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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
March 6, 2015

SITO $0.39 — (OTC BB)

	2013A	2014A	2015E	2016E
Revenues (millions)	$7.8	$9.9	$15.3	$17.8
Earnings (loss) per share	($0.04)	($0.03)	($0.02)	($0.01)

52-Week range	$0.54 – $0.15	Fiscal year ends:	September
Common shares out as of February 3, 2015	153.7 million	Revenue per share (TTM)	$0.07
Approximate float	114.4 million	Price/Sales (TTM)	5.6X
Market capitalization	$60 million	Price/Sales (FY2016)E	3.3X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2015)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 and raising twelve-month price target to $0.80 per share ($0.60 previously) due to an increase in our sales projections.

In September 2014, the advertising research and advisory firm BIA/Kelsey projected 2019 location targeted mobile ad revenues of $17.9 billion, a compound annual growth rate of approximately 33%.

We believe the company should be able to grow media placement revenue in line with the industry rate of 33% as many large brands (such as Samsung, AstraZeneca, Toyota, and Coca-Cola) that started working with SITO on a pilot basis convert to full advertising campaigns. We have revised upward our FY15 revenue projections for this segment to $6.1 million on 609 million impressions. We project this to grow to approximately $8.1 million on 810 million impressions in FY16.

In January 2015, SITO announced it entered into an agreement with mobile marketing and advertising firm Hipcricket Inc. in which SITO will acquire (anticipated by the end of March) substantially all of Hipcricket's assets for $4.5 million in cash.

For FY15 we project revenue of $15.3 million, up from $12.2 million revenue previously. Our loss projection remains unchanged at ($0.02) per share. For FY16 we project revenue of $17.8 million and a loss of ($0.01) per share, up from $13.8 million revenue and a loss of ($0.02) per share previously. The change in our projections stems from increased expectations for media placement revenue.

1Q15 revenue (10-Q released 2/3/15) increased 32% to $3.8 million. The company reported a net loss of $536,000 or ($0.00) per share compared to a loss of $1.1 million or ($0.01) per share in 1Q14. We projected 1Q15 revenue of $3.1 million and a net loss of $745,000 or ($0.00) 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) and raising our **twelve-month price target to $0.80 per share ($0.60 previously)** due an increase in our sales projections.

Shares of SITO currently trade at 6X TTM sales, up from 3X when our prior report was released (on 1/14/15). A comparison group of eight companies with market capitalizations of $100 million or less in the business software & services industry currently trade at an average P/S multiple of 3X. We believe the increase in SITO's multiple is a reflection of recent sales growth (up 32% in 1Q15). With continued growth momentum, we believe the market should value SITO at 7X (the level before end of year tax loss selling) our discounted FY16 sales estimate of $0.11 per share, or approximately $0.80 per share.

Recent Development

SITO Mobile Seeks to Acquire Hipcricket – In January 2015, the company announced it entered into an asset purchase agreement with mobile marketing and advertising firm Hipcricket Inc. Under the agreement, SITO will acquire (anticipated by the end of March) substantially all of Hipcricket's assets for $4.5 million in cash.

SITO Mobile will offer employment to all of Hipcricket's employees and intends to continue providing services and support to existing Hipcricket customers. Hipcricket's chairman and CEO Todd Wilson intends to join SITO Mobile during the transition for a period of six to twelve months.

Hipcricket reported revenues of $26.7 million for the fiscal year ended February 28, 2014. On January 20, 2015, Hipcricket filed for relief under Chapter 11 of the US bankruptcy code. The transaction is subject to an auction process (stalking-horse bid) in which other interested parties will have an opportunity to submit bids with the final highest or best bid requiring court approval.

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.

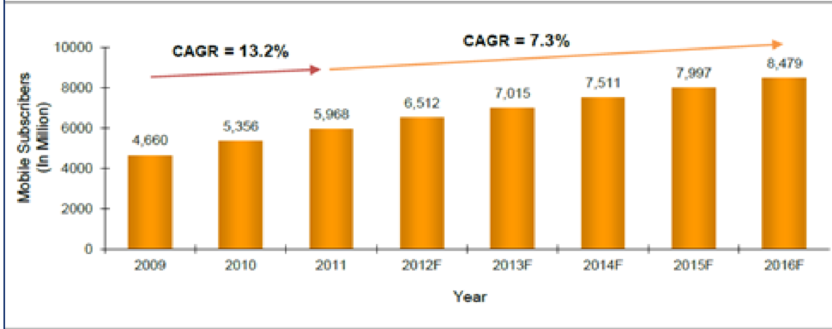
Location Based Advertising – FollowMe® is SITO's location-based mobile ad targeting software application (app). FollowMe enables advertisers to deliver targeted ads to the smartphones of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing ad when customer enters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

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 FY14, 83% of SITO's revenue was generated from contracts with eight 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 79% of the company's revenue in FY14 came from notifications sent for a single client (Walmart).

Mobile Industry Market and Forecast

Figure 1: Mobile Subscribers – Worldwide (In Million, End 2009 – End 2016F)

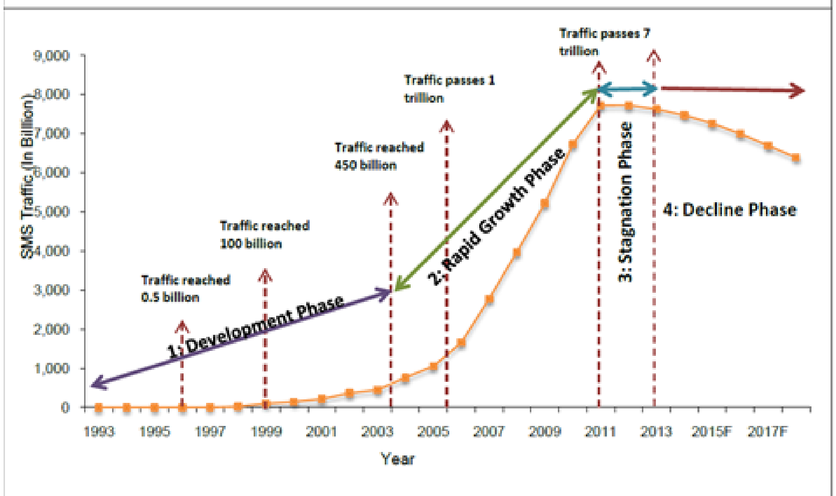


Source: Portio Research Ltd.

F – Forecasted

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.

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



Source: Portio Research Ltd.

F – Forecasted

The worldwide mobile market has grown significantly over the past few years. According to the mobile industry research firm Portio Research, the overall mobile industry (includes mobile phones, smartphones, tablet computers) should continue growing over the next three years. In its Mobile Factbook 2013 (latest available), Portio Research projects the mobile subscriber base to grow at a compound annual growth rate (CAGR) of 7.3% from 2012 to 2016 reaching 8.5 billion by the end of 2016 (see chart above right). However, Portio Research said 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. Although text messaging traffic has been in a decline since 2012, SITO's messaging revenue has grown at an average annual growth rate of approximately 14% over the past two years.

Mobile ad spending should underlie strong growth for SITO. The latest projection (July 2014) by eMarketer was for US mobile advertising spending to reach $26.59 billion in 2015, up 50% from $17.73 billion in 2014. For 2016, eMarketer projects spending to further increase by approximately 41% to $37.49 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 have peaked in 2013 (see table at right).

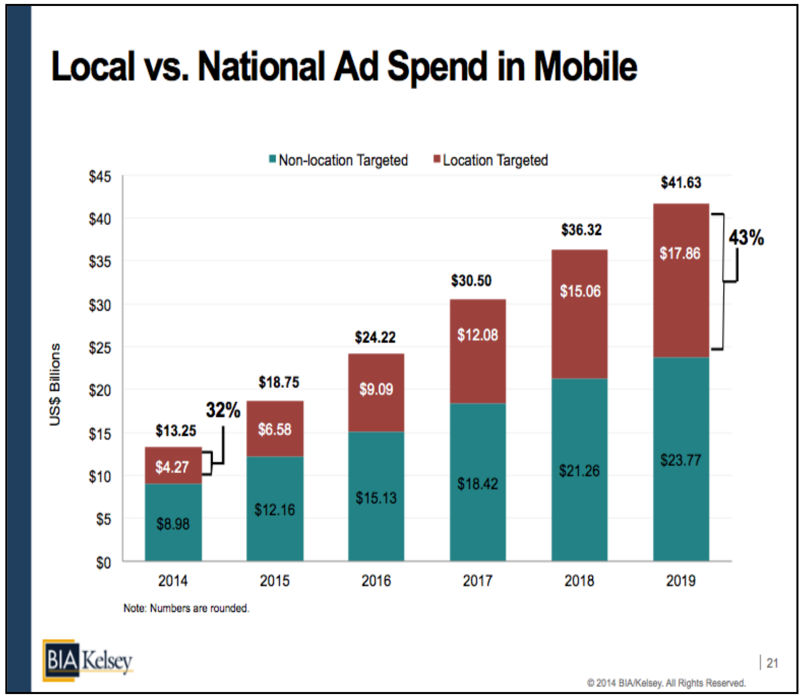
US Digital Ad Spending, by Channel, 2012-2018
billions and % change

	2012	2013	2014	2015	2016	2017	2018
Desktop*	**$32.43**	**$33.40**	**$32.99**	**$32.01**	**$29.00**	**$26.68**	**$23.90**
—% change	6.6%	3.0%	-1.2%	-3.0%	-9.4%	-8.0%	-10.4%
Mobile**	**$4.36**	**$9.69**	**$17.73**	**$26.59**	**$37.49**	**$47.43**	**$58.33**
—% change	178.3%	122.0%	83.0%	50.0%	41.0%	26.5%	23.0%
Total	**$36.80**	**$43.08**	**$50.71**	**$58.60**	**$66.49**	**$74.11**	**$82.24**
—% change	15.0%	17.1%	17.7%	15.6%	13.5%	11.5%	11.0%

*Note: *includes spending primarily on desktop- and laptop-based ads; **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, June 2014

174313 www.eMarketer.com

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 September 2014, the advertising research and advisory firm BIA/Kelsey projected location targeted mobile ad revenues to grow more than four fold over the next five years, reaching $17.9 billion by 2019 (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 33% from 2014 to 2019. A key factor driving this rate of growth include 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, Hipcricket, Inc. (which SITO is currently bidding for), 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	YoY Change
Voltari	$13.0M (9/14)	NMF
Hipcricket	$26.5M (11/14)	-3%
Mobivity	$4.0M (9/14)	-5%
Single Touch	$10.8M (12/14)	24%

Source: Company filings

Hipcricket, Inc. provides mobile marketing and advertising technology and services. Hipcricket offers AD LIFE, an interactive software-as-a-service platform to provide clients a suite of mobile marketing and advertising solutions.

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 in targeted advertising lies in its ability to drive foot traffic into retail stores. As an example, in a February 2015 presentation, SITO reported that retail store Cache was able to increase foot traffic into its retail stores by up to 0.4% and increase basket size by up to 0.7% using SITO's targeted mobile ad technology, 2X the industry standard according to the company. This was accomplished by establishing geo-fences around Cache locations with ads delivered to women actively shopping or within one mile of a Cache location.

SITO is the only company in the US that offers a nationwide suite of voice and SMS services across all US carriers on a Free to End User (FTEU) basis, a significant competitive advantage. There are a few competitors that offer SMS services on a FTEU basis nationwide, however, they do not offer voice services. FTEU messaging allows end users to receive messages and content without being charged by their mobile carrier. By offering value added services (such as copywriting and strategic mobile advice) at no cost to their customers, SITO's clients enhance their consumer relationships.

1Q15 Financial Results

1Q15 – Total revenue increased 32% to \$3.8 million. SITO lost \$536,000 or (\$0.00) per share compared to a loss of \$1.1 million or (\$0.01) per share in 1Q14. We projected 1Q15 revenue of \$3.1 million and a net loss of \$745,000 or (\$0.00) per share.

Wireless application revenue was up 13% at \$2.4 million, licensing and royalty revenue was \$134,000 versus one-time licensing revenue of \$750,000 from Zoove Corporation in 1Q14, and media placement revenue was \$1.3 million versus \$10,000 in 1Q14 (the first quarter to realize media placement revenue).

Gross margins fell to 55.9% from 70.1% as licensing and royalty revenues (which have no underlying costs) made up a smaller percentage of total revenue (4% in 1Q15 versus 26% in 1Q14) due to the absence of revenue from Zoove Corporation. Excluding licensing and royalties revenue, gross margins fell to 54% from 60% due to a greater percentage of total revenue generated from lower margin media placements (33.5% in 1Q15 versus 0.3% in 1Q14). SITO's media placement business generated a 47% gross margin in 1Q15 while wireless applications generated a 58% gross margin.

SG&A expenses fell to \$2.1 million from \$2.7 million. General and administrative expenses, excluding stock-based compensation, decreased to \$1.2 million from \$1.7 million due primarily to the absence of \$423,000 in one-time compensation expense associated with the termination of a former executive chairman in 1Q14. Total stock-based compensation decreased to \$181,000 from \$842,000. Sales and marketing expenses, excluding stock-based compensation increased to \$692,000 from \$228,000 due primarily to increased spending in SITO's media placement business that was launched in 1Q14 and expanded on following the acquisition of DoubleVision in July 2014.

Research and development expense decreased to \$10,000 from \$24,000. Interest expense increased to \$417,000 from \$193,000 due primarily to increased debt levels.

Liquidity

As of December 31, 2014, the company had \$5.5 million cash, a current ratio of 1.5X versus 2X for comparable size companies (market capitalizations of \$100 million or less) in the software industry, and a debt/equity ratio of 2.4X versus 1.3X for the industry. By our forecasts, the company should have sufficient capital to meets its operational needs through the end of our forecast period.

Cash used in operations in the first three months of FY15 was $237,000 consisting of a cash loss of $23,000 and a $214,000 increase in working capital. The increases in working capital consisted primarily of an increase in accounts receivable and a decrease in accrued interest, offset in part by an increase in accounts payable and deferred revenue. Cash used in investing of $388,000 million consisted primarily of $247,000 of capitalized software development costs and $119,000 in patent related expenditures. Cash provided by financing of $5.5 million consisted primarily of proceeds from the issuance of common stock offset in part by a principal reduction in convertible debt. Cash increased by $4.9 million to $5.5 million at December 31, 2014.

During 1Q15, 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 2,619,539 new shares of common stock to Fortress at $0.3817 per share for $1 million. SITO netted approximately $9.2 million after deducting original issue discount of 10% on the notes and a structuring fee.

The 42-month note bears interest at a rate equal to LIBOR plus 9% per annum. 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.

With the proceeds from this financing, SITO repaid all outstanding convertible notes in the aggregate principal amount of $3.7 million and accrued interest, which eliminated the potential issuance of approximately 7.8 million common shares of the company's stock upon conversion of the convertible notes.

Economic Outlook

In January 2015, the International Monetary Fund (IMF) lowered its global economic growth forecast to 3.5% in 2015 and 3.7% in 2016, down from an earlier (October 2014) growth forecast of 3.8% in 2015 and 4% in 2016. The downward revision reflects the impact lower oil prices will have on investment in the oil sector and a reassessment of prospects in China, Russia, the euro area, and Japan as well as weaker activity in some major oil exporters because of the sharp drop in oil prices.

The IMF's economic growth estimate for the US was revised upward to 3.6% in 2015 and 3.3% in 2016, up from 3.1% in 2015 (October 2014) and 3% in 2016. The IMF said that US growth should be driven by domestic demand supported by low oil prices. Subsequent to the IMF's economic growth estimates was the release (on February 27, 2015) of the US GDP second estimate which showed the US economy grew at an annual rate of 2.2% in 4Q14. For all of 2014, the US economy grew at a rate of 2.4%, in line with the latest figures from the IMF.

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, its growth tapered to 5% in FY14. However, increased investment in the direct sales force helped to grow wireless application revenue by 13% in 1Q15. We have increased our 2015 growth forecast in wireless application revenue to 6% (previously 3%) to reflect 1Q15 results and the increased sales force investment.

Although SITO's media placement revenue has more than doubled sequentially since inception a year ago, we do not believe that rate of growth sustainable as it is off a relatively small base. However, we believe the company should be able to grow media placement revenue in line with the long-term CAGR growth rate of 33% for the location targeted advertising industry. We feel this rate of growth is reasonable as we believe the many large brands (such as Samsung, AstraZeneca, Toyota, and Coca-Cola) that started working with SITO on a pilot basis should convert to full advertising campaigns. Our belief is based on the fact that a majority of SITO's pilots have resulted in the conversion to full advertising campaigns, and in fact, as of the date of this report, some of these large-brand pilot programs have already converted to full advertising campaigns.

The most recent quarter's (1Q15) media placement revenue was $1.3 million, an implied run rate of $5.2 million on 520 million media impressions @ an average of $0.01 per impression (we are using a rate of $0.01 per impression as SITO typically makes between $0.008 and $0.012 per impression). We have revised upward our FY15 revenue projections for this segment to $6.1 million on 609 million impressions (previously $3.4 million on 340 million impressions). We project this to grow to approximately $8.1 million on 810 million impressions in FY16 as a majority of SITO's pilots convert to full advertising campaigns.

For FY15 we project revenue of $15.3 million and a net loss of $2.9 million or ($0.02) per share, up from $12.2 million revenue and a loss of $3 million or ($0.02) per share previously. The change in our projections stem primarily from increased expectations for media placement revenue.

We project gross margins declining to 55.1% from 63.6% as media placement revenue with its lower gross margins comprises a greater percentage of total revenue (40% in FY15 versus 8% in FY14). SG&A expenses should decrease to $8.9 million from $9.3 million due primarily to the absence of $1 million in termination charges that were exhibited in FY14.

We project SITO will generate $264,000 cash from operations in FY15 primarily from a cash loss of $800,000 and a $1.1 million decrease in working capital. The decrease in working capital will come primarily from increases in accounts payable and accrued expenses, offset in part by an increase in accounts receivable. Capital expenditures of $100,000, patent and application costs of $476,000, and capitalized software development costs of $452,000 should result in $1 million cash used in investing. Cash from financing should consist of $9.2 net proceeds from the issuance of debt and common stock offset in part by a $3.7 million principal reduction on convertible debt. Cash should increase by $4.7 million to $5.3 million at September 30, 2015.

For FY16 we project revenue of $17.8 million and a net loss of $2 million or ($0.01) per share, up from $13.8 million revenue and a loss of $2.7 million or ($0.02) per share previously. The change in our projections stems primarily from increased expectations for media placement revenue.

Gross margins are projected to decline to 54.3% from 55.1% as media placement revenue with its lower gross margins comprises a greater percentage of total revenue (46% in FY16 versus 40% in FY15). SG&A expenses are projected to increase to $9.4 million from $8.9 million primarily due to increased media placement investment.

We project SITO will burn $35,000 cash used in operations in FY16 from a cash loss of $151,000 and a $117,000 decrease in working capital. The decrease in working capital will come primarily from increases in accounts payable and accrued expenses, offset in part by an increase in accounts receivable. Capital expenditures of $100,000, patent and application costs of $476,000, and capitalized software development costs of $452,000 should result in $1 million cash used in investing. Cash used in financing should consist of $1 million for the repayment of debt. Cash should decrease by $2.1 million to $3.3 million at September 30, 2016.

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 another vendor's products and services over SITO's, the company's current and future business could be negatively impacted.

History of operating losses – SITO has a history of losses since its inception in 2000 and has not achieved profitability on an annual basis. If revenues grow slower than anticipated, or if operating expenses exceed expectations, the company may not be able to achieve profitability in the near future or at all.

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 114.4 million shares in the float and the average daily volume is approximately 258,000 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 $)

	FY12A	FY13A	FY14A	12/14A	FY15E	FY16E
Cash and cash equivalents	2,158	1,147	620	5,489	5,349	3,287
Accounts receivable	1,086	1,348	2,443	3,389	3,798	4,401
Prepaid consulting	-	1,082	82	-	-	-
Other prepaid expenses	129	150	152	85	85	85
Total current assets	3,373	3,727	3,297	8,963	9,233	7,773
Net property, plant and equipment	229	239	237	244	240	242
Accounts receivable	-	-	450	225	225	225
Prepaid consulting - long-term portion	-	82	-	-	-	-
Capitalized software development costs	383	343	639	763	446	205
Intangible assets	1,346	2,067	5,371	6,448	6,283	6,125
Deposit - related party	155	-	-	-	-	-
Deferred loan costs	-	-	-	133	133	133
Other assets	84	65	113	159	159	159
Total assets	**5,570**	**6,523**	**10,107**	**16,935**	**16,719**	**14,862**
Accounts payable	768	1,352	1,652	2,390	3,169	3,743
Accrued expenses	200	209	671	547	1,043	1,209
Accrued compensation - related party	73	73	598	438	438	438
Deferred revenue	-	-	208	752	323	375
Current obligation under capital lease	-	16	17	20	20	20
Current obligation under patent acquisitions	88	-	-	-	-	-
Purchase price payable	-	-	-	1,000	1,000	-
Note payable	-	-	-	1,000	1,000	1,000
Convertible debentures	294	3,279	4,291	-	-	-
Total current liabilities	1,423	4,929	7,437	6,147	6,993	6,785
Deferred revenue	25	-	-	-	-	-
Obligation under capital lease	-	29	13	18	18	18
Long-term debt	-	-	-	7,556	7,556	6,556
Convertible debentures	3,213	441	-	-	-	-
Total liabilities	**4,661**	**5,399**	**7,450**	**13,721**	**14,567**	**13,359**
Total stockholders' equity	**909**	**1,124**	**2,657**	**3,214**	**2,151**	**1,503**
Total liabilities & stockholders' equity	**5,570**	**6,523**	**10,107**	**16,935**	**16,719**	**14,862**

Source: Company filings and Taglich Brothers' estimates

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

	FY12A	FY13A	FY14A	FY15E	FY16E
Wireless applications	6,347	7,784	8,196	8,725	9,150
Licensing and royalties	-	-	916	532	532
Media placement	-	-	759	6,089	8,100
Total revenue	6,347	7,784	9,871	15,346	17,782
Cost of revenue	2,907	3,329	3,590	6,887	8,134
Gross profit	3,440	4,455	6,281	8,459	9,648
SG&A	5,431	7,706	9,254	8,871	9,400
Depreciation and amortization	690	662	729	756	756
Research and development	85	66	59	70	100
Total operating expenses	6,206	8,434	10,042	9,697	10,256
Operating income (loss)	(2,766)	(3,979)	(3,761)	(1,238)	(608)
Interest and other expense	(488)	(1,271)	(749)	(1,668)	(1,440)
Income (loss) before taxes	(3,254)	(5,250)	(4,510)	(2,906)	(2,048)
Income tax	(1)	-	-	-	-
Net Income / (Loss)	(3,255)	(5,250)	(4,510)	(2,906)	(2,048)
EPS	(0.02)	(0.04)	(0.03)	(0.02)	(0.01)
Shares Outstanding	131,193	133,296	143,750	153,591	153,700
Margin Analysis					
Gross margin	54.2%	57.2%	63.6%	55.1%	54.3%
Cost of revenue	45.8%	42.8%	36.4%	44.9%	45.7%
SG&A	85.6%	99.0%	93.7%	57.8%	52.9%
Operating margin	(43.6)%	(51.1)%	(38.1)%	(8.1)%	(3.4)%
Net margin	(51.3)%	(67.4)%	(45.7)%	(18.9)%	(11.5)%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	38.6%	22.6%	26.8%	55.5%	15.9%
Net Income	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY14A - FY16E
(in thousands $)

	12/13A	3/14A	6/14A	9/14A	FY14A	12/14A	3/15E	6/15E	9/15E	FY15E	12/15E	3/16E	6/16E	9/16E	FY16E
Wireless applications	2,147	1,757	1,940	2,352	8,196	2,425	1,850	2,050	2,400	8,725	2,550	1,950	2,150	2,500	9,150
Licensing and royalties	750	-	72	94	916	133	133	133	133	532	133	133	133	133	532
Media placement	10	60	132	557	759	1,289	1,450	1,600	1,750	6,089	1,875	1,975	2,075	2,175	8,100
Total revenue	2,907	1,817	2,144	3,003	9,871	3,847	3,433	3,783	4,283	15,346	4,558	4,058	4,358	4,808	17,782
Cost of revenue	868	768	818	1,136	3,590	1,696	1,545	1,710	1,936	6,887	2,069	1,863	2,000	2,202	8,134
Gross profit	2,039	1,049	1,326	1,867	6,281	2,151	1,888	2,073	2,347	8,459	2,489	2,195	2,358	2,606	9,648
SG&A	2,724	1,804	1,728	2,998	9,254	2,071	2,200	2,300	2,300	8,871	2,350	2,350	2,350	2,350	9,400
Depreciation and amortization	150	152	152	275	729	189	189	189	189	756	189	189	189	189	756
Research and development	24	11	13	11	59	10	20	20	20	70	25	25	25	25	100
Total operating expenses	2,898	1,967	1,893	3,284	10,042	2,270	2,409	2,509	2,509	9,697	2,564	2,564	2,564	2,564	10,256
Operating income (loss)	(859)	(918)	(567)	(1,417)	(3,761)	(119)	(521)	(436)	(162)	(1,238)	(75)	(369)	(206)	42	(608)
Interest and other expense	(193)	(191)	(185)	(180)	(749)	(417)	(417)	(417)	(417)	(1,668)	(360)	(360)	(360)	(360)	(1,440)
Income (loss) before taxes	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(536)	(938)	(853)	(579)	(2,906)	(435)	(729)	(566)	(318)	(2,048)
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(536)	(938)	(853)	(579)	(2,906)	(435)	(729)	(566)	(318)	(2,048)
EPS	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.00)	(0.01)	(0.01)	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Shares Outstanding	140,816	142,706	142,729	148,642	143,750	153,263	153,700	153,700	153,700	153,591	153,700	153,700	153,700	153,700	153,700
Margin Analysis															
Gross margin	70.1%	57.7%	61.8%	62.2%	63.6%	55.9%	55.0%	54.8%	54.8%	55.1%	54.6%	54.1%	54.1%	54.2%	54.3%
Cost of revenue	29.9%	42.3%	38.2%	37.8%	36.4%	44.1%	45.0%	45.2%	45.2%	44.9%	45.4%	45.9%	45.9%	45.8%	45.7%
SG&A	93.7%	99.3%	80.6%	99.8%	93.7%	53.8%	64.1%	60.8%	53.7%	57.8%	51.6%	57.9%	53.9%	48.9%	52.9%
Operating margin	(29.5)%	(50.5)%	(26.4)%	(47.2)%	(38.1)%	(3.1)%	(15.2)%	(11.5)%	(3.8)%	(8.1)%	(1.7)%	(9.1)%	(4.7)%	0.9%	(3.4)%
Net margin	(36.2)%	(61.0)%	(35.1)%	(53.2)%	(45.7)%	(13.9)%	(27.3)%	(22.5)%	(13.5)%	(18.9)%	(9.6)%	(18.0)%	(13.0)%	(6.6)%	(11.5)%
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	49.3%	0.4%	11.4%	42.7%	26.8%	32.3%	88.9%	76.4%	42.6%	55.5%	18.5%	18.2%	15.2%	12.3%	15.9%
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

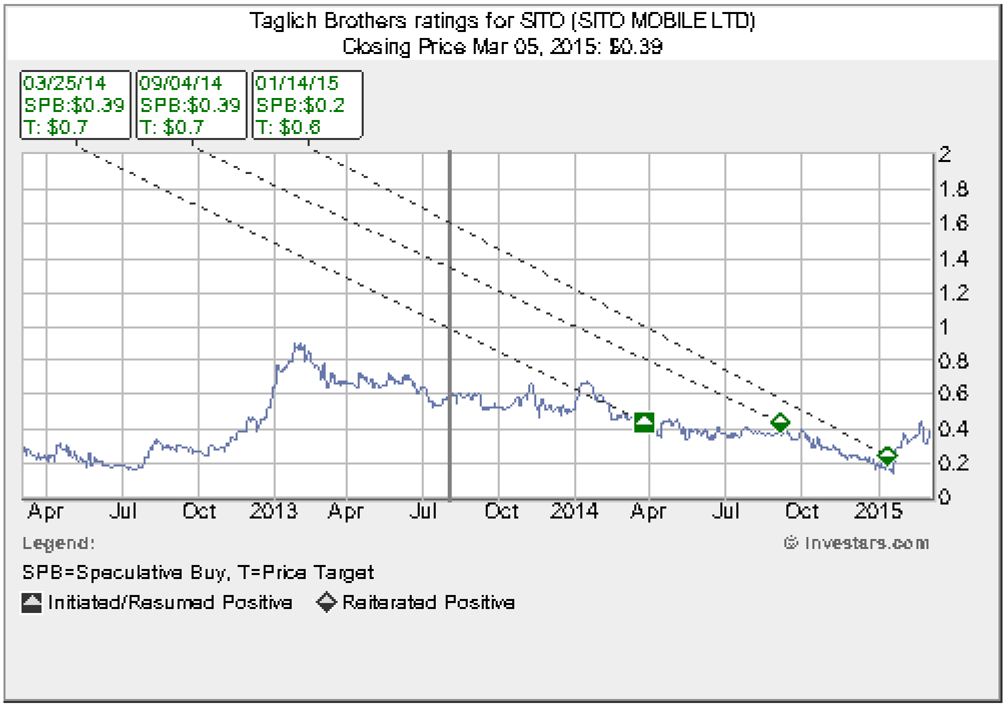
Source: Company filings and Taglich Brothers' estimates

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

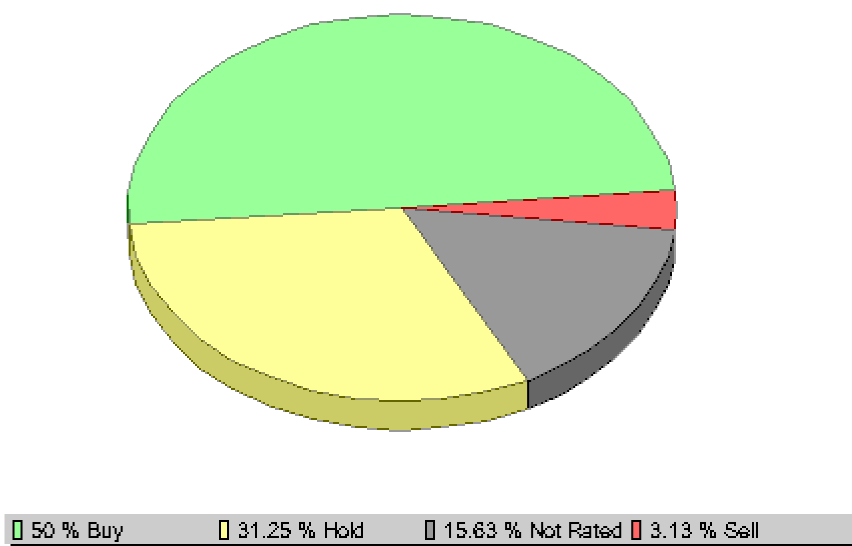
	FY12A	FY13A	FY14A	1Q15A	FY15E	FY16E
Net income (loss)	(3,255)	(5,250)	(4,511)	(536)	(2,906)	(2,048)
Depreciation & amortization	1,001	1,488	1,106	329	703	497
Stock-based compensation	503	2,243	2,095	181	1,400	1,400
Write off of capitalized patent application costs	-	-	299	-	-	-
Bad debts	18	-	-	-	-	-
Loss on disposition of assets	-	-	-	3	3	-
Cash earnings (loss)	(1,733)	(1,519)	(1,011)	(23)	(800)	(151)
Changes in assets and liabilities						
Accounts receivable	(197)	(262)	(1,539)	(716)	(1,355)	(603)
Prepaid expenses	8	(21)	(5)	67	67	-
Other assets	(4)	-	(38)	(51)	(51)	-
Accounts payable	(410)	584	196	738	1,517	574
Accrued expenses	61	9	804	(120)	372	166
Deferred revenue	25	(25)	378	374	320	228
Accrued interest	166	182	245	(506)	194	(248)
(Increase) decrease in working capital	(351)	467	41	(214)	1,064	117
Net cash provided by (used in) operations	**(2,084)**	**(1,052)**	**(970)**	**(237)**	**264**	**(35)**
Option paid to related party regarding Soapbox Mobil	-	-	-	-	-	-
Investment in certificate of deposit	-	-	-	-	-	-
Redemption of certificate of deposits	19	19	-	-	-	-
Patents and patent application costs	(147)	(101)	(336)	(119)	(476)	(476)
Purchase of property and equipment	(33)	(46)	(72)	(22)	(100)	(100)
Capitalized software development costs	(435)	(400)	(452)	(247)	(452)	(452)
Note receivable - discontinued operations			10	-		
Acquisition of subsidiary - net	-	-	(390)	-	-	-
Payment on settlement regarding Anywhere software license	(30)	(600)	-	-	-	-
Net cash provided by (used in) investing	**(626)**	**(1,128)**	**(1,240)**	**(388)**	**(1,028)**	**(1,028)**
Proceeds from issuance of common stock	318	824	1,901	1,000	1,000	-
Purchase of company's common stock	-	-	(202)	-	-	-
Proceeds (principal payments) from issuance of debt	4,312	688	-	8,206	8,206	(1,000)
Loan advances received from related parties	-	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-	-
Principal reduction on obligation under capital lease	-	(7)	(16)	(5)	(5)	-
Principal reduction on convertible debt	-	(200)	-	(3,708)	(3,708)	-
Expenditures relating to private offerings	(210)	(48)	-	-	-	-
Principal reduction on obligation on patent purchases	(76)	(88)	-	-	-	-
Net cash provided by (used in) financing	**4,344**	**1,169**	**1,683**	**5,493**	**5,493**	**(1,000)**
Net change in cash	**1,634**	**(1,011)**	**(527)**	**4,868**	**4,729**	**(2,063)**
Cash - beginning of period	**524**	**2,158**	**1,147**	**620**	**620**	**5,349**
Cash - end of period	**2,158**	**1,147**	**620**	**5,488**	**5,349**	**3,287**

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**	**7**
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 359,100 SITO warrants. Robert Taglich, Managing Director of Taglich Brothers, Inc. owns or has a controlling interest in 115,500 shares of SITO common stock and 359,100 SITO warrants. Doug Hailey, Director of Investment Banking at Taglich Brothers, Inc., owns or has a controlling interest in 45,000 SITO warrants. Robert Schroeder, Vice President of Investment Banking at Taglich Brothers, Inc. owns or has a controlling interest in 137,800 SITO warrants. Richard Oh, Managing Director of Taglich Brothers, Inc., owns or has a controlling interest in 30,000 SITO warrants. Other employees at Taglich Brothers, Inc. also own or have controlling interests in 70,000 SITO warrants. 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)
Hipcricket (OTC: HIPP)
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.