

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 June 30, 2012, or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission File Number 0-49801

**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	R

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: 371,864,326 Common Shares, \$.001 par value per share at August 13, 2012.

---

## EXPLANATORY NOTE

DubLi, Inc. (“the Company” or “DubLi”) is amending this Form 10-Q for the quarter ended June 30, 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 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.

In addition to the adjustment described above the Company discovered a second error in the calculation of deferred costs presented in its third quarter report. The overstatement of deferred costs was the result of a computational error made while manually computing the third quarterly deferral. The deferred costs are those direct and incremental direct costs associated with the deferred revenue from sales of DubLi Credits and include primarily commissions on those sales. In each period we measure the amount of period costs of selling DubLi Credits as a percentage of period revenue derived from sales of DubLi Credits before making any deferrals. We then record an adjustment to defer the unearned portion of the revenue and the pro rata share of the related expense based upon the current period ratio of cost to sales in order to achieve a proper matching in the statement of operation and on the balance sheet. The error occurred because of the way in which the worksheet formula treated BA resales. This caused deferred costs to be overstated and cost of sales to be understated.

The effect of the first 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 as described in adjustment above and has no effect on the Company’s financial position, results of operations or cash flows or any per share amounts. The effect of the second correction to the Consolidated Financial Statements will result in a reduction of the previously reported deferred cost asset and a corresponding increase in the direct cost of revenue and operating expenses the net effect of which is to increase net loss by \$1,151,596 and other comprehensive loss by \$1,091,484. Other comprehensive loss decreased \$60,111 for the foreign currency translation effect of the adjustment. Net loss per share of (\$0.01) did not change for the third quarter but did increase from (\$0.02) to (\$0.03) for the nine months ended June 30, 2012.

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.

## INDEX

<b>PART I: FINANCIAL INFORMATION</b>	<b>3</b>
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets as of June 30, 2012 and September 30, 2011(Unaudited)	3
Condensed Consolidated Statements of Operations and Comprehensive Income for the three and nine months ended June 30, 2012 and 2011 (Unaudited)	4
Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2012 and 2011 (Unaudited)	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	16
Item 3. Quantitative and qualitative disclosures about market risk	29
Item 4. Controls and Procedures	30
<b>PART II: OTHER INFORMATION</b>	<b>33</b>
Item 1. Legal Proceedings	33
Item 1A. Risk Factors	33
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.	35
Item 5. Other Information	35
Item 6. Exhibits	35
<b>SIGNATURES</b>	<b>35</b>
<b>INDEX TO EXHIBITS</b>	

**PART I: FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**

**DubLi, Inc. and Subsidiaries**

Condensed Consolidated Balance Sheets - Unaudited

	June 30, 2012 (Restated)	September 30, 2011
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,815,912	\$ 1,503,234
Restricted cash	1,546,776	448,161
Accounts receivable	153,062	253,095
Finished goods inventories	130,020	168,846
Prepaid customer acquisition costs	5,264,925	6,958,894
Prepaid expenses	577,319	2,060,468
<b>Total Current Assets</b>	<b>14,488,014</b>	<b>11,392,698</b>
<b>Property and Equipment, net</b>	<b>426,162</b>	<b>207,419</b>
<b>Other Assets:</b>		
Restricted cash, net	-	1,864,293
Real estate contract, net	3,129,345	3,203,847
Other	115,677	74,651
<b>Total Other Assets</b>	<b>3,245,022</b>	<b>5,142,791</b>
<b>Total Assets</b>	<b>\$ 18,159,198</b>	<b>\$ 16,742,908</b>
<b>Liabilities and Stockholders' Equity (Deficit):</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 910,770	\$ 1,308,387
Accrued and other liabilities	307,860	229,118
Loyalty points payable	153,915	318,653
Commissions payable	2,764,002	1,128,355
Customer deposits	1,591,928	342,153
Deferred revenue	18,130,555	13,830,389
<b>Total Current Liabilities</b>	<b>23,859,030</b>	<b>17,157,055</b>
<b>Stockholders' Equity (Deficit):</b>		
Preferred stock- \$0.01 par value, 50 million shares authorized, -0- and -0- outstanding, respectively	-	-
Common stock -\$0.01 par value, 500 million shares authorized 371,864,326 and 359,802,057 issued and outstanding, respectively	371,864	359,802
Additional paid-in capital	15,784,110	11,953,103
Accumulated other comprehensive income (loss)	109,455	(85,923)
Retained earnings (deficit)	(21,965,262)	(12,641,129)
<b>Total Stockholders' Equity (Deficit)</b>	<b>(5,699,832)</b>	<b>(414,147)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$ 18,159,198</b>	<b>\$ 16,742,908</b>

See accompanying notes to condensed consolidated financial statements.

**DubLi, Inc. and Subsidiaries**

## Consolidated Statements of Operations - Unaudited

	For the Three Months ended June 30,		For the Nine Months ended June 30,	
	2012 (Restated)	2011 (Restated)	2012 (Restated)	2011 (Restated)
Revenues	\$ 4,160,331	\$ 7,642,402	\$ 9,493,539	\$ 13,696,921
Direct cost of revenues	4,286,421	4,145,648	8,983,039	6,536,736
Gross profit	(126,090)	3,496,754	510,500	7,160,185
Selling, general and administrative	3,313,262	2,608,592	9,831,809	8,398,227
Loss from operations	(3,439,352)	888,162	(9,321,309)	(1,238,042)
Interest expense	(552)	(13,888)	(2,824)	(17,689)
(Loss) income from operations before income taxes	(3,439,904)	874,274	(9,324,133)	(1,255,731)
Income taxes	-	-	-	-
Net (loss) income	(3,439,904)	874,274	(9,324,133)	(1,255,731)
Foreign currency translation adjustment	180,650	(3,713)	195,379	325,705
Comprehensive (loss) income	<u>\$ (3,259,254)</u>	<u>\$ 870,561</u>	<u>\$ (9,128,754)</u>	<u>\$ (930,026)</u>
Net loss per common share				
Basic	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ (0.00)
Diluted	\$ (0.01)	\$ 0.00	\$ (0.03)	\$ (0.00)
Weighted average shares outstanding:				
Basic	366,506,095	319,741,435	362,624,526	270,679,678
Diluted	381,089,154	324,735,748	374,144,697	274,008,730

See accompanying notes to condensed consolidated financial statements.

**DubLi, Inc. and Subsidiaries**Consolidated Statements of Cash Flows - Unaudited  
For the Nine Months Ended June 30,

	2012 (Restated)	2011
<b>Cash flows from operating activities</b>		
Net loss	\$ (9,324,133)	\$ (1,255,731)
<b>Reconcile net loss to net cash from operating activities:</b>		
Depreciation and amortization	76,825	683,321
Real estate impairment	-	367,292
Recovery of impairment of restricted cash	(289,863)	-
Option agreement written off	-	250,000
Stock based compensation	4,249,634	1,483,519
Promotional DubLi Credits	194,754	113,780
<b>Changes in operating assets and liabilities:</b>		
Restricted cash	893,850	(67,516)
Accounts receivable	84,497	(166,337)
Inventory	26,080	154,339
Prepaid expenses	(265,127)	83,472
Prepaid customer acquisition costs	1,173,786	(9,876,824)
Accounts payable	204,012	(226,007)
Accrued and other liabilities	(347,288)	566,999
Loyalty points payable	(164,738)	(46,547)
Commission payable	1,630,447	(314,118)
Customer deposits	1,348,769	113,913
Deferred revenue	5,756,241	6,205,682
Net cash provided by (used in) operations	<u>5,247,746</u>	<u>(1,930,763)</u>
<b>Investing activities:</b>		
Purchases of equipment and software	(301,400)	(78,988)
Sale of equipment and software	2,642	-
Payments on real estate contract	(266,726)	(480,863)
Payments on land investment	(20,200)	-
Other assets	(20,826)	(72,727)
Restricted cash	-	302,055
Net cash used in investing activities	<u>(606,510)</u>	<u>(330,523)</u>
<b>Financing activities</b>		
Proceeds from note payable - related party	-	453,208
Repayments of note payable - related party	(225,144)	(1,205,364)
Proceeds from stock subscriptions	1,247,848	3,368,572
Net cash provided by financing activities	<u>1,022,704</u>	<u>2,616,416</u>
<b>Effect of exchange rate changes on cash</b>	<b>(351,262)</b>	<b>87,951</b>
<b>Net increase in cash and equivalents</b>	<b>5,312,678</b>	<b>443,081</b>
Cash at beginning of period	<u>1,503,234</u>	<u>487,171</u>
Cash at end of period	<u>\$ 6,815,912</u>	<u>\$ 930,252</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 2,824	\$ 17,689
Cash paid for income taxes	31,685	-
<b>Non-cash transactions</b>		
Foreign currency translation adjustment	135,266	325,705
Two step common share transfer	-	63,394
Real estate loan from officer	223,000	-
Stock issued for future consulting services	36,537	-

*See accompanying notes to condensed consolidated financial statements.*

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

**Note 1 - Description of Business**

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

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

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

**Note 2 - Summary of Significant Accounting Policies**

*Basis of Presentation and Consolidation*

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

## *Revenue Recognition*

Product Sales and Services - The Company recognizes revenue in accordance with ASC 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 net of an estimated allowance for breakage. The Company revenue recognition policies for each of its products and services were fully described in its Form 10-K for the year ended September 30, 2011. The following expanded service offering are described below:

- Goods and services sold at auction – Revenue is recognized after receipt of payment and product shipment net of credit card charge-backs and refunds. Prior to June 2011, Xpress auctions consisted of name brand products and services purchased for resale from retailers, wholesalers and manufacturers. In June 2011, the Company changed the format to exclusively offer electronic gift cards that are redeemable for cash. In an Xpress auctions, the Gift Card up for auction is displayed with a starting price, which is the lowest available value of the Gift Card (the "Starting Price"). Each time a person makes a bid (which costs him or her one Credit), the price, is decreased by either US\$0.20, AU\$0.20 or 0.20€ and the reduced price becomes visible to the person making a bid and to no other person. The bidder can choose to purchase the Gift Card at the reduced price so shown or can opt to wait in the hopes that others will make bids and drive down the price. The actual purchase price is always less than the starting price and often represents a substantial discount to the starting price. During 2012 the Company began adding additional discounts to each gift card to supplement the discounts created by the bidders. The Company also created a "cash organizer" for each bidder's user account where they may store the redeemed cash value of each gift card. The bidder has the option to withdraw his funds from the organizer and take delivery of the cash proceeds at any time. The bidder may take his cash proceeds at the end of each auction onto his DubLi branded MasterCard, via bank transfer or accumulate the funds in the cash organizer. The bidder may also use the cash value accumulated in the organizer to purchase DubLi Credits, additional gift cards or other DubLi subscription services and as a result the cash organizer re-circulates large volumes of transactions within the system. The Company records the liability for the balances in the bidder's cash organizer accounts and reports it on the consolidated balance sheet as customer deposits. 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 is 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.
- Co-op Advertising is a service that we provide to Business Associates whereby they can pool their marketing funds in order to participate in television and telemarketing advertising campaign managed by the Company. Each advertising campaign runs for a specific term and all customers acquired during the campaign will be allocated and commissionable to Business Associates pro-rata based upon their percentage contribution to the program. The revenue will be recognized ratably over the campaign period as the funds are spent. The Company retains a 25% service charge for producing and managing the program for the business associates.

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

### Management's Use of Estimates and Assumptions

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

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

### Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, restricted cash, 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 and the board of directors of DubLi, Inc. (the "Company"), in consultation with the Company's auditors, Cherry Bekaert LLP, determined that the Company's Consolidated Statements of Operations for the quarter ended June 30, 2011, 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 June 30, 2012 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 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.

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.

In addition to the adjustment described above (1), the Company discovered a second error (2) in the calculation of deferred costs presented in its third quarter Form 10Q. The overstatement of deferred costs was the result of a computational error made while manually computing the third quarterly deferral. The deferred costs are those direct and incremental direct costs associated with the deferred revenue from sales of DubLi Credits and include primarily commissions on those sales. In each period we measure the amount of period costs of selling DubLi Credits as a percentage of period revenue derived from sales of DubLi Credits before making any deferrals. We then record an adjustment to defer the unearned portion of the revenue and the pro rata share of the related expense based upon the current period ratio of cost to sales in order to achieve a proper matching in the statement of operation and on the balance sheet. The error occurred because of the way in which the worksheet formula treated BA resales. This caused deferred costs to be overstated and cost of sales to be understated. The effect of the first correction (1) 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 as described in adjustment above and has no effect on the Company's financial position, results of operations or cash flows or any per share amounts. The effect of the second correction (2) to the Condensed Consolidated Financial Statements will result in a reduction of the previously reported deferred cost asset and a corresponding increase in the direct cost of revenue and operating expenses the net effect of which is to increase net loss by \$1,151,596 and other comprehensive loss by \$1,091,484. Other comprehensive loss decreased \$60,111 for the foreign currency translation effect of the adjustment. Net loss per share of (\$0.01) did not change for the third quarter but did increase from (\$0.02) to (\$0.03) for the nine months ended June 30, 2012. The effects of both adjustments are shown below:

### Quarter ended June 30, 2012

	Last reported	Adjustment	Restated
Revenues	\$ 151,944,510(1)	\$ 147,784,179	\$ 4,160,331
Direct cost of revenues	151,062,362(1)	(147,784,179)	4,286,421
	(2)	1,008,238	
Gross profit (loss)	882,148	1,008,238	(126,090)
Net loss	(2,288,307)(2)	(1,151,596)	(3,439,903)
Comprehensive loss	\$ (2,167,769)(2)	\$ (1,091,484)	\$ (3,259,253)



**Nine Months ended June 30, 2012**

	Last reported	Adjustment	Restated
Revenues	\$ 201,416,736(1)	\$ 191,923,197	\$ 9,493,539
Direct cost of revenues	199,897,997(1)	(191,923,197)	8,983,039
	(2)	1,008,238	
Gross profit (loss)	1,518,739	1,008,238	510,500
Net loss	(8,172,536)(2)	(1,151,596)	(9,324,133)
Comprehensive loss	\$ (8,037,270)(2)	\$ (1,091,484)	\$ (9,128,754)
	Last reported	Adjustment	Restated
<b>Assets</b>			
Deferred costs	\$ 6,356,409(2)	\$ (1,091,484)	\$ 5,264,925
Other assets	12,894,273	-	12,894,273
Total	\$ 19,250,682	\$ (1,091,484)	\$ 18,159,198
<b>Liabilities and equity (deficit)</b>			
Deferred revenue	\$ 18,130,555	\$ -	\$ 18,130,555
Other liabilities	5,728,475	-	5,728,475
Equity (deficit)	\$ (4,608,348)(2)	\$ (1,091,484)	\$ (5,699,832)
Total	19,250,682	(1,091,484)	18,159,198

**Quarter ended June 30, 2011**

	Last reported	Adjustment	Restated
Revenues	\$ 8,123,050(1)	\$ 480,648	\$ 7,642,402
Direct cost of revenues	4,626,296(1)	(480,648)	4,145,648
Gross profit	3,496,754		3,496,754
Net income (loss)	874,274		874,274
Comprehensive income (loss)	870,561		870,561

**Nine Months ended June 30, 2011**

	Last reported		Restated
Revenues	14,177,569(1)*	\$ 480,648	13,696,921
Direct cost of revenues	7,017,384(1)*	(480,648)	6,536,736
Gross profit	7,160,185		7,160,185
Net income (loss)	(1,255,731)		(1,255,731)
Comprehensive income (loss)	(930,026)		(930,026)

\*This adjustment was not disclosed in the Company's Form 8-K filed on December 12, 2012 due to its immateriality. The adjustment is included herein for consistency in the comparative presentation.

**Note 3 – Restricted Cash**

The Company has agreements with organizations that process the MasterCard and Visa credit card transactions which arise from the purchase of products and DubLi Credits by business associates and customers of the Company. Credit card processors have financial risk of "chargebacks" associated with the credit card transactions because the processor generally forwards the cash generated by the purchase to the Company soon after the purchase is completed, and before the expiration of the time period in which the purchaser may object to the transaction and request a refund. The Company's agreements with its credit card processors allow the processors each to create and maintain a reserve account that is funded by retaining cash generated from the credit card transactions that it otherwise would deliver to the Company (i.e., "restricted cash"). The reserve requirements are 5% of the Company's gross daily credit card transactions to be held in reserve for a rolling term of six months from the date of the transaction. The Company has restricted cash on deposit with three of its processors, one in Europe and two in the United States. With its current European and U.S. processors, the Company had on deposit \$1,546,776 as of June 30, 2012 and \$448,161 as of September 30, 2011. With its former U.S. processor, the Company had on deposit \$2,133,852, at September 30, 2011 which was released to the Company in full on April 12, 2012.

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

**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 June 30, 2012 and September 30, 2011 is as follows:

	June 30, 2012			September 30, 2011		
	Unrestricted	Restricted Current	Restricted Long-Term	Unrestricted	Restricted Current	Restricted Long-Term
Euro	\$ 1,185,647	\$ 729,934	\$ -	\$ 868,294	\$ 305,200	\$ -
Australian Dollar	94,616	24,430	-	56,072	38,538	-
U.S. Dollar	4,229,546	792,412	-	520,932	104,423	1,864,293
Held in foreign subsidiaries	5,509,809	1,546,776	-	1,445,298	448,161	1,864,293
Held by the US Company	1,306,103	-	-	57,936	-	-
Total	\$ 6,815,912	\$ 1,546,776	\$ -	\$ 1,503,234	\$ 448,161	\$ 1,864,293

#### Note 5 – Deferred Revenue and Expense

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

	June 30, 2012	September 30, 2011
Prepaid customer acquisition costs	\$ 5,264,925	\$ 6,958,894
Unused DubLi Credits	\$ 10,267,909	\$ 13,155,511
Subscription fees	1,032,253	605,760
Co-op advertising	6,770,979	-
Other	59,914	69,118
	\$ 18,130,555	\$ 13,830,389

#### Note 6 – Property and Equipment

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

	June 30, 2012	September 30, 2011
Cost	\$ 614,636	\$ 323,917
Accumulated Depreciation	(188,474)	(116,498)
Total	\$ 426,162	\$ 207,419

Depreciation expense was \$20,676 and \$76,825 for the three and nine months ended June 30, 2012 and \$209,632 and \$683,321 for the three and nine months ended June 30, 2011, respectively.

#### **Note 7 – Real Estate Contract**

The Cayman Property Rights have a net book value of \$3,129,345 as of June 30, 2012 which includes the full contract price of \$3 million, plus a landfill obligation of \$487,500 less a valuation allowance of \$358,154 that is based upon a November 2010 valuation report by an independent appraiser. All of the financial obligations under the contract have been fulfilled. The contract between DubLi Properties LLC and Crown is an agreement for deed, and title is transferable upon the completion of the land fill which is expected in August 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 Business Associates upon completion of certain performance objectives which the Company has not yet defined. The Company plans to create the bonus award program after it receives title to the land and defines the bonus objectives sometime during 2012 after which time we will publish and announce the program to the entire Business Associate Network. Such bonus awards when earned by Business Associates will be expensed as commissions when earned and then deeded to the Business Associate with free and clear title.

#### **Note 8 – Commitments and Contingencies**

##### ***Litigation***

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

On February 24, 2012, the Court held an expedited bench trial on the issue of the Company's declaratory judgment claim seeking a declaration of the Company's rights under the Agreement and immediate possession of the Reserve Funds. At the close of the trial on February 24, 2012, the Court ruled that the Company was the prevailing party on its claim and was entitled to the immediate return of the Reserve Funds, in the amount of \$2,133,852, which was the balance of the Reserves after deduction of certain fees not challenged by the Company. On March 29, 2012, the Court entered a Declaratory Judgment in favor of the Company which declared the Company to be the prevailing party on its claim for immediate return of the Reserve Funds. The Judgment further ordered the Clerk of Court to immediately release to DubLi, all of the Reserve Funds which NMC had deposited with the Court, ordered NMC and First Data to immediately release to DubLi the remaining amount of the Reserve Funds and provided that the Company may move for further relief based on the Judgment under the federal Declaratory Judgment Act. The Company received all of the Reserve Funds on April 12, 2012. As provided for by federal statute, as the prevailing party at the February 24, 2012 trial, the Company, on April 13, 2012, filed a Bill of Costs in the amount of \$9,702 and an application for the Clerk of Court to tax costs in this amount against NMC. As further relief under the federal Declaratory Judgment Act, the Company, on April 14, 2012, filed a motion for an award of attorneys' fees and nontaxable expenses incurred by the Company to litigate the Reserve Funds issues and obtain the return of the Reserve Funds ("Attorneys' Fees Motion"). NMC and First Data have opposed the Company's application to recover certain taxable cost items and have also opposed, in its entirety, the Company's Attorneys' Fees Motion. On May 20, 2012, the Clerk of Court issued a Bill of Costs which taxed costs of \$8,730 against NMC. On June 4, 2012, the Court held a hearing on DubLi's Attorneys' Fees Motion, but it has not yet ruled on such Motion.

On April 6, 2012, NMC filed with the Court an Application for Writ of Attachment and for Issuance of a Right to Attach Order ("Application"), seeking to obtain a pre-judgment attachment of property of the Company in the amount of \$706,276, which is the amount of the early termination fee which NMC seeks to recover from the Company. On April 26, 2012, the Company filed its Opposition and Evidentiary Objections to NMC's Application. After a hearing on May 14, 2012, the Court on May 16, 2012, issued an Order denying NMC's Application. NMC's claim against the Company seeking payment of an early termination fee, and the Company's counterclaims for damages arising from the wrongful retention by NMC and First Data of the Reserve Funds, are still pending and are set for trial on October 1, 2012. The Company opposes the payment of any termination fee to NMC and is vigorously defending NMC's claim.

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

**Note 9– Income Taxes**

For the three and nine months ended June 30, 2012 and 2011, the Company recorded a zero income tax provision. The effective tax rates for the periods ended June 30, 2012 and 2011 were each 0.0% which was attributed to the effect of foreign earnings, the net loss, the remaining net operating loss carryforwards and the valuation allowance against deferred tax assets.

**Note 10 – Related Party Transactions:**

*Transactions with Directors and Officers*

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

DubLi Properties, LLC was contributed to the Company by Mr. Hansen on May 24, 2010 in satisfaction of Mr. Hansen's oral pledge to contribute the Cayman Property Rights to the Company, pursuant to agreement between Mr. Hansen and 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 which was repaid on June 30, 2012. 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 nine months ended June 30, 2012 are summarized below:

	Common Stock		Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Equity (Deficit)
	Shares Outstanding	Par Value Value				
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	4,500,000	4,500	880,500			885,000
Stock based compensation			1,569,372			1,569,372
Common shares issued for services	700,037	700	134,643			134,343
Stock based Compensation for services			3,676			3,676
Options Exercised	1,830,000	1,830				1,830
Private Placement	5,032,232	5,032	1,242,816			1,247,848
Foreign currency translation adjustment				195,378		195,378
Net loss					(9,324,133)	(9,324,133)
Balance June 30, 2012	<u>371,864,326</u>	<u>\$ 371,864</u>	<u>\$ 15,784,110</u>	<u>\$ 109,455</u>	<u>\$ (21,965,262)</u>	<u>\$ (5,699,832)</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 and nine months ended June 30, 2012, was \$480,565 and \$2,456,202, respectively and for the three and nine months ended June 30, 2011, was \$847,643 and \$1,408,519, respectively. At June 30, 2012, the Company had unrecognized stock based compensation cost of \$5,834,425 which will be recorded in future periods as options and shares vest. The expense is expected to be recognized over a period of 4.25 years.

### Stock Options

A summary of the activity under our stock option plans and agreements for the nine months ended June 30, 2012 is as follows:

	Shares	Weighted average exercise price
Outstanding at September 30, 2011	41,661,772	\$ 0.133
Granted	8,390,501	\$ 0.313
Exercised	(1,830,000)	\$ 0.001
Forfeited	(8,773,152)	\$ 0.162
Outstanding at June 30, 2012	<u>39,449,121</u>	<u>\$ 0.171</u>
Exercisable	10,433,211	\$ 0.125

The following summarizes information about stock options outstanding and exercisable at June 30, 2012:

Exercise price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted average remaining contract	Weighted average exercise price	Number exercisable	Weighted average exercise price
\$ 0.001	3,670,000	1.18	\$ 0.001	2,732,500	\$ 0.001
\$ 0.150	27,428,620	3.84	\$ 0.150	6,809,540	\$ 0.150
\$ 0.260	208,091	4	\$ 0.260	11,111	\$ 0.260
\$ 0.290	1,100,000	3	\$ 0.290	-	\$ -
\$ 0.310	5,000,000	4	\$ 0.310	625,000	\$ 0.310
\$ 0.320	898,751	3	\$ 0.320	222,621	\$ 0.320
\$ 0.350	1,143,659	3	\$ 0.350	32,439	\$ 0.350
	<u>39,449,121</u>		\$ 0.171	<u>10,433,211</u>	\$ 0.125

The following table shows all restricted stock activity for the nine months ended June 30, 2012:

Restricted shares outstanding, September 30, 2011	7,000,000
Granted	-
Vested	(4,500,000)
Forfeited	-
Restricted shares outstanding, June 30, 2012	<u>2,500,000</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:

	For the Three Months ended June 30,		For the Nine months ended June 30,	
	2012	2011	2012	2011
Basic weighted average shares outstanding	366,506,095	319,741,435	362,624,526	270,679,678
Effect of dilutive stock options and other equity-based compensation awards	14,583,060	4,994,313	11,520,172	3,329,052
Diluted weighted average shares outstanding	<u>381,089,154</u>	<u>324,735,748</u>	<u>374,144,697</u>	<u>274,008,730</u>

Options to purchase 39,449,121 and 4,812,500 shares of Common Stock were outstanding at June 30, 2012 and 2011, respectively, but were not included in the computation of diluted earnings per share because in periods in which a net loss has been incurred, all potentially dilutive shares of Common Stock are considered anti-dilutive and thus are excluded from the calculation.

**Note 14 - Segment Information**

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

	For the Three Months ended June 30,				For the Nine Months ended June 30,			
	2012		2011		2012		2011	
Revenues								
European Union	\$2,247,283	54%	\$ 3,037,494	40%	\$4,851,816	51%	\$ 5,730,754	42%
North America	109,143	3%	612,589	8%	312,792	3%	1,291,950	9%
Australia & New Zealand	96,843	2%	1,653,249	22%	367,035	4%	2,737,254	20%
Worldwide	<u>1,707,062</u>	<u>41%</u>	<u>2,339,070</u>	<u>30%</u>	<u>3,961,897</u>	<u>42%</u>	<u>3,936,963</u>	<u>29%</u>
	<u>\$4,160,331</u>	<u>100%</u>	<u>\$ 7,642,402</u>	<u>100%</u>	<u>\$9,493,540</u>	<u>100%</u>	<u>\$13,696,921</u>	<u>100%</u>

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

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

### FORWARD LOOKING STATEMENTS

#### Introductory Note Caution Concerning Forward-Looking Statements

The discussion contained in this Form 10-Q/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/A 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 and nine months ended June 30, 2012 compared to the three and nine months ended June 30, 2011; and (ii) our financial liquidity and capital resources. This discussion and analysis should be read in conjunction with our consolidated financial statements and notes included in this Form 10-Q.

## Overview

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

DubLi.com is a 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 back rebates on these purchases. The Company has developed its own dynamic search feature that is designed to return only relevant results 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 Company's 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 69.2% of our revenue in the first nine months 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 and electronic gift cards at discounted prices. Breakage of expired credits purchased in the prior year is a part of our revenue as we recognized an amount of breakage equal to 47.7% of our revenue. All remaining unused credits are categorized as a liability until used or expired. 77.4% of all DubLi Credits sold in first nine months of fiscal year 2012 were sold to the Business Associates affiliated with our network marketing company. The Business Associates purchase the DubLi credits at an average discounted price of \$0.63 which enables them to earn an average of \$0.17 per unit profit upon resale to their customers. The remaining 22.8% were sold directly from the DubLi.com website at the full retail value of \$0.80. In the first nine months of fiscal year 2012, revenue from annual subscription fees paid by our Business Associates made up 11.3% of our revenue. We also sell training and advertising packages and conferences and events to our Business Associates which made up 8.2% of our revenue during the first nine months of fiscal 2012.

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 8.9% of our revenue in the first nine months 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 cash back rebates. An immaterial amount of our revenue was from these commissions in the first nine months 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 in three markets; Germany, the US 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

#### *Trends in Our Business*

We had a significant increase in sales volume during the third quarter of fiscal 2012 due to changes we made in the DubLi Xpress auction. Its rise in popularity is attributed to a bonus discount system that we added during the previous quarter. In addition to the discounts generated by the auction bidders themselves, the Company randomly adds a bonus discount to 90% of the auctions. That discount is not revealed until the bidder clicks the “buy now” button. This added feature has created large volumes but at reduced profit margins. The Company intends to develop this strategy as a business driver for its other offerings. The increased website traffic has increased sales and usage of DubLi credits and we expect sales of memberships to follow.

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 vacation auctions, 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 in our systems, data centers, corporate facilities, information technology infrastructure, and employees. We expect to increase our hiring in 2012 and provide competitive compensation programs for our employees. Our full-time employee and contractor headcount was 22 at September 30, 2009, 40 at September 30, 2010, 50 at September 30, 2011, and 51 at June 30, 2012. We expect; (i) acquisitions will become an important component of our strategy and use of capital; (ii) 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, and (iii) 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 its first partner program during the third quarter of 2012. Throughout the fourth quarter of fiscal year 2011 and continuing through the third 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. Prior to June 2011, Xpress auctions consisted of name brand products and services purchased for resale from retailers, wholesalers and manufacturers. In June 2011, the Company changed the format to exclusively offer electronic gift cards that are redeemable for cash. In an Xpress auctions, the Gift Card up for auction is displayed with a starting price, which is the lowest available value of the Gift Card (the “Starting Price”). Each time a person makes a bid (which costs him or her one Credit), the price, is decreased by either US\$0.20, AU\$0.20 or 0.20€ and the reduced price becomes visible to the person making a bid and to no other person. The bidder can choose to purchase the Gift Card at the reduced price so shown or can opt to wait in the hopes that others will make bids and drive down the price. The actual purchase price is always less than the starting price and often represents a substantial discount to the starting price. During 2012 the Company began adding additional discounts to each gift card to supplement the discounts created by the bidders. The Company also created a “cash organizer” for each bidder’s user account where they may store the redeemed cash value of each gift card. The bidder has the option to withdraw his funds from the organizer and take delivery of the cash proceeds at any time. The bidder may take his cash proceeds at the end of each auction onto his DubLi branded MasterCard, via bank transfer or accumulate the funds in the cash organizer. The bidder may also use the cash value accumulated in the organizer to purchase DubLi Credits, additional gift cards or other DubLi subscription services and as a result the cash organizer re-circulates large volumes of transactions within the system. The Company records the liability for the balances in the bidder’s cash organizer accounts and reports it on the consolidated balance sheet as customer deposits. 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 is 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.
- 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 expired and broken after one year.
- 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.
- Co-op Advertising is a service that we provide to Business Associates whereby they can pool their marketing funds in order to participate in television and telemarketing advertising campaign managed by the Company. Each advertising campaign runs for a specific term and all customers acquired during the campaign will be allocated and commissionable to Business Associates pro-rata based upon their percentage contribution to the program. The revenue will be recognized ratably over the campaign period as the funds are spent. The Company retains a 25% service charge for producing and managing the program for the business associates.

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

	June 30,		Three months ended		Percent Revenue	
	2012	2011	Increase	Percent	2012	2011
	(Restated)	(Restated)	(Decrease)	Change	(Restated)	(Restated)
Revenues	\$ 4,160,330	\$ 7,642,402	\$ (3,482,072)	-45.6%	100.0%	100.0%
Direct cost of revenues	4,286,421	4,145,648	140,773	3.4%	103.0%	54.2%
Gross profit	(126,091)	3,496,754	(3,622,845)	-103.6%	-3.0%	45.8%
Selling, general and administrative	3,313,261	2,608,592	704,669	27.0%	79.6%	34.1%
(Loss) income from operations	(3,439,352)	888,162	(4,327,514)	-487.2%	-82.7%	11.6%
Other (expense) income	(552)	(13,888)	13,336	-96.0%	0.0%	-0.2%
(Loss) income from operations before income taxes	(3,439,904)	874,274	(4,314,178)	-493.5%	-82.7%	11.4%
Income taxes-benefit (expense)	-	-	-	-	0.0%	0.0%
Net (loss) income	(3,439,904)	874,274	(4,314,178)	-493.5%	-82.7%	11.4%
Foreign currency translation adjustment	180,650	(3,713)	184,363	-4965.3%	4.3%	0.0%
Comprehensive (loss) income	\$ (3,259,253)	\$ 870,561	\$ (4,129,814)	-474.4%	-78.3%	11.4%

	June 30,		Nine months ended		Percent Revenue	
	2012	2011	Increase	Percent	2012	2011
	(Restated)	(Restated)	(Decrease)	Change	(Restated)	(Restated)
Revenues	\$ 9,493,539	\$ 13,696,921	\$ (4,203,382)	-30.7%	100.0%	100.0%
Direct cost of revenues	8,983,039	6,536,736	2,446,303	37.4%	94.6%	47.7%
Gross profit	510,500	7,160,185	(6,649,685)	-92.9%	5.4%	52.3%
Selling, general and administrative	9,831,809	8,398,227	1,433,582	17.1%	103.6%	61.3%
Loss from operations	(9,321,309)	(1,238,042)	(8,083,267)	652.9%	-98.2%	-9.0%
Other (expense) income	(2,824)	(17,689)	14,865	-84.0%	0.0%	-0.1%
Loss from operations before income taxes	(9,324,133)	(1,255,731)	(8,068,402)	642.5%	-98.2%	-9.2%
Income taxes-benefit (expense)	-	-	-	-	0.0%	0.0%
Net loss	(9,324,133)	(1,255,731)	(8,068,402)	642.5%	-98.2%	-9.2%
Foreign currency translation adjustment	195,378	325,705	(130,327)	-40.0%	2.1%	2.4%
Comprehensive (loss)	\$ (9,128,754)	\$ (930,026)	\$ (8,198,728)	881.6%	-96.2%	-6.8%

#### Revenues

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

Revenue	Three months ended June 30, 2012 (Restated)					
	Q3 2012	% Revenue	Q3 2011	% Revenue	Change	% change
Credits used	4,566,119	109.8%	230,096	3.0%	4,336,023	1884.4%
Credits broken	2,060,362	49.5%	6,168,283	80.7%	(4,107,922)	-66.6%
Total credits	6,626,481	159.3%	6,398,379	83.7%	228,102	3.6%
Discounts	(3,987,710)	-95.9%	(35,473)	-0.5%	(3,952,237)	11141.5%
Credits - net	2,638,771	63.4%	6,362,906	83.3%	(3,724,135)	-58.5%
Product sales	-	0.0%	652,145	8.5%	(652,145)	-100.0%
Network fees	399,744	9.6%	416,908	5.5%	(17,164)	-4.1%
Subscriptions	329,752	7.9%	206,334	2.7%	123,418	59.8%
Advertising	670,916	16.1%	-	0.0%	670,916	0.0%
Conf. & Events	2,919	0.1%	-	0.0%	2,919	0.0%
Other	118,229	2.8%	4,109	0.1%	114,120	2777.3%
Total	4,160,331	100.0%	7,642,402	100.0%	(3,482,071)	-45.6%

Nine months ended June 30, 2012 (Restated)

Revenue	Q3 2012	% Revenue	Q3 2011	% Revenue	Change	% change
Credits used	7,493,431	78.9%	2,301,249.80	16.8%	5,192,181	225.6%
Credits broken	4,530,308	47.7%	8,207,592	59.9%	(3,677,285)	-44.8%
Total credits	12,023,739	126.7%	10,508,842	76.7%	1,514,897	14.4%
Discounts	(5,455,251)	-57.5%	(35,473)	-0.3%	(5,419,778)	15278.5%
Credits - net	6,568,488	69.2%	10,473,369	76.5%	(3,904,881)	-37.3%
Product sales	0	0.0%	1,199,494	8.8%	(1,199,494)	-100.0%
Network fees	1,071,734	11.3%	1,558,831	11.4%	(487,097)	-31.2%
Subscriptions	849,531	8.9%	231,290	1.7%	618,241	267.3%
Advertising	670,916	7.1%	-	0.0%	670,916	0.0%
Conf. & Events	106,600	1.1%	-	0.0%	106,600	0.0%
Other	226,270	2.4%	233,937	1.7%	(7,667)	-3.3%
Total	9,493,539	100.0%	13,696,921	100.0%	(4,203,382)	-30.7%

During the third quarter of fiscal year 2012, we recorded revenue of \$4.2 million, a decrease of revenue of 45.6% from the \$7.6 million recorded in the same quarter in 2011. During the first nine months of fiscal year 2012, we recorded revenue of \$9.5 million, a decrease of revenue of 30.7% from the \$13.7 million recorded in the first nine months of 2011. A significant portion of this revenue decrease is attributed to the change in format of our Xpress auctions and by the different accounting treatment used for electronic gift cards versus goods and services. Auction sales of goods and services are recorded at the sales price of the item sold, plus DubLi credits used in the auction and handling fees. Because of the cash redemption feature, revenue from the sales 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 auction price of the gift card plus the DubLi Credits used in the transaction. The net revenue presentation of electronic gift cards compared to the gross revenue presentation of goods and services indicates a decline in revenue despite the fact that transaction volumes increased significantly over the same periods last year. Increases in auction transaction volumes were also aided by the growth of our network of Business Associates. The most significant increase in auction transaction volume during the third quarter of fiscal 2012 is due to changes we made in the DubLi Xpress auction. Its rise in popularity is largely attributed to a bonus discount system that we added during the previous quarter. In addition to the discounts generated by the auction bidders themselves, the Company systematically adds a bonus discount ranging from \$0.80 to \$120.00 to 90% of the auctions. The discounts are randomly distributed among the auctions. That discount is not revealed until the bidder clicks the "buy now" button. This added feature has created large volumes but at reduced profit margins. The Company intends to further develop this strategy as a business driver for its other offerings.

Our transaction volumes of electronic gift cards from our online auction site was \$143.8 million in the third quarter of fiscal year 2012 as compared to \$0.7 million in the third quarter 2011, which resulted in an improvement of \$143.1 million. The transaction volume of electronic gift cards was \$186.5 million and \$1.2 million respectively for the nine months ended June 30, 2012 and 2011, respectively an increase of \$185.3 million. The large increase in transaction volume is due to a change in the format of the Xpress Auction that we adopted in June 2011 whereby we replaced all products and services with electronic gift cards that are redeemable for cash. Due to the cash redemption feature, revenue from the sales 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 and the bonus discounts described above. 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 amount of revenue generated from the sale of products to be integral to the Company's 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 reduced by the amount of the bidding discounts of the gift cards sold. In addition, revenue includes breakage of DubLi Credits that will not be used. For the three and nine months ended June 30, 2012, we sold 12.6 million and 20.1 million DubLi Credits for total sales proceeds of \$6.6 million and \$12.0 million, respectively, compared to the three and nine months ended June 30, 2011 when we sold 2.0 million and 7.3 million DubLi Credits for total sales proceeds of \$1.3 million and \$4.7 million, a 489.0% and 173.1% increase in quarterly and year-to-date sales, respectively. This is attributable to an overall decrease in sales activity during fiscal 2011 because the Company scaled back its sales and marketing effort in 2011 while it made changes to its Xpress auction format, back office systems and other administrative changes. In fiscal 2012 with the implementation of the new format, we are seeing improved results. 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 and closed user accounts ("breakage"). For the three and nine months ended June 30, 2012, revenue earned before applying the bidding discounts from the usage of the DubLi Credits from our online auctions was \$4.6 million and \$7.5 million, respectively as compared to \$0.2 million and \$2.3 million for the three and nine months ended June 30, 2011. The result was an increase of \$4.3 million or 1884.4% for the third quarter and a \$5.2 million or 173% increase in usage in the first nine months of 2012 for DubLi Credits previously unused. Revenue earned from the breakage of the DubLi Credits was \$2.1 million and \$4.5 million in the third quarter and first nine months of fiscal year 2012, respectively as compared to \$6.2 million and \$8.2 million during the same periods in 2011. The large decrease of \$4.1 and \$3.7 million for the three and nine months ended June 30, 2012 compared to 2011 comes from increased sales and usage rates resulting from the increased activity on the DubLi Xpress auction. 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.

Because of the cash redemption feature, revenue from the sales of electronic gift cards is recognized only for the DubLi Credits used or broken less the bidding discounts plus the handling fees. The amount of auction discounts that were applied as a reduction of DubLi Credit revenue was \$4.0 million and \$5.5 million for the three and nine months ended June 30, 2012 and \$0.04 million and \$0.04 for the three and nine months ended June 30, 2011.

Net revenue recognized from usage and breakage of DubLi Credits after discounts was \$2.6 million and \$6.6 million for the three and nine months ended June 30, 2012, respectively as compared to \$6.4 million and \$10.5 during the same periods in 2011. The net 58.5% quarterly and 37.3% year to date decreases respectively are the net result of increased usage and greatly reduced breakage reduced by the auction discounts. Net revenue recognized on DubLi Credits was 63.4% and 83.3% of total revenues in the third quarter of fiscal years 2012 and 2011, respectively, and 69.2% and 76.5% of year to date revenue in the first nine months of 2012 and 2011, respectively. Revenue from DubLi credits as a percentage of total sales decreased significantly due to the large increase in both auction transactions and the related discounts from the Xpress auctions in 2012. In the last quarter of 2011, we began to see increased auction activity resulting from renewed interest in our Xpress auction based on the format change from products and services to electronic gift cards and bonus discounts. This change has increased auction activity and has significantly increased DubLi Credit usage as a percentage of total sales. Third quarter 2012 and 2011 usage was 109.8% and 3.0% of sales, respectively. We expect these trends to continue throughout 2012 as a result of our existing customers are becoming more familiar with the online auction process, reductions in the user learning curve for new customers, improvements in our website, increases and our continued training of Business Associates in customer retention, new product rollouts and technology.

In addition, sales of DubLi Credits from our Company website was \$3.6 million for the first nine months of 2012 as compared to \$0.1 million in the first nine months of 2011, an increase of \$3.5 million or 2,486.2%. The increase is the result of an increase in traffic to the website resulting from the new auction format. We earn this revenue from customers purchasing DubLi Credits directly from the Company rather than from a Business Associate. The Company is more interested in revenue from the sale of DubLi Credits by Business Associates rather than from internally sold DubLi Credits because the Company believes that the Business Associate network is more efficient and cost effective than other forms of advertising and marketing. For this reason, the Company does not consider the increase resulting from customers purchasing DubLi Credits directly from the Company to be as important as revenue resulting from sale of DubLi Credits to Business Associates.

We also earn revenue from the enrollment fee charged to a Business Associate when they either join or renew their membership. Our revenue earned from enrolling new and renewing old Business Associates is not significant by design. Our goal is to earn revenue from sales of our products and services rather than recruitment of Business Associates and therefore these fees are kept low intentionally. Enrollment fee revenue was \$0.4 million and \$1.1 million in the third quarter and first the nine months of fiscal year 2012 as compared to \$0.4 million and \$1.6 million in the periods in 2011; the 31.2% decline year to date resulted from reduced marketing efforts in the early part of the year while we restructured our business model. We did expand our multi-level marketing activities which enabled us to replace our turnover of Business Associates.

During the first quarter of 2011, we rolled out an improved website to enhance our customers shopping experience with improved integration of the web shopping mall experience with our auction and music sites. In addition, we introduced several new subscription packages. Revenue earned from the VIP, Music On-Demand and Super Saver Packages was \$0.3 million and \$1.1 million for the third quarter and first nine months year ended June 30, 2012. Because these programs are new, revenue earned during 2011 from these new product offerings was not yet significant.

#### *Direct Costs*

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

We incurred direct costs of \$4.3 million and \$9.0 million in the third quarter and first nine months of 2012 as compared to \$4.1 million and \$6.5 million during the same periods in 2011, which resulted in increases of \$0.2 million and \$2.5 million or 3.4% and 37.4%, respectively as discussed below.

Our cost of inventory sold for our online auctions is not significant as a result of the change in format of the Xpress auction to electronic gift cards. In the third quarter and first nine months of 2012, the \$147.8 million and \$191.9 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, revenue from the 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 \$2.4 million and \$5.0 million in the third quarter and first nine months of fiscal year 2012 compared to \$0.7 million and \$2.2 million in the third quarter and first nine months of fiscal year 2011. The increases of \$1.7 million and 2.8 million are a result of the increase in marketing and overall business activity within DubLi Network and on DubLi.com.

#### *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. During the third quarter of fiscal year 2012, we also began selling advertising packages to our Business Associates. Revenue is recognized from DubLi Credits as they are used for bidding on the Unique Bid or Xpress Auction, or when they expire 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 as it relates to unused DubLi Credits.

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 table shows the significance of the asset and liability accounts related to DubLi Credits and their future impact on our earnings results. The trend indicates a steady decrease in deferred revenue despite an increasing trend in sales of DubLi Credits. This trend indicates that consumers are presently using their DubLi Credits at a faster rate which will increase the rate of revenue recognition.

	March 31, 2011	June 30, 2011	September 30, 2011	December 31, 2011	March 31, 2012	June 30, 2012
Prepaid customer acquisition costs	\$ 10,448,041	\$ 7,620,225	\$ 6,958,894	\$ 6,710,127	\$ 6,628,110	\$ 5,264,925
Deferred revenue - DubLi Credits	\$ 19,686,982	\$ 14,372,024	\$ 13,830,389	\$ 14,037,163	\$ 17,266,828	\$ 18,130,555

The components of deferred revenue include the following:

	June 30, 2012	September 30, 2011
Unused DubLi Credits	\$ 10,267,909	\$ 13,155,511
Subscription fees	1,032,253	605,760
Co-op advertising	6,770,979	-
Other	59,914	69,118
	<u>\$ 18,130,555</u>	<u>\$ 13,830,389</u>

Deferred revenue from Co-op advertising represents a pool of funds that we collected in advance of a planned television and telemarketing advertising campaign program that we sold to the Business Associates. The first campaign runs from April 2012 to December 2012 and all customers acquired during the campaign will be allocated and commissionable to Business Associates pro-rata based upon their percentage contribution to the program. The revenue will be recognized ratably as the funds are spent over the campaign period. A second program is scheduled to begin in September 2012.

#### *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 \$0.7 million from \$2.6 million in the third quarter of fiscal year 2011 to \$3.3 million in the third quarter of fiscal year 2012, a 21.5% increase. SG&A increased \$1.4 million year to date from \$8.4 million in fiscal year 2011 to \$9.8 million in fiscal year 2012.

The significant changes to the components of SG&A expense for the nine months ended June 30, 2012 were the results of a \$0.4 million or 239.2% increase in advertising and marketing costs. Third quarter advertising and marketing were comparable at \$0.04 million and \$0.07 million in 2012 and 2011, respectively. We have increased our marketing efforts from \$0.2 million in the first nine months of 2011 to \$0.6 million in the first nine months of 2012 in order to promote our improved websites and new product offerings. Depreciation and amortization decreased 90.1% for the quarter and 88.7% for the nine months. Depreciation and amortization expense decreased \$0.18 million to \$0.02 million from \$0.2 million during the third quarters of 2012 and 2011, respectively and from \$0.7 million to \$0.07 million from the first nine months of fiscal year 2011 to 2012 due to an increase in fully depreciated assets in capitalized computer hardware and software. One of the primary factors driving SG&A costs is stock compensation which decreased 10.3% when comparing the third quarter expense of \$0.85 million in 2011 to that of \$0.76 million in 2012. Year to date, stock compensation increased 80.4% from \$1.4 million to \$2.5 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 increased 5.2% from \$6.1 million to \$6.4 million from the first nine months of 2011 to the first nine months of 2012.

#### *Income Taxes*

For the quarters ended June 30 2012 and 2011, we recorded the following tax provisions (benefits) (in thousands except percentages):

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

### *Net Loss*

As a result of the factors described above, for the quarter ended June 30, 2012, we generated a net loss of \$3.4 million, or net loss of \$0.01 per basic and diluted share. For the quarter ended June 30, 2011, we generated a net income of \$0.9 million, or a net income of \$0.00 per basic and diluted share. For the nine months ended June 30, 2012 and 2011 our net loss was \$9.3 million and \$1.3 million, respectively.

### *Impact of Foreign Currency Translation*

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

During the third quarter 2012, the US Dollar strengthened slightly against the Euro. The closing exchange rates in effect were 1.24598 at June 30, 2012 and 1.43909 at June 30, 2011 an increase of 13.4%. The average rate year-to-date decreased approximately 5.7% from 1.39427 to 1.31460. Had the exchange rates used in the consolidated financial statements not changed from September 30, 2011, our net revenues for the three and nine months ended June 30, 2012, would have been approximately \$8.7 and 11.5 million higher than we reported. In addition, had the exchange rates used in the consolidated financial statements not changed from the end of fiscal year 2011, direct costs and selling, general and administrative expenses for the three and nine months ended June 30, 2012, would have been \$0.2 and 0.6 million higher than we reported.

### *Liquidity and Capital Resources*

As of June 30, 2012, the Company had total cash and cash equivalents of \$6.8 million. This represents a \$5.3 million or 353.4% increase from the total cash and cash equivalents of \$1.5 million at September 30, 2011. Restricted cash included in current assets was \$1.5 million at June 30, 2012 compared to \$0.4 million at September 30, 2011, an increase of 245.1% resulting from the large increase in sales volume, proceeds from a private placement and the recovery of \$2.1 million in reserves funds on April 12, 2012. The restricted cash is held in a six month rolling reserve for charge backs by credit card processors and averages 5% of credit card sales processed.

### *Operating Activities*

Net cash provided by operating activities totaled \$5.2 million during the nine months ended June 30, 2012. Year-to-date net loss of \$9.3 million included noncash depreciation and amortization and noncash equity compensation charges of \$4.2 million. Since inception, the Company has met its working capital needs principally through sales of DubLi Credits to the Company's Business Associates. To attract and maintain the level of Business Associates, significant amounts are spent on customer acquisition costs and commissions. Together these factors are key cash flow drivers to the Company's operating cash flows. Changes to the amount of revenue deferred and breakage estimates had a significant impact on the Company's revenue and incremental costs in the year of the change and such changes may impact future years. During the third quarter, we were no longer impacted by a significant reduction of available cash due to the \$2.1 million of restricted cash, which relates to a dispute between the Company and one of its credit card processors, in which the credit card processor has failed to remit customer proceeds that it was holding back from the Company. The Company recovered those funds in full on April 12, 2012.

Net cash used in operating activities totaled \$1.9 million during the nine months ended June 30, 2011. Year-to-date net loss of \$1.3 million included noncash depreciation and amortization, and noncash equity charges of \$2.9 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 \$0.6 million during the nine months ended June 30, 2012. Cash was used in investing activities to purchase capital assets and to make payments on real estate.

Net cash used in investing activities totaled approximately \$0.3 million during the nine months ended June 30, 2011. Cash was used in investing activities to purchase capital assets and make payments on real estate that amounted to \$0.5 million and cash was provided by \$0.3 million that was released from restricted cash.

#### *Financing Activities*

\$1.2 million in cash from stock subscriptions was provided by financing activities during the nine months ended June 30, 2012. During the first quarter, Michael Hansen traded land that he owned personally to Crown Properties to liquidate \$0.2 million of the debt that we owed to them for landfill obligations. We repaid Mr. Hansen that \$0.2 million during the third quarter of 2012. Total cash provided by financing activities was \$1.0 million for the nine months ended June 30, 2012.

Net cash provided by financing activities totaled \$2.6 million during the nine months ended June 30, 2011 which primarily consisted of \$3.4 million in proceeds from stock subscriptions to a private placement of common shares less a \$1.2 million repayment of the loan from Michael Hansen plus borrowing of \$0.5 million.

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

#### *Liquidity*

The Company usually maintains a significant portion of its cash ("restricted cash") with its two credit card processing companies to mitigate their financial risk arising from the sale of the Company's products and services, one credit card processing company for US based transactions and the other for foreign based transactions. The reserve requirements have ranged from 5% to 7% 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. The federal court subsequently ruled that the Company was entitled to the immediate return 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.

We currently anticipate that our cash and cash equivalents as of June 30, 2012 will be sufficient to meet our liquidity needs for working capital and capital expenditures over the next few months. We recognize that rapid growth may deplete our cash faster than anticipated and that traditional lending may not be available to our Company because of the current global economic debt crisis, and because web based businesses, specifically reverse auctions and network marketing companies, are considered higher risk borrowers. Even if available, there can be no assurance that any financing arrangements will be available in amounts or on terms acceptable to us.

Because of potential constraints to future sources of capital and increased liquidity, in the event we need additional cash to satisfy our commitments and fund our growth, we may continue to borrow from Michael Hansen, our Chief Executive Officer. As a result of our recapitalization, we increased our authorized shares to 500 million, of which approximately 372 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 June 30, 2012 and the date of this report, we have not borrowed any money from Mr. Hansen but he has committed to support the Company and make funds available for future working capital if needed. During 2011, we completed a private placement of \$4.8 million in Europe using a Regulation S exemption from registration. On July 15, 2012, we completed a private placement of 7,874,241 common shares under a Regulation S exemption from registration for total cash proceeds of \$2.4 million pursuant to an offering memorandum dated November 1, 2011.

#### *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 June 30 2012, the Company held \$6.8 million of unrestricted and \$1.5 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 June 30, 2012. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of such date, our disclosure controls and procedures were (1) not sufficiently designed to ensure that material information relating to the Company, including our consolidated subsidiaries, was made known to them by others within those entities, particularly in the period in which this report was being prepared and (2) not effective, in that they did not provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

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

(a) We did not maintain a sufficient complement of personnel with an appropriate level of accounting knowledge, experience, and training in the application of Generally Accepted Accounting Principles ("GAAP") commensurate with our financial reporting requirements and business environment. This material weakness resulted in material restatements and post-closing adjustments relating to revenue recognition, cutoffs, improper report groupings, consolidations and various account errors which have been reflected in the restated financial statements for the years ended September 30, 2011, 2010 and 2009 and the quarters ended December 31, 2009, March 31, June 30 and December 31, 2010 and March 31, June 30, and December 31, 2011, and March 31 and June 30, 2012.

(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 or 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 SSAE SOC 1 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 monitor the ongoing effectiveness thereof.

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

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

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

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

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

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

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

#### ***Changes in Internal Control over Financial Reporting***

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

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

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

#### ***Remediation Plans***

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

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

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

1. Control Environment
  - a. Continue to upgrade our accounting staff in order to achieve an effective control environment.
  - b. Develop an anti-fraud program and implement a whistle-blower program and a program to manage and identify fraud risks.
  - c. Continue to reorganize our accounting and administrative staff designed to improve workflow and enhance internal controls.
  - d. Formalize our finance-related job descriptions for all staff levels that specifically identify required financial reporting roles, responsibilities, and competencies, and clarify responsibility for maintaining our internal controls over financial information.
  - e. The Company will use its best efforts to obtain appropriate Type II SAS 70 service auditor's reports from its service organizations when available.
  - f. Complete system upgrades and take training to better utilize our ERP system to lessen the use of spreadsheets and to also develop controls over spreadsheets and migrate from spreadsheet based consolidations to using the consolidations capabilities built into our ERP system.

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

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

## **PART II: OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

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

On January 9, 2012, the Court granted the Company's motion and on February 24, 2012, the Court held an expedited bench trial on the issue of the Company's declaratory judgment claim seeking a declaration of the Company's rights under its merchant agreement with NMC and immediate possession of the Reserve Funds. At the close of the trial on February 24, 2012, the Court ruled that the Company was the prevailing party on its declaratory judgment claim and was entitled to the immediate return of the Reserve Funds, in the amount of \$2,133,852, which was the balance of the Reserves after deduction of certain fees not challenged by the Company. On March 29, 2012, the Court entered a Declaratory Judgment in favor of the Company which declared the Company to be the prevailing party on its claim for immediate return of the Reserve Funds. The Judgment further ordered the Clerk of Court to immediately release to DubLi, all of the Reserve Funds which NMC had deposited with the Court, ordered NMC and First Data to immediately release to DubLi the remaining amount of the Reserve Funds and provided that the Company may move for further relief based on the Judgment under the federal Declaratory Judgment Act. The Company received all of the Reserve Funds on April 12, 2012. As authorized by federal statute, as the prevailing party in the February 24, 2012 trial, the Company, on April 13, 2012, filed a Bill of Costs in the amount of \$9702 and an application for the Clerk of Court to tax costs in this amount against NMC. As further relief under the federal Declaratory Judgment Act, the Company, on April 14, 2012, filed a motion for an award of attorneys' fees and nontaxable expenses incurred by the Company to litigate the Reserve Funds issues and obtain the return of the Reserve Funds ("Attorneys' Fees Motion"). NMC and First Data have opposed the Company's application to recover certain taxable cost items and have also opposed, in its entirety, the Company's Attorneys' Fees Motion. On May 20, 2012, the Clerk of Court issued a Bill of Costs which taxed costs of \$8,730 against NMC. On June 4, 2012, the Court held a hearing on DubLi's Attorneys' Fees Motion, but it has not yet ruled on such Motion.

On April 6, 2012, NMC filed with the Court an Application for Writ of Attachment and for Issuance of a Right to Attach Order ("Application"), seeking to obtain a pre-judgment attachment of property of the Company in the amount of \$706,276, which is the amount of the early termination fee which NMC seeks to recover from the Company. On April 26, 2012, the Company filed its Opposition and Evidentiary Objections to NMC's Application. After a hearing on May 14, 2012, the Court on May 16, 2012, issued an Order denying NMC's Application. NMC's claim against the Company seeking payment of an early termination fee, and the Company's counterclaims for damages arising from the wrongful retention by NMC and First Data of the Reserve Funds, are still pending and are set for trial on October 1, 2012. The Company opposes the payment of any termination fee to NMC and is vigorously defending NMC's claim.

#### **ITEM 1A. RISK FACTORS**

Our business faces significant risks. These risks include those disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (the "Form 10-K"). If any of the events or circumstances described in the referenced risks actually occur, our business, financial condition or results of operations could be materially adversely affected and such events or circumstances could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this Quarterly Report. These risks should be read in conjunction with the other information set forth in this Quarterly Report as well as in the Form 10-K and our periodic reports on Form 10-Q and Form 8-K.

**ITEM 2. UNREGISTERED SALE OF SECURITIES AND USE OF PROCEEDS**

(a) Unregistered sales of equity securities

On July 14, 2012, DubLi, Inc. (the “Company”) completed a private placement of 7,874,241 shares of its common stock, par value \$0.001 per share, for total cash proceeds of \$2,362,271. The Company issued the shares to the investors pursuant to Regulation S of the Securities Act of 1933, as amended, on the basis that each of the investors represented that he, she or it is not a “U.S. Person” as such term is defined in Regulation S. The proceeds are used for general corporate purposes.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

None.

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

Removed and Reserved.

**ITEM 5. OTHER INFORMATION**

*Loans from Chief Executive Officer*

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

**ITEM 6. EXHIBITS**

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

\* Filed Herewith

**SIGNATURES**

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

**DUBLI, INC.**

Date: June 19, 2013

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

## 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 June 30, 2012 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael B. Hansen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company

/s/ Michael B. Hansen

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

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 June 30, 2012 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.

---

