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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

SITO Mobile Ltd.

Speculative Buy

John Nobile
January 7, 2016

SITO $2.11 — (NASDAQ)

	2014A	2015A	2016E	2017E
Revenues (millions)	$9.9	$15.8	$23.1	$27.4
Earnings (loss) per share	($0.31)	($0.29)	($0.31)	($0.20)

52-Week range	$6.15 – $1.50	Fiscal year ends:	September
Common shares out as of November 23, 2015	17.2 million	Revenue per share (TTM)	$1.01
Approximate float	14.4 million	Price/Sales (TTM)	2.1X
Market capitalization	$36 million	Price/Sales (FY2016)E	1.3X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2016)E	NMF

SITO Mobile Ltd., headquartered in Jersey City, New Jersey, is a mobile media technology company that enables marketers to create mobile device content targeted to audiences based on location, interests, behaviors, and loyalty. The company's principal products and services include location based advertising and mobile messaging. (www.sitomobile.com)

Key investment considerations:

Reiterating Speculative Buy rating but lowering our twelve-month price target to $6.00 per share from $8.00 due to diminished valuation.

In November 2015, the advertising research and advisory firm BIA/Kelsey projected 2020 location targeted mobile ad revenues of $26.7 billion, a compound annual growth rate of approximately 26%.

SITO's media placement growth should surpass the industry rate, as many large brands (such as AstraZeneca, Toyota, and Cache) that ran advertising campaigns using SITO's geo-fencing technology increased their advertising budgets when marketing results (as measured by ad responses) proved to be at least twice the industry standard. SITO's Canadian partner, Cieslok Media, increased its mobile advertising commitment with SITO for $2.1 million in FY16, up from $800,000 in FY15.

We have raised our FY16 revenue projections for SITO's media placement segment to $16.6 million, a figure that should grow to approximately $20.6 million in FY17 as ad spending from new and established clients increases.

Our FY16 revenue projection of $23.1 million is higher than our previous projection of $21.3 million but we have widened our loss projection to ($0.31) per share from ($0.13). The increased loss on higher revenue is primarily due to a significant increase in SG&A expenses. For FY17 we project revenue of $27.4 million and a loss of ($0.20) per share.

4Q15 revenue (10-K released 11/25/15) increased 50% to $4.5 million. The company reported a loss of ($0.16) per share compared to a loss of ($0.11) per share in 4Q14. We projected 4Q15 revenue of $5.1 million and loss of ($0.04) per share.

****Please view our disclosures on pages 13 - 15.***

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Recommendation and Valuation

We are reiterating our **Speculative Buy** rating on shares of SITO Mobile Ltd. (SITO) but lowering our **twelve-month price target to $6.00 per share from $8.00 due to diminished valuation.**

Shares of SITO currently trade at 2.1X TTM sales, down from 4X in August 2015 and 7X in September 2014. In light of SITO's diminished valuation, we lowered our multiple to 4X sales (down from 7X previously). Applying a multiple of 4X to our FY17 sales estimate of $1.60 per share, discounted to account for execution risk, we obtain a year-ahead value of approximately $6.00 per share.

Recent Developments

Partnership with Cieslok Media – In December 2015, SITO Mobile announced a partnership with Canadian outdoor advertising company Cieslok Media. The partnership provides Cieslok Media exclusive access to SITO's technology in Canada.

Cieslok Media committed to delivering a minimum of $2.1 million in mobile advertising to SITO for calendar year 2016 - more than double 2015's results.

Licensing Agreement with Zoove Amended – In December 2015, SITO Mobile announced an amended patent licensing agreement with Zoove Corporation. Under the amended agreement, SITO Mobile received a payment of $550,000 consisting of $100,000 in exchange for an amendment to the original licensing agreement and the acceleration of the remaining payments due to SITO Mobile under the original agreement which totaled $450,000.

Business

SITO Mobile Ltd., headquartered in Jersey City, New Jersey, was incorporated in 2000. SITO is a mobile media technology company that enables marketers to create mobile device content targeted to audiences based on location, interests, behaviors, and loyalty. The company's principal products and services include location based advertising and mobile messaging.

Location Based Advertising – FollowMe® is SITO's location-based mobile ad targeting software application (app). FollowMe's geo-fencing technology enables advertisers to deliver targeted ads to the smartphones of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing ad when customer enters Home Depot).

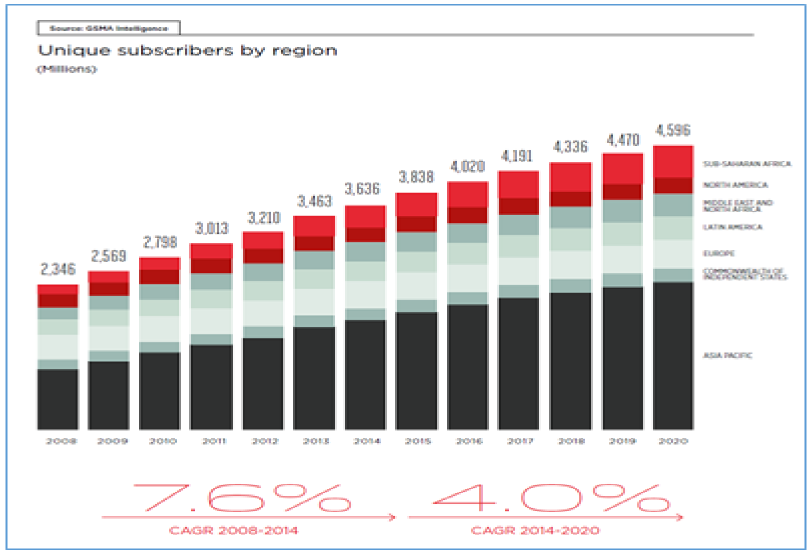
Revenue is driven by sales of FollowMe advertising campaigns that feature banner ads on mobile devices and is based on the same media metrics used in Internet advertising. That is, the number of media impressions (ads) delivered at a specified price (cost per thousand impressions or CPM). SITO typically makes between $8 to $12 per CPM or $0.008 to $0.012 per impression.

Messaging and Notifications – SITO's short message service (SMS) enables retailers to send targeted mobile coupons and transactional messages based on a shopper's profile. Targeted mobile coupons can be sent based on past purchase behaviors making the content relevant and timely to a shopper. Transactional messages send shipping and order pick-up alerts, as well as notifications for reorders, layaway and new product releases.

In FY15, approximately 44% of SITO's revenue was generated from contracts with six customers covered under an agreement with AT&T which enables the media to be sent via all US mobile carriers including AT&T, Verizon, Sprint, and T-Mobile. AT&T packages and marks up SITO's offering which is sold through AT&T's sales force. SITO also pursues sales directly. Approximately 43% of the company's revenue in FY15 came from notifications sent for a single client (Walmart).

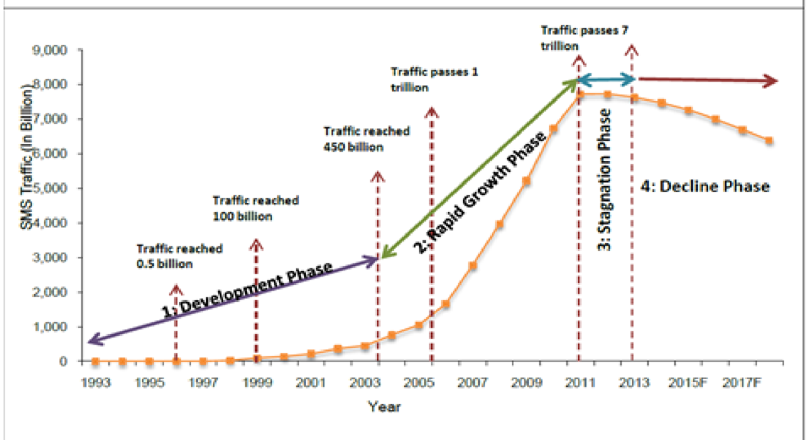
Mobile Industry Market and Forecast

More than 90% of mobile phone owners use text messaging, an effective way for businesses to alert customers and clients about special promotions and deals, send them coupons, and keep them informed about company news. As with email marketing, text-message marketing requires customers and clients to opt into the service. Once they sign up and provide their mobile phone number, businesses have the right to send them text messages.



The worldwide mobile market has grown significantly over the past few years. According to the mobile industry research firm GSMA Intelligence, the overall mobile industry (includes mobile phones, smartphones, tablet computers) should continue growing over the next six years. In its Mobile Economy 2015 report, GSMA projects the number of unique mobile subscribers to grow at a compound annual growth rate (CAGR) of 4% from 2014 to 2020 reaching 4.6 billion by 2020 (see chart above right). However, the mobile industry research firm Portio Research said in its Mobile Messaging Futures 2014-2018 report that text messaging peaked in 2012 and will gradually decline from 2013 to 2018 (see chart at right). The key reason for the decline is a shift away from texting in mature markets (North America, Europe, and parts of Asia Pacific) as smartphone penetration increases and more users shift their communications to instant messaging applications.

Figure 14: SMS Traffic Growth (In Billion, 1992-2018F)



Source: Portio Research Ltd.

F – Forecasted

Mobile ad spending should underlie strong growth for SITO. The latest projection (September 2015) by eMarketer was for US mobile advertising spending to reach $30.45 billion in 2015, up 59% from $19.15 billion in 2014 (see table at right). For 2016, eMarketer projects spending to further increase by approximately 38% to $42.01 billion. Virtually all growth in US digital ad spending will be centered on mobile devices. This growth will come at the expense of desktop spending which is projected to slowly decline through 2019.

US Mobile Ad Spending, 2014-2019

	2014	2015	2016	2017	2018	2019
Mobile ad spending (billions)	**$19.15**	**$30.45**	**$42.01**	**$50.84**	**$57.95**	**$65.49**
—% change	79.5%	59.0%	38.0%	21.0%	14.0%	13.0%
—% of digital ad spending	38.5%	52.4%	62.6%	67.4%	68.6%	69.9%
—% of total media ad spending	10.9%	16.6%	21.6%	24.9%	26.9%	28.9%

Note: includes classified, display (banners and other, rich media and video), email, lead generation, messaging-based and search advertising; ad spending on tablets is included
Source: eMarketer, Sep 2015

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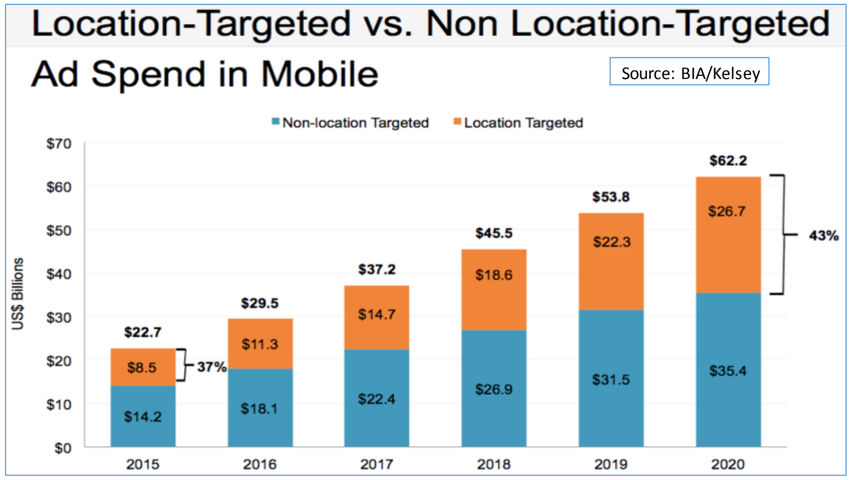
The shift to mobile ad spending is being driven mainly by consumer demand. eMarketer estimates that US adults spent an average of 2 hours, 51 minutes with mobile devices each day.



SITO's FollowMe technology targets consumers based on their precise location by placing "geo-fences", a virtual perimeter within a radius of a store or point location. Ads are delivered based on specific demographic profiles. In November 2015, the advertising research and advisory firm BIA/Kelsey projected location targeted mobile ad revenues to grow more than three-fold over the next five years, reaching $26.7 billion by 2020 (see chart at right) and accounting for 43% of overall US mobile ad spending. This rate of growth equates to a compound annual growth rate of approximately 26% from 2015 to 2020. A key factor driving this rate of growth includes increased adoption of mobile advertising tactics (i.e. geo-fencing) by national advertisers, who currently account for most US mobile ad spending.

Strategy

The company's strategy is to expand within the fast growing mobile marketing space. SITO plans to do this by investing in sales and business development staff, diversifying its revenue mix, and monetizing its patents. The end goal is to establish a direct sales channel and increase media buys (mobile ads) through its FollowMe product.

SITO's FollowMe product enables strategic mobile ad placements. The strong growth projected for mobile ad placements should underlie strong growth for the company's FollowMe product.

Competition / Competitive Advantage

With the rapid growth and adoption of mobile data services, the mobile media and data communications market remains highly competitive. There are a large number of small developers creating products for this market. Barriers to entry are low, as most developers can keep programming, project management, and distribution costs relatively low. New market entrants and existing competitors are expected to introduce new products and services that compete with SITO's.

SITO competes with publicly traded companies providing similar service offerings (includes targeted mobile advertising) including Voltari Corporation and Mobivity Holdings Corp. Voltari Corporation provides mobile data solutions for mobile operators, consumer brands and enterprises, and advertising agencies. Its software-as-a-service (SaaS) platform enables customers to implement marketing, merchandising, commerce, and advertising to target customers and prospects through mobile devices. Sales and growth rates for SITO and its public competitors are shown at right.

Company	TTM ended	Y/Y Δ
Voltari	$12.2M (9/15)	7%
Mobivity	$4.0M (9/15)	7%
SITO Mobile	$15.8M (9/15)	60%

Source: Company filings

Mobivity Holdings Corp. provides mobile marketing technology. Mobivity offers C-4, a mobile marketing and customer relationship management platform that facilitates short messaging service, multi-media messaging, and interactive voice response interactions.

SITO's competitive advantage lies in its ability to drive foot traffic into retail stores. As an example, in a September 2015 presentation, SITO reported that ToysRUs was able to increase foot traffic into its retail stores by up to 4X the industry standard using SITO's targeted mobile ad technology. This was accomplished by establishing geo-fences around ToysRUs locations with ads delivered to mothers who have visited a competing store in the previous seven days.

4Q and Fiscal Year 2015 Financial Results

<u>4Q15</u> – Total revenue increased 50% $4.5 million. SITO lost $2.6 million or ($0.16) per share compared to a loss of $1.6 million or ($0.11) per share in 4Q14. We projected 4Q15 revenue of $5.1 million and a net loss of $678,000 or ($0.04) per share. Media placement revenue fell short of our expectations by approximately $577,000.

Wireless application revenue was down 43% at $1.43 million as SITO's largest customer in this segment asked its customers to accept standard rate text messaging in the second half of FY15 requiring the user to opt-in (permit a marketer to send messages) if they wanted to continue to receive text messages. Licensing and royalty revenue grew to $144,000 versus $95,000 in 4Q14 as the company continues to monetize its patents primarily through the expansion of licensing agreements. Media placement revenue grew to $3 million from $557,000 in 4Q14 primarily due to an expanded sales force, new sales partners, and the July 2015 acquisition of Hipcricket's media placement business.

Gross margins rose to 66.5% from 57.7% and were aided by a greater proportion of higher margin media placement revenue (67% in 4Q15 versus 19% in 4Q14).

SG&A expenses rose to $4.1 million from $3 million due primarily to increased spending in SITO's media placement business. Research and development expense increased to $13,000 from $11,000. Interest expense increased to $475,000 from $180,000 due primarily to increased debt levels.

<u>Fiscal 2015</u> – Total revenue increased 60% to $15.8 million. SITO lost $4.5 million or ($0.29) per share, virtually flat with 2014.

Wireless application revenue was down 13% to $7.2 million as SITO's largest customer in this segment asked its customers to accept standard rate text messaging in the second half of FY15 requiring the user to opt-in if they wanted to continue to receive text messages. Licensing and royalty revenue fell to $553,000 from $916,000 in FY14 which included $750,000 of one-time licensing revenue from Zoove Corporation. Media placement revenue increased to $8.1 million from $758,000 primarily due to an expanded sales force, new sales partners, the launch of enhanced product offerings, the July 2014 acquisition of Double Vision, and the July 2015 acquisition of Hipcricket's media placement business.

Gross margins increased to 59.8% from 59.4% as higher margin media placement revenue made up a greater percentage of total revenue (51% versus 8% in 2014) and helped to offset the lower licensing and royalty revenues (which have no underlying costs).

SG&A expenses increased to $11 million from $9.3 million due primarily to increased spending in SITO's media placement business. General and administrative expenses, excluding stock-based compensation, decreased to $5.5 million from $5.9 million due primarily to the absence of $575,000 in compensation expense in connection with the termination of SITO's former CEO in FY14. Sales and marketing expenses, excluding stock-based compensation increased to $4.7 million from $1.3 million due primarily to the acquisition of DoubleVision in July 2014 and Hipcricket in July 2015. Total stock-based compensation decreased to $815,000 from $2.1 million.

Research and development expense decreased to $48,000 from $59,000 as more costs are capitalized and amortized (amortization expense of software development costs increased to $681,000 in 2015 versus $417,000 in 2014). Interest expense increased to $1.8 million from $749,000 due primarily to increased debt levels.

Liquidity

As of September 30, 2015, the company had $2 million cash, a current ratio of 0.9X versus 2.6X for the software industry, and a debt/equity ratio of 1.7X versus 0.5X for the industry. By our forecasts, the company should need to raise $4.5 million in the next fifteen months to meets its operational needs through the end of our forecast period.

Cash used in operations in FY15 was $2.3 million consisting of a cash loss of $894,000 and a $1.4 million increase in working capital. The increase in working capital consisted primarily of an increase in accounts receivable offset partly by an increase in accounts payable. Cash used in investing of $3.7 million consisted of $1.4 million of capitalized software development costs, a $1.3 million purchase of intangible assets, $439,000 in patent related expenditures, and $495,000 in capital expenditures. Cash provided by financing of $7.4 million consisted primarily of proceeds from the issuance of debt and common stock, offset in part by a principal reduction in convertible debt. Cash increased by $1.4 million to $2 million at September 30, 2015.

During 2015, SITO entered into revenue sharing and note purchase agreement with CF DB EZ LLC (the revenue participant) and the Fortress Credit Co. LLC (the note purchaser). SITO issued and sold senior secured notes worth $10 million and issued 261,954 new shares of common stock to Fortress at $3.817 per share for $1 million. SITO netted approximately $8.2 million after deducting fees and expenses.

The 42-month note bears interest at a rate equal to LIBOR plus 9% per annum. In October 2015, SITO began making monthly principal payments of $333,000 until the note is paid in full. Also, 85% of monetization revenues from the company's patents will be applied to the payment of the note until the note has been paid in full. After the repayment of the note, the revenue participant will be paid up to 50% of the monetization revenues totaling $5 million if paid in full prior to March 31, 2018, or $7.5 million thereafter.

In December 2015, SITO amended its licensing agreement with Zoove Corporation. The amendment provided for a payment of $550,000 to SITO which consisted of $100,000 in exchange for amending the original license agreement and the acceleration of the remaining payments due SITO under the original agreement which total $450,000.

Economic Outlook

In October 2015, the International Monetary Fund (IMF) raised its economic growth estimate for the US to 2.6% in 2015 from 2.5% previously (July 2015), but lowered it to 2.8% in 2016 from 3%. The IMF said that US economic growth in the first half of 2015 was weaker than expected, despite a strong second quarter. This reflected setbacks to activity in the first quarter, notably harsh winter weather and port closures, as well as much lower capital spending in the oil sector. The IMF expects the recovery to continue in the US, supported in part by lower energy prices and an improving housing market.

The third estimate of US GDP growth (released on December 22, 2015) showed the US economy grew at an annual rate of 2% in 3Q15, down from the November 2015 estimate of 2.1%. The 3Q15 US GDP growth estimate primarily reflects a rise in consumer spending. Spending on services also rose. Partly offsetting these contributions to GDP growth was falling inventory investment, mainly in manufacturing and wholesale trade.

Projections

In FY14, the company began to realize revenue from three sources: wireless application revenue (realized since inception), licensing and royalty revenue, and media placement revenue (from the newly launched FollowMe app).

While wireless application revenue increased over 20% in FY13 and 5% in FY14, it dropped 13% in FY15. This was due to the company's largest customer in this segment asking its customers to accept standard rate text messaging pricing over Free to End User messaging. Our wireless applications revenue forecast remains flat with current annual levels of approximately $5.9 million seasonally adjusted for a strong 1Q.

SITO should be able to increase media placement revenue in line with the long-term CAGR growth rate of 26% for the location targeted advertising industry. This rate of growth appears reasonable as many large brands (such as AstraZeneca, Toyota, and Cache) that ran advertising campaigns using SITO's geo-fencing technology increased their advertising budgets when results proved to be at least twice the industry standard. We project SITO's FY16 media placement rate of growth to be higher than the industry's as Canadian partner Cieslok Media's mobile advertising commitment with SITO is for $2.1 million in FY16, up from $800,000 in FY15.

The most recent quarter's (4Q15) media placement revenue of $3 million implies an annual run rate of $12.1 million. We have revised upward our FY16 revenue projections for this segment to $16.6 million (previously $15.1 million) and project this to grow to approximately $20.6 million in FY17 as the company continues to experience increased ad campaign spending.

For FY16 we project revenue of $23.1 million and a net loss of $5.3 million or ($0.31) per share. Previously we projected revenue of $21.3 million revenue and a net loss of $2.2 million or ($0.13) per share. The increased loss on higher revenue is primarily due to a significant increase in SG&A expenses stemming from higher sales expenses (higher by $4.6 million) associated with the media placement segment than previously anticipated.

Gross margins are projected to increase to 62% from 59.8% as high margin media placement revenue comprises a greater percentage of total revenue (72% in FY16 versus 51% in FY15). SG&A expenses are projected to increase to $16.6 million from $11 million primarily due to a full year of expenses associated with the Hipcricket acquisition in 4Q15 and continued media placement investment. Interest expense is projected to increase to $2.2 million from $1.7 million as we project a $2.5 million increase in debt over FY16.

We project SITO will burn $2.9 million cash from operations in FY16 primarily from a cash loss of $3 million. Capital expenditures of $200,000, patent and application costs of $190,000, and capitalized software development costs of $633,000 should necessitate a $2.5 million increase in debt, decreasing cash by $1.4 million to $612,000 at September 30, 2016.

For FY17 we project revenue of $27.4 million and a net loss of $3.5 million or ($0.20) per share. Gross margins are projected to increase to 62.4% from 62% as high margin media placement revenue comprises a greater percentage of total revenue (76% in FY17 versus 72% in FY16). SG&A expenses are projected to increase to $17.2 million from $16.6 million primarily due to continued media placement investment. Interest expense is projected to increase to $2.5 million from $2.1 million as we project a $2 million increase in debt over FY17.

We project SITO will burn $1.1 million cash from operations in FY17 primarily from a cash loss of $ 1.4 million and a $261,000 million decrease in working capital. The decrease in working capital will come primarily from increases in accounts receivable, offset in part by an increase in accounts payable and accrued interest. Capital expenditures of $200,000, patent and application costs of $112,000, and capitalized software development costs of $529,000 should necessitate a $2 million increase in debt, increasing cash by $21,000 to $633,000 at September 30, 2017.

Risks

In our view, these are the principal risks underlying the stock.

Customer concentration – SITO's present and future business depends heavily on a single client (Walmart). The loss of business with this client will have a detrimental effect on SITO's revenue.

Carrier agreement – SITO relies on wireless carriers, primarily AT&T, to market the company's products and services and generate revenue. Should AT&T choose to promote competing products and services, SITO's business could be adversely affected.

Competition – SITO has many competitors, many of whom may have more financial resources than the company. New market entrants are expected and existing competitors are expected to introduce new products and services that compete with Single Touch.

Rapid technological change – It is likely that SITO's industry will be subject to rapid technological changes. The company's competitors may have more resources to react to such changes than Single Touch.

Liquidity risk - Shares of SITO have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 14.4 million shares in the float and the average daily volume is approximately 26,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands $)

	FY13A	FY14A	FY15A	FY16E	FY17E
Cash and cash equivalents	1,147	620	2,004	613	633
Accounts receivable	1,348	2,443	4,265	6,226	7,386
Other prepaid expenses	1,232	234	313	313	313
Total current assets	3,727	3,297	6,582	7,151	8,332
Net property, plant and equipment	239	237	610	651	694
Accounts receivable	-	450	225	225	225
Prepaid consulting - long-term portion	82	-	-	-	-
Capitalized software development costs	343	639	1,404	770	241
Intangible assets	2,067	5,371	9,601	9,081	8,698
Deposit - related party	-	-	-	-	-
Deferred loan costs	-	-	93	93	93
Other assets	65	113	84	84	84
Total assets	**6,523**	**10,107**	**18,599**	**18,055**	**18,367**
Accounts payable	1,352	1,652	2,339	3,226	3,787
Accrued expenses	209	671	809	1,181	1,401
Accrued compensation - related party	73	598	253	253	253
Deferred revenue	-	208	596	596	596
Current obligation under capital lease	16	17	16	16	16
Current obligation under patent acquisitions	-	-	-	-	-
Purchase price payable	-	-	-	-	-
Note payable	-	-	3,575	3,575	3,575
Convertible debentures	3,279	4,291	-	-	-
Total current liabilities	4,929	7,437	7,588	8,847	9,628
Deferred revenue	-	-	-	-	-
Obligation under capital lease	29	13	7	7	7
Long-term debt	-	-	5,690	8,190	10,190
Convertible debentures	441	-	-	-	-
Total liabilities	**5,399**	**7,450**	**13,285**	**17,044**	**19,825**
Total stockholders' equity (deficit)	**1,124**	**2,657**	**5,314**	**1,011**	**(1,458)**
Total liabilities & stockholders' equity	**6,523**	**10,107**	**18,599**	**18,055**	**18,367**

Source: Company filings and Taglich Brothers' estimates

Income Statements for the Fiscal Years Ended
(in thousands $)

	FY13A	FY14A	FY15A	FY16E	FY17E
Wireless applications	7,784	8,196	7,163	5,900	5,900
Licensing and royalties	-	916	552	576	576
Media placement	-	759	8,094	16,600	20,900
Total revenue	7,784	9,871	15,809	23,076	27,376
Cost of revenue	3,329	3,778	6,357	8,769	10,293
Gross profit	4,455	6,093	9,452	14,307	17,083
Asset impairment			831		
SG&A	7,706	9,254	10,955	16,600	17,200
Depreciation and amortization	662	540	419	800	800
Research and development	66	60	48	60	60
Total operating expenses	8,434	9,854	12,253	17,460	18,060
Operating income (loss)	(3,979)	(3,761)	(2,801)	(3,153)	(977)
Interest and other expense	(1,271)	(749)	(1,727)	(2,150)	(2,492)
Income (loss) before taxes	(5,250)	(4,510)	(4,528)	(5,303)	(3,469)
Income tax	-	-	-	-	-
Net Income / (Loss)	(5,250)	(4,510)	(4,528)	(5,303)	(3,469)
EPS	(0.39)	(0.31)	(0.29)	(0.31)	(0.20)
Shares Outstanding	13,330	14,375	15,632	17,155	17,155
Margin Analysis					
Gross margin	57.2%	61.7%	59.8%	62.0%	62.4%
Cost of revenue	42.8%	38.3%	40.2%	38.0%	37.6%
SG&A	99.0%	93.7%	69.3%	71.9%	62.8%
Operating margin	(51.1)%	(38.1)%	(17.7)%	(13.7)%	(3.6)%
Net margin	(67.4)%	(45.7)%	(28.6)%	(23.0)%	(12.7)%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	22.6%	26.8%	60.2%	46.0%	18.6%
Net Income	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY15A - FY17E
(in thousands $)

	12/14A	3/15A	6/15A	9/15A	FY15A	12/15E	3/16E	6/16E	9/16E	FY16E	12/16E	3/17E	6/17E	9/17E	FY17E
Wireless applications	2,425	2,004	1,387	1,347	7,163	1,700	1,400	1,400	1,400	5,900	1,700	1,400	1,400	1,400	5,900
Licensing and royalties	133	135	140	144	552	144	144	144	144	576	144	144	144	144	576
Media placement	1,289	1,628	2,154	3,023	8,094	4,000	4,100	4,200	4,300	16,600	4,650	5,000	5,450	5,800	20,900
Total revenue	3,847	3,767	3,681	4,514	15,809	5,844	5,644	5,744	5,844	23,076	6,494	6,544	6,994	7,344	27,376
Cost of revenue	1,820	1,580	1,445	1,512	6,357	2,221	2,145	2,183	2,221	8,769	2,442	2,461	2,630	2,761	10,293
Gross profit	2,027	2,187	2,236	3,002	9,452	3,623	3,499	3,561	3,623	14,307	4,052	4,083	4,364	4,583	17,083
Asset impairment				831	831										
SG&A	2,071	2,068	2,726	4,090	10,955	4,150	4,150	4,150	4,150	16,600	4,200	4,300	4,300	4,400	17,200
Depreciation and amortization	65	68	77	209	419	200	200	200	200	800	200	200	200	200	800
Research and development	10	9	16	13	48	15	15	15	15	60	15	15	15	15	60
Total operating expenses	2,146	2,145	2,819	5,143	12,253	4,365	4,365	4,365	4,365	17,460	4,415	4,515	4,515	4,615	18,060
Operating income (loss)	(119)	42	(583)	(2,141)	(2,801)	(742)	(866)	(804)	(742)	(3,153)	(363)	(432)	(151)	(32)	(977)
Interest and other expense	(418)	(380)	(454)	(475)	(1,727)	(499)	(592)	(550)	(509)	(2,150)	(592)	(675)	(633)	(592)	(2,492)
Income (loss) before taxes	(537)	(338)	(1,037)	(2,616)	(4,528)	(1,241)	(1,458)	(1,354)	(1,251)	(5,303)	(955)	(1,107)	(784)	(624)	(3,469)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(537)	(338)	(1,037)	(2,616)	(4,528)	(1,241)	(1,458)	(1,354)	(1,251)	(5,303)	(955)	(1,107)	(784)	(624)	(3,469)
EPS	(0.04)	(0.02)	(0.07)	(0.16)	(0.29)	(0.07)	(0.08)	(0.08)	(0.07)	(0.31)	(0.06)	(0.06)	(0.05)	(0.04)	(0.20)
Shares Outstanding	15,326	15,326	15,405	16,423	15,632	17,155	17,155	17,155	17,155	17,155	17,155	17,155	17,155	17,155	17,155
Margin Analysis															
Gross margin	52.7%	58.1%	60.7%	66.5%	59.8%	62.0%	62.0%	62.0%	62.0%	62.0%	62.4%	62.4%	62.4%	62.4%	62.4%
Cost of revenue	47.3%	41.9%	39.3%	33.5%	40.2%	38.0%	38.0%	38.0%	38.0%	38.0%	37.6%	37.6%	37.6%	37.6%	37.6%
SG&A	53.8%	54.9%	74.1%	90.6%	69.3%	71.0%	73.5%	72.2%	71.0%	71.9%	64.7%	65.7%	61.5%	59.9%	62.8%
Operating margin	(3.1)%	1.1%	(15.8)%	(47.4)%	(17.7)%	(12.7)%	(15.3)%	(14.0)%	(12.7)%	(13.7)%	(5.6)%	(6.6)%	(2.2)%	(0.4)%	(3.6)%
Net margin	(14.0)%	(9.0)%	(28.2)%	(58.0)%	(28.6)%	(21.2)%	(25.8)%	(23.6)%	(21.4)%	(23.0)%	(14.7)%	(16.9)%	(11.2)%	(8.5)%	(12.7)%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth															
Total Revenues	32.3%	107.3%	71.7%	50.3%	60.2%	51.9%	49.8%	56.0%	29.5%	46.0%	11.1%	15.9%	21.8%	25.7%	18.6%
Net Income	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF

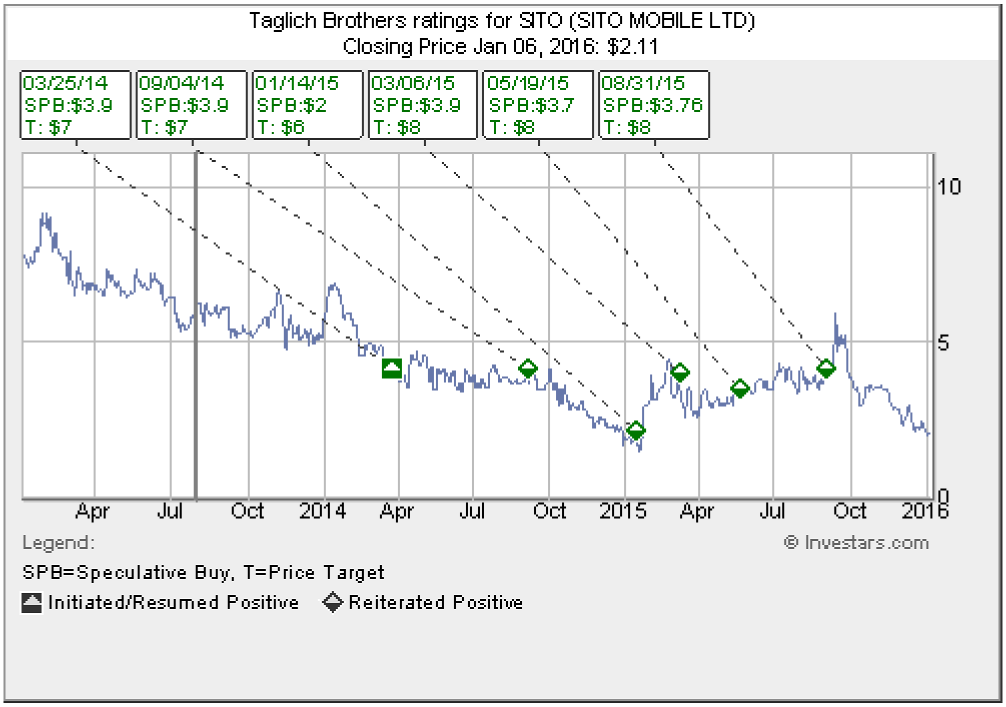
Source: Company filings and Taglich Brothers' estimates

Statement of Cash Flows for the Periods Ended
(in thousands $)

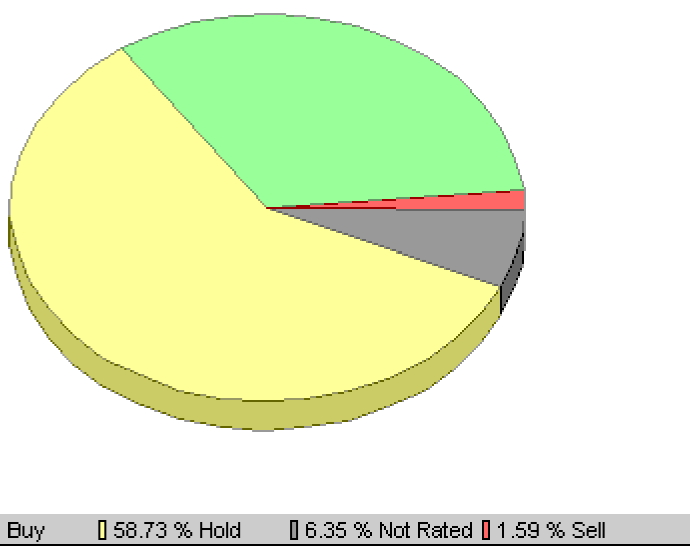
	FY13A	FY14A	FY15A	FY16E	FY17E
Net income (loss)	(5,250)	(4,511)	(4,528)	(5,303)	(3,469)
Depreciation & amortization	1,488	1,106	1,742	1,301	1,070
Stock-based compensation	2,243	2,095	815	1,000	1,000
Write off of capitalized patent application costs	-	299	-	-	-
Bad debts	-	-	246	-	-
Loss on disposition/impairment of assets	-	-	831	-	-
Cash earnings (loss)	(1,519)	(1,011)	(894)	(3,002)	(1,399)
Changes in assets and liabilities					
Accounts receivable	(262)	(1,539)	(1,843)	(1,961)	(1,160)
Prepaid expenses	(21)	(5)	(161)	-	-
Other assets	-	(38)	30	-	-
Accounts payable	584	196	687	887	561
Accrued expenses	9	804	(81)	372	220
Deferred revenue	(25)	378	217	438	350
Accrued interest	182	245	(255)	397	290
(Increase) decrease in working capital	467	41	(1,406)	134	261
Net cash provided by (used in) operations	**(1,052)**	**(970)**	**(2,300)**	**(2,868)**	**(1,138)**
Option paid to related party regarding Soapbox Mobil	-	-	-	-	-
Investment in certificate of deposit	-	-	-	-	-
Redemption of certificate of deposits	19	-	-	-	-
Patents and patent application costs	(101)	(336)	(438)	(190)	(112)
Purchase of property and equipment	(46)	(72)	(495)	(200)	(200)
Capitalized software development costs	(400)	(452)	(1,445)	(633)	(529)
Note receivable - discontinued operations	-	10	-	-	-
Acquisitions	-	(390)	(1,300)	-	-
Payment on settlement regarding Anywhere software license	(600)	-	-	-	-
Net cash provided by (used in) investing	**(1,128)**	**(1,240)**	**(3,678)**	**(1,023)**	**(841)**
Proceeds from issuance of common stock	824	1,901	2,959	-	-
Purchase of company's common stock	-	(202)	-	-	-
Stock issuance costs	-	-	(75)	-	-
Proceeds (principal payments) from issuance of debt	688	-	8,206	2,500	2,000
Loan advances received from related parties	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-
Principal reduction on obligation under capital lease	(7)	(16)	(20)	-	-
Principal reduction on convertible debt	(200)	-	(3,708)	-	-
Expenditures relating to private offerings	(48)	-	-	-	-
Principal reduction on obligation on patent purchases	(88)	-	-	-	-
Net cash provided by (used in) financing	**1,169**	**1,683**	**7,362**	**2,500**	**2,000**
Net change in cash	**(1,011)**	**(527)**	**1,384**	**(1,391)**	**21**
Cash - beginning of period	**2,158**	**1,147**	**620**	**2,004**	**613**
Cash - end of period	**1,147**	**620**	**2,004**	**613**	**633**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	**2**	**8**
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, Michael Taglich, President of Taglich Brothers, Inc. owns or has a controlling interest in 19,690 share of SITO common stock. Robert Taglich, Managing Director of Taglich Brothers, Inc. owns or has a controlling interest in 31,137 shares of SITO common stock. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 4,500 shares of SITO common stock. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 8,780 shares of SITO common stock. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 3,000 shares of SITO common stock. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 5,950 shares of SITO common stock. Taglich Brothers, Inc. had an investment banking relationship with the company mentioned in this report. In September 2012 and October 2012, Taglich Brothers Inc. served as the exclusive placement agent in private placements of SITO convertible debt and warrants.

All research issued by Taglich Brothers, Inc. is based on public information. SITO Mobile Ltd. is not paying Taglich Brothers, Inc. for the creation and dissemination of research reports.

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

AT&T (NYSE: T)
Mobivity (OTC: MFON)
Voltari (NASDAQ: VLTC)
Walmart (NYSE: WMT)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Dropping Coverage – Research coverage discontinued due to the acquisition of the company, termination of research services, non-payment for such services, diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.