximum commissions. On January 16, 2011, Mr. Hansen sold his BA account to an unrelated third party.

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 DubLi, 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 three months ended December 31, 2011 are summarized below:

	Common Stock		Paid-In Capital	Accumulated	Retained Earnings (Deficit)	Total Equity (Deficit)
	Shares Outstanding	Par Value Value		Other Comprehensive Income (Loss)		
Balance September 30, 2010 - Restated	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	1,500,000	1,500	293,500			295,000
Stock based compensation			526,195			526,195
Common shares issued for services	100,000	100	24,900			25,000
Foreign currency translation adjustment				76,549		76,549
Net loss					(3,000,260)	(3,000,260)
Balance December 31, 2011	<u>361,402,057</u>	<u>\$ 361,402</u>	<u>\$ 12,797,698</u>	<u>\$ (9,374)</u>	<u>\$ (15,641,389)</u>	<u>\$ (2,491,663)</u>

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 months ended December 31, 2011 and 2010, was \$1,431,681 and \$230,438, respectively. At December 31, 2011, the Company had unrecognized stock based compensation cost of \$8,941,646 which will be recorded in future periods as options and shares vest. The expense is expected to be recognized over a period of 4.75 years.

Stock Options

A summary of the activity under our stock option plans and agreements for the quarter ended December 31, 2011 is as follows:

	Shares	Weighted average exercise price
Outstanding at September 30, 2011	41,661,772	\$ 0.133
Granted	5,183,658	\$ 0.312
Exercised	-	\$ -
Forfeited	(136,680)	\$ 0.150
Outstanding at December 31, 2011	46,708,750	\$ 0.153
Exercisable	9,187,500	\$ 0.10

The following summarizes information about stock options outstanding and exercisable at December 31, 2011:

Exercise price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining contract	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$0.001	5,500,000	1.18	\$ 0.001	3,187,500	\$ 0.001
\$0.150	34,025,092	3.84	\$ 0.150	6,000,000	\$ 0.150
\$0.200	2,000,000	4	\$ 0.200		
\$0.310	5,000,000	4	\$ 0.310		
\$0.350	143,658	3	\$ 0.150		
\$0.370	40,000	3	\$ 0.370		
	46,708,750		\$ 0.153	9,187,500	\$ 0.098

The following table shows all restricted stock activity for the quarter ended December 31, 2011:

Restricted shares outstanding, September 30, 2011	7,000,000
Granted	100,000
Vested	(1,600,000)
Forfeited	-
Restricted shares outstanding, December 30, 2011	<u>5,500,000</u>

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:

	Three Months Ended December 31,	
	<u>2011</u>	<u>2010</u>
Basic weighted-average shares outstanding	359,916,187	244,211,496
Effect of dilutive stock options and other equity-based compensation awards	6,945,500	2,412,385
Diluted weighted-average shares outstanding	366,861,687	246,623,881

Options to purchase 9,187,500 and 1,000,000 shares of Common Stock were outstanding during the three months ended December 31, 2011 and 2010, 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:

	Three Months Ended December 31,			
	<u>2012</u>		<u>2011</u>	
Revenues				
European Union	\$ 1,318,238	47%	\$ 784,440	42%
North America	158,215	6	304,902	16
Australia & New Zealand	382,971	13	412,576	22
Worldwide	970,669	34	359,420	19
	<u>\$ 2,830,094</u>	<u>100%</u>	<u>\$ 1,861,338</u>	<u>100%</u>

Long-lived assets include property and equipment all of which resided in the United States as of December 31, 2011 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/A, 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/A. 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 Form 10-Q/A. 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 months ended December 31, 2011 compared to the three months ended December 31, 2010; 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/A.

Overview

DubLi, Inc. has created a framework for attracting and maintaining consumers through a web based shopping and entertainment community. The foundation of DubLi 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 DubLi 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 42.4% of our revenue in the first quarter 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 significant part of our revenue as we recognized an amount of breakage equal to 31.8% of our revenue. All remaining unused credits are categorized as a liability until used or expired. 90.0% of all DubLi Credits sold in first quarter of fiscal year 2012 were sold by 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 10% were sold directly from the DubLi.com website at full retail. In first quarter of fiscal year 2012, revenue from annual subscription fees paid by our Business Associates made up 11.6% of our revenue.

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 9.1% of our revenue in first quarter 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. 5.1% of our revenue was from these commissions first quarter 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 and 50 at September 30, 2011. 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.
- Products and Third Party Electronic Gift Cards sold at auction - Prior to June 2011, Xpress auctions consisted of name brand products and services purchased for resale from retailers, wholesalers and manufacturers. Revenue for such sales was recognized after receipt of payment and shipment of the goods or delivery of the services based on the agreed-upon purchase price plus the cost of any DubLi credits used in the auction.
- Proprietary Electronic Gift Cards sold at auction - In June 2011, the Company changed the format to exclusively offer electronic gift cards that are redeemable for cash or can be used in future auctions. Because of the cash redemption feature, revenue is recognized only for the DubLi Credits used or broken less the bidding discounts plus the handling fees. Essentially, the value of the gift card is netted against the gross sales price of the transaction.
- "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.

Stock-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 table sets forth certain of our results of operations for the periods indicated:

	Three months ended					
	December 31,		Increase (Decrease)	Percent Change	Percent of Revenue	
	2011	2010			2011	2010
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Revenues	\$ 2,830,094	\$ 1,861,338	\$ 968,756	52.0%	100%	100%
Direct cost of revenues	2,421,193	322,068	2,099,125	651.8%	85.6%	17%
Gross profit	408,901	1,539,270	(1,130,369)	-73.4%	14.4%	83%
Selling, general and administrative	3,407,908	2,836,776	571,132	20.1%	120.4%	152%
Loss from operations	(2,999,007)	(1,297,506)	(1,701,501)	131.1%	-106.0%	-70%
Interest (expense) income	(1,253)	968	(2,221)	-229.5%	0%	0%
Loss from operations before income taxes	(3,000,260)	(1,296,538)	(1,703,722)	131.4%	-106.0%	-70%
Income taxes-benefit (expense)	-	-	-		0%	0%
Net loss	(3,000,260)	(1,296,538)	(1,703,722)	131.4%	-106.0%	-70%
Foreign currency translation adjustment	76,549	581,053	(504,504)	-86.8%	2.7%	31%
Comprehensive loss	\$(2,923,710)	\$(715,485)	\$(2,208,225)	308.6%	-103.3%	-38%

Revenues

During the first quarter of fiscal year 2012, we recorded revenue of \$2.8 million, an increase of revenue of 52.0% from the \$1.9 million recorded in the same quarter in 2011. A significant portion of this revenue increase is attributed to the growth of our network of Business Associates in new countries and the change in format of our Xpress auctions.

Auctions of electronic gift cards and products from our online auction site was \$16.9 million in the first quarter of fiscal year 2012 as compared to \$0.4 million in the first quarter 2011, which resulted in an improvement of \$16.5 million. The large increase in transaction 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. Because of the cash redemption feature, revenue from the auction of electronic gift cards is recognized only for the DubLi Credits used or broken less the bidding discounts plus the handling fees. The face value of the gift card is netted against the gross auction price of the gift card plus the DubLi Credits used in the transaction. 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 less the value of DubLi Credits netted against the sales of electronic gift cards. In addition, net revenue includes the Company's breakage, of DubLi Credits that will not be used. In the first quarter fiscal year 2012, we sold 3.0 million DubLi Credits for total sales proceeds of \$2.0 million compared to first quarter 2011 sales of 3.4 million DubLi Credits for total sales proceeds of \$2.2 million, an 11% decrease in unit sales. 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 auction formats, 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"). Revenue earned from the usage of the DubLi Credits from our online auctions was \$1.6 million in the first quarter of fiscal year 2012 as compared to \$0.5 million in the first quarter 2011, which resulted in an increase of \$1.1 million or 193% indicating an increase of usage of DubLi Credits previously unused. Usage revenue made up 42.4% and 43.2% of total revenue in the first quarter of fiscal year 2012 and 2011, respectively. Revenue earned from the breakage of the DubLi Credits from our online auctions was \$0.9 million in the first quarter of fiscal year 2012 as compared to \$0.4 million during the same period in 2011. This \$0.5 million 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.

Net revenue recognized from usage and breakage of DubLi Credits after discounts was \$2.1 million in the first quarter 2012 as compared to \$0.8 million in the first quarter 2011, a 160% increase attributable to increases in both usage and breakage. Net revenue recognized on DubLi Credits was 74.2% and 43.3% of total revenues in the first quarter of fiscal years 2012 and 2011, respectively. 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 activity and has significantly increased usage as a percentage of total sales by approximately 43.9% from 36.9% to 80.8% from the same period in the prior year. We expect the trend to continue in 2012 as our existing customers 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, our net revenue earned from the sale of DubLi Credits from our Company website was \$0.2 million in the first quarter 2012 as compared to \$0.06 million in the first quarter 2011, which resulted in increase of \$0.14 million or 293%. 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 in the first quarter of fiscal year 2012 as compared to \$0.06 million in the first quarter of 2011; this 42% 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 for the quarter ended December 31, 2011. Because these programs are new, revenue earned during 2011 from these new product offerings was not yet a substantial portion of our business.

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 \$2.4 million in the first quarter 2012 as compared to \$0.3 million in the first quarter 2011, which resulted in an increase of \$2.1 million or 651.8%.

Our cost of inventory sold was \$0.2 in the first quarter 2012 as compared to \$0.6 million in the first quarter 2011, which resulted in a decrease of \$0.4 million or 67%. This decrease is due to the decrease in sales of products that we experienced as a result of the change in format of the Xpress auction to electronic gift cards. The \$17.3 million cost of those gift cards is treated as a reduction of the auction price of the gift card, because of the cash redemption feature of the electronic gift card. Net revenue from the auction of electronic gift cards is recognized only for the DubLi Credits used or broken less the bidding discounts plus the handling fees.

Commission expense to Business Associates was comparable at \$1.0 million in the first quarter of fiscal year 2012 and 2011, respectively.

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 using their DubLi Credits at a faster rate which will increase the rate of revenue recognition.

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

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 \$0.6 million from \$2.8 million in the first quarter fiscal year 2011 to \$3.4 million in the first quarter of fiscal year 2012, an 20.1 % increase.

The significant changes to the components of SG&A expense were the results of a \$0.5 million or 1,287% increase in advertising and marketing costs. We have increased our marketing efforts from \$0.04 million in the first quarter of 2011 to \$0.5 million in the first quarter of 2012 in order to promote our improved websites and new product offerings. Depreciation and amortization decreased 88% from \$0.3 million to \$0.03 million from the first quarter 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 267% from \$0.2 million to \$0.8 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 13% from \$2.3 million to \$2.0 million from the first quarter of 2011 to the first quarter 2012.

Interest Expense, Net

Interest expense, net, consists primarily of earnings on our cash, cash equivalents net of interest expense. Interest expense was \$1,253 and interest income was \$968 for in the first quarter 2012 and 2011, respectively. The increase in interest expense results from the increased borrowings from Michael Hansen, our Chief Executive Officer.

Income Taxes

For the quarters ended December 31 2011 and 2010, we recorded the following tax provisions (benefits) (in thousands except percentages):

	<u>2011</u>	<u>2010</u>
		(Restated)
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 December 30, 2011, we generated a net loss of \$3.0 million, or net loss of \$0.01 per basic and diluted share. For the quarter ended December 30, 2010, we generated a net loss of \$1.3 million, or a net loss of \$0.01 per basic and diluted share.

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 in the first quarter 2012, the US Dollar strengthened slightly against the Euro. The closing exchange rates in effect were 1.29226 at December 31, 2011 and 1.35958 at December 31, 2010 a decrease of 5.0%. The average rate year-to-date decreased approximately 3% from 1.39427 to 1.34955. Had the exchange rates used in the consolidated financial statements not changed from December 31, 2010, our net revenues for the quarter ended December 31, 2011, would have been approximately \$0.4 million higher than we reported. In addition, had the exchange rates used in the consolidated financial statements not changed from the end of 2010, direct costs and selling, general and administrative expenses for the quarter ended December 30, 2011 would have been \$0.4 million higher than we reported.

Liquidity and Capital Resources

As of December 31 2011 the Company had total cash and cash equivalents of \$0.8 million. This represents a \$0.7 million or 47% decrease from the total cash and cash equivalents of \$1.5 million at September 30, 2011. Restricted cash included in current assets was \$0.9 million at December 31, 2011 compared to \$0.4 million at September 30, 2011 an increase of 125% resulting from the large increase in sales volume. 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 used in operating activities totaled \$0.2 million during the quarter ended December 30, 2011. Year-to-date net loss of \$3.0 million included noncash depreciation and amortization and noncash equity compensation charges of \$1.5 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. In addition, we continue to be impacted by a significant reduction of available cash due to the \$2.2 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.

Net cash used in operating activities totaled \$0.3 million during the quarter ended December 31, 2010. Year-to-date net loss of \$1.3 million included noncash depreciation and amortization, and noncash equity charges of \$0.5 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 used in investing activities totaled approximately \$0.5 million during the quarter ended December 31, 2011. Cash was used in investing activities to purchase capital assets and to make payments on real estate that amounted to \$0.3 million, \$0.1 million was used for equipment purchases and another \$0.1 million was held in restricted cash.

Net cash used in investing activities totaled approximately \$0.06 million during the quarter ended December 31, 2010. Cash was used in investing activities to purchase capital assets and make payments on real estate that amounted to \$0.2 million and another \$0.1 million was released from restricted cash.

Financing Activities

No cash was provided by financing activities during the quarter ended December 31, 2011. However 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.

Net cash provided by financing activities totaled \$0.17 million during the quarter ended December 31, 2010 which primarily consisted of borrowings of \$0.2 million and repayments of \$0.03 for a vehicle loan.

The Company does not currently maintain a line of credit or term loan with any commercial bank or other financial institution but 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.

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.

As a result, we currently anticipate that our cash and cash equivalents as of December 31 2011 may not be sufficient, at a minimum, to meet our liquidity needs for working capital and capital expenditures over the next few months. We recognize 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 these 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 361 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 December 31, 2011 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 \$0.9 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 December 31 2011, the Company held \$0.6 million of unrestricted and \$3.1 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 December 31, 2011. 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. The Chief Executive Officer and Chief Financial Officer further concluded that the disclosure controls and procedures were not effective as of the following prior periods: year ended September 30, 2009; three months ended December 31, 2009; six months ended March 31, 2010 and; nine months ended June 30, 2010; the year ended September 30, 2010 and the three months ended December 31, 2010; six months ended March 31, 2011; nine months ended June 30, 2011 and; the year ended September 30, 2011.

(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, 2011, 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 and December 31, 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.

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

Changes in Internal Control over Financial Reporting

As previously reported in Item 4.A.(T) 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.

Except for the effects of the departure of our Chief Financial Officer on July 15, 2010 and the hiring of a Chief Financial Officer on September 30, 2010 and the hiring of certain accounting department personnel beginning in December 2010, and the appointment of three new independent board members and the formation of an audit committee, 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 quarter 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, Controller and Chief Technical Officer.
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 unremediated 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 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. Since 2010, NMC has refused the Company's demands to release the approximately \$2.1 million of Reserve Funds and has 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 have 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 was removed to the U.S. District Court for the Southern District of Florida by the Subsidiaries and transferred in March 2011 by Court Order 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 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 has asserted its counterclaims to obtain a judicial determination of its rights under the Agreement, to obtain the release of all of the Company's Reserve Funds, including \$2,164,073 of Reserve Funds being held in an escrow account controlled by First Data, and to recover damages caused by the wrongful retention of the Reserve Funds. On June 13, 2011, the Court entered an Order establishing pretrial deadlines and setting the case for trial on July 31, 2012. On September 30, 2011, the Company filed a motion for preliminary mandatory injunctive relief, seeking the immediate release of the Reserve Funds, which motion was denied by the Court on November 22, 2011. 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, which motion is pending. On January 9, 2012, the Court ruled in favor of the Company's motion and set February 14, 2012 as the date for the expedited trial on the issue of the Company's right to the immediate return of the Reserve Funds.

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 \$2,133, 852, which was the balance of the reserves after deduction of certain fees not challenged by the Company. The Company is taking all necessary steps to obtain a Judgment against NMC and First Data to obtain the prompt return of the Reserve Funds. The Company is also seeking to recover as part of the Judgment pre-judgment interest for the time period the Reserve Funds were wrongfully withheld and the taxable costs of suit and attorneys' fees incurred by the Company to obtain the return of the reserves. NMC's claim against the Company for payment of a termination fee is still pending and is set for trial in July 2012.

ITEM 2. UNREGISTERED SALE OF SECURITIES AND USE OF PROCEEDS

(a) Unregistered sales of equity securities

None

(b) Not applicable

(c) Purchases of equity securities

The Company did not repurchase any of its equity securities during the first quarter of fiscal 2012.

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
10.1	Loan Agreement with Michael Hansen dated December 22, 2011*
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.

DUBLI, INC.

Date: June 19, 2013

By: /s/ Michael B. Hansen
Michael B. Hansen
President and Chief Executive Officer

PROMISSORY NOTE

\$223,000.00

Boca Raton Florida.

December 22, 2011

FOR VALUE RECEIVED, the undersigned, DubLi Network Limited. (“Borrower”), whose address for purposes of notice is, 5200 Town Center Circle, Suite 601, Boca Raton, FL 33486 promises to pay to Michael Hansen (“Lender”), without grace at his office at PO Box 283612, Dubai, UAE or such other place as Lender may direct, in lawful money of the United States of America, with interest, the principal amount of Two Hundred and Twenty Three Thousand and no/100 Dollars (\$223,000.00), together with interest at the Applicable Rate.

Payment of principal and interest shall be in accordance with the following provisions:

1. Definitions.

- (a) “Applicable Rate” shall mean the fixed rate of 3.00% per annum, computed based on the actual number of days elapsed and a 365-day year. Interest will be calculated starting January 1, 2012 and continue until the loan is paid in full.
- (b) “Business Day” shall mean a day (other than Saturday or Sunday) when Lender is open for conducting all of its customary business activities.
- (c) “Loan” shall mean the loan from Lender to Borrower, in the amount of this Note.
- (d) “Maturity Date” shall mean September 30, 2012.
- (e) “Note” shall mean this Promissory Note.

2. Payments. The entire principal balance of this Note then unpaid, together with all accrued and unpaid interest and all other amounts payable hereunder, shall be due and payable in full on the Maturity Date. Principal owing hereunder from time to time shall accrue interest at the Applicable Rate.

3. Other Payment Terms.

(a) Should any payment become due and payable on any day other than a Business Day for Lender, the date of such payment shall be extended to the next succeeding Business Day, and, in the case of a payment of principal or past due interest or any installment of either thereof, interest shall accrue and be payable thereon for the period of such extension at the applicable interest rate or rates specified herein. Each payment by Borrower on account of the principal of or interest on this Note or of any fee or other amount payable to Lender shall be made not later than 11:00 a.m. (Eastern Standard time) on the applicable due date (or if such day is not a Business Day, the next succeeding Business Day). Any payment made after 11:00 a.m. shall be credited on the next succeeding Business Day. All payments shall be made to Lender at Lender’s office, in U.S. Dollars, in immediately available funds.

(b) Borrower shall have the right, from time to time, to prepay the unpaid principal, in whole or in part, without premium or penalty, upon the payment of accrued interest on the amount prepaid to and including the date of payment.

4. Event of Default. Borrower’s failure to pay principal or interest due under this Note as and when due and payable, and the continuation of such failure for more than fifteen (15) days, shall constitute an “Event of Default”. Upon the happening of an Event of Default or at any time thereafter during the continuance of any such event, the Holder may, with or without notice to the Borrower, declare this Note to be due and payable, both as to principal and interest, without presentment, demand, protest, or other notice of any kinds, all of which are hereby expressly waived, anything contained herein to the contrary notwithstanding.

4.1 Default interest Rate Following the occurrence and during the continuance of an Event of Default, which if susceptible to cure is not cured within ten (10) days, otherwise then from the first date of such occurrence, the annual interest rate on this note shall automatically be increased to (15%) for the uncured period or upon satisfaction of the outstanding balance.

4.2 Lender reserves the right upon the default to seek a conversion of principal to a senior debtor status pari passu with common lenders to the extent that there are available assets.

5. Waivers. Borrower expressly waives demand and presentment for payment, notice of nonpayment, protest, notice of protest, notice of dishonor, notice of intent to accelerate, notice of acceleration, all other notices, bringing of suit and diligence in taking any action to collect amounts called for hereunder.

6. Applicable Law; Venue. This Note shall be governed by, and construed in accordance with, the laws of the State of Florida; subject, however, to the effect of applicable federal law. Jurisdiction and venue for any action brought to enforce or interpret any term or condition set forth in this Note or the other Security Documents, or which relates in any way to this Note, shall be solely in Florida, to the exclusion of all other jurisdictions and venues.

7. Assigns. As used herein, the terms "Borrower", "Lender" and "Holder" shall be deemed to include their respective successors, legal representatives and assigns, whether by voluntary action of the parties or by operation of law.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed and delivered effective the date above written.

BORROWER:

DubLi Network, Limited

By: /s/Andreas Kusche

Andreas Kusche

Its: General Counsel

Certifications

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

1. I have reviewed this quarterly report on Form 10-Q/A of DubLi, 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: June 19, 2013

/s/ Michael B. Hansen

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

Certifications

I, Eric Nelson, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of DubLi, 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: June 19, 2013

/s/ Eric Nelson

Eric Nelson

Chief Financial Officer

(principal financial and accounting officer)

**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/A of DubLi, Inc. (the "Company") for the period ended December 31, 2011 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)

June 19, 2013

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.

**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/A of DubLi, Inc. (the "Company") for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric Nelson, 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/ Eric Nelson

Eric Nelson

Chief Financial Officer

(principal financial and accounting officer)

June 19, 2013

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.
