Research Report – Update

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

SITO Mobile Ltd.

Speculative Buy

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March 15, 2016

SITO $2.45 — (NASDAQ)

	2014A	2015A	2016E	2017E
Revenues (millions)	$9.9	$15.8	$27.8	$33.2
Earnings (loss) per share	($0.31)	($0.29)	($0.11)	$0.01

52-Week range	$6.15 – $1.55	Fiscal year ends:	September
Common shares out as of February 9, 2015	17.2 million	Revenue per share (TTM)	$1.19
Approximate float	12.3 million	Price/Sales (TTM)	2.1X
Market capitalization	$42 million	Price/Sales (FY2017)E	1.4X
Tangible book value/share	NMF	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2017)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 maintaining twelve-month price target of $6.00 per share.

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 in FY16 due primarily to the acquisition of Hipcricket in 4Q15. SITO's Canadian partner, Cieslok Media, increased its mobile advertising commitment with SITO to $2.1 million in FY16, up from $800,000 in FY15.

In 1Q16, SITO's customer base grew by 45% and customers spent an average of 25% more per advertising campaign. Growing customer acceptance of SITO's mobile ad technology should help SITO increase sales.

We have raised our FY16 revenue projection for SITO's media placement segment to $21.4 million, a figure that should grow to approximately $27 million in FY17 as ad spending from new and established clients increases.

We project FY16 revenue of $27.8 million and a loss of ($0.11) per share, up from previous projections of $23.1 million revenue and a loss of ($0.31) per share. For FY17, we project revenue of $33.2 million and EPS of $0.01, up from previous projections of $27.4 million revenue and a loss of ($0.20) per share. The change in our projections primarily reflects an increase in our media placement revenue forecast.

1Q16 revenue (10-Q released 2/9/16) increased 87% to $7.2 million. The company reported a loss of ($0.02) per share compared to a loss of ($0.03) per share in 1Q15. We projected 1Q16 revenue of $5.8 million and loss of ($0.07) per share. Media placement revenue surpassed our expectations by approximately $1.3 million.

****Please view our disclosures on pages 12 - 14.***

Recommendation and Valuation

We are reiterating our **Speculative Buy** rating on shares of SITO Mobile Ltd. (SITO) and maintaining our **twelve-month price target of $6.00 per share.**

Shares of SITO currently trade at 2.1X TTM sales, down from a high of 9.4X in September 2015, but up from a low of 1.4X in January 2016. Strong growth in media placement sales and projected FY17 profitability should increase SITO's valuation to 4X sales. Applying a multiple of 4X to our FY17 sales estimate of $1.70 per share, discounted to account for execution risk, we obtain a year-ahead value of approximately $6.00 per share.

Recent Developments

<u>*SITO Elect Launched*</u> – In February 2016, SITO Mobile announced the launch of its new political product, SITO Elect.

SITO Elect enables a campaign to target voters on their mobile devices through location-based targeting, reaching Republican and Democrat households in key voter segments or "turfs". Driven by 1st and 3rd party data, voters are targeted at specific locations, receiving ads that are customized based on their location and demographic profile.

Throughout the 2016 elections, SITO Elect will be utilized for political party marketing outreach, recruiting campaign volunteers and election day "get out and vote" campaigns in neighborhoods exhibiting lower voter turnout rates.

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.

<u>*Location Based Advertising*</u> – SITO's location-based mobile ad targeting software offering delivers advertisements and videos on behalf of advertisers. The company's geo-fencing technology enables advertisers to deliver targeted ads to the mobile devices of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing ad when customer enters Home Depot).

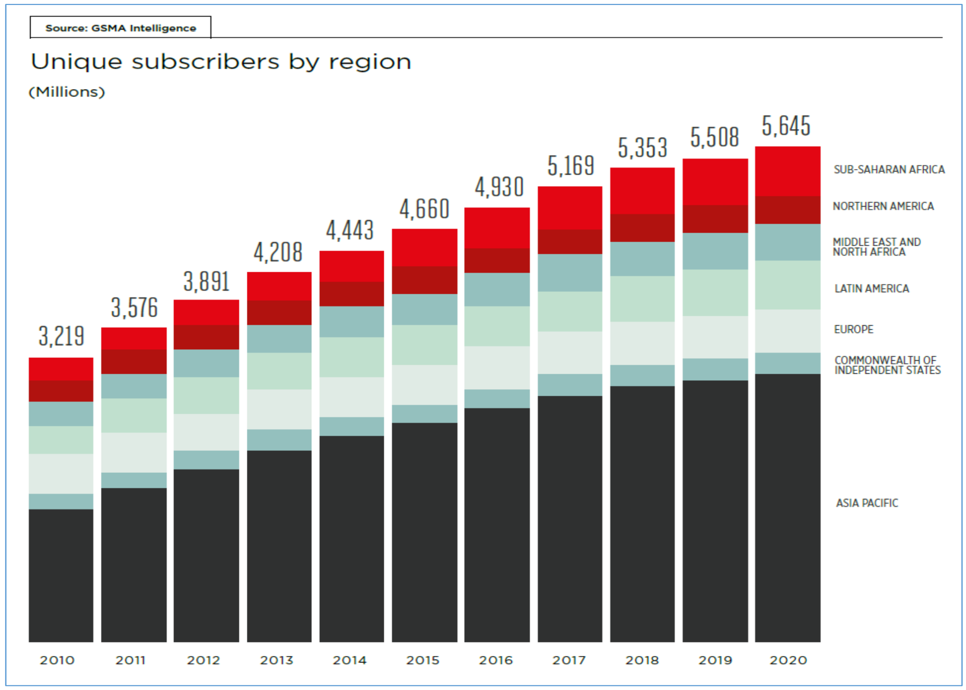
Revenue is driven by sales of SITO's advertising campaigns that feature banner ads on mobile devices and is based on the same media metrics used in Internet advertising. That is, the number of media impressions (ads) delivered at a specified price (cost per thousand impressions or CPM). SITO typically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

<u>*Messaging and Notifications*</u> – 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.

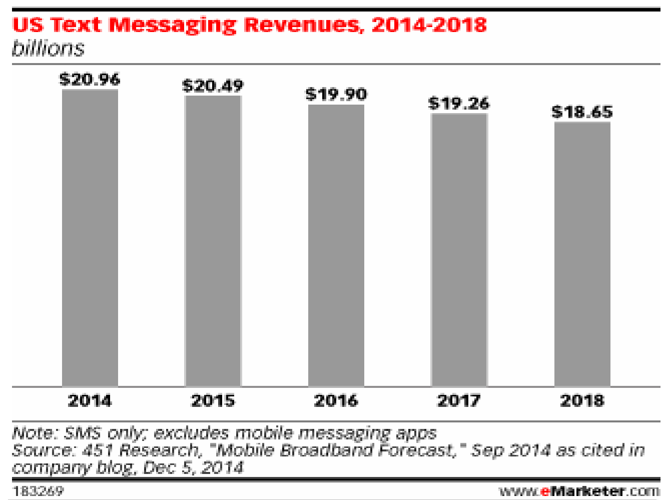
In FY15, approximately 44% of SITO's revenue was generated from contracts with six customers covered under an agreement with AT&T which enables the media to be sent via all US mobile carriers including AT&T, Verizon, Sprint, and T-Mobile. AT&T packages and marks up SITO's product, which is sold through 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 five 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 five years. In its Mobile Economy 2016 report, GSMA projects the number of unique mobile subscribers will grow at an average annual growth rate of 3.9% from 2016 to 2020, reaching 5.6 billion by 2020 (see chart above right). But eMarketer[1] cited a forecast for a decline in US text messaging revenues from \$20.96 billion in 2014 to \$18.65 billion in 2018 (see chart at right) due to a shift away from texting to instant messaging applications as smartphone penetration increases.



Mobile ad spending should underlie strong growth for SITO. The latest projection (September 2015) by eMarketer was for US mobile advertising spending to reach \$42.01 billion in 2016, up 38% from \$30.45 billion in 2015 (see table at right). eMarketer projects 2017 spending to increase by approximately 21% to \$50.84 billion. 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.

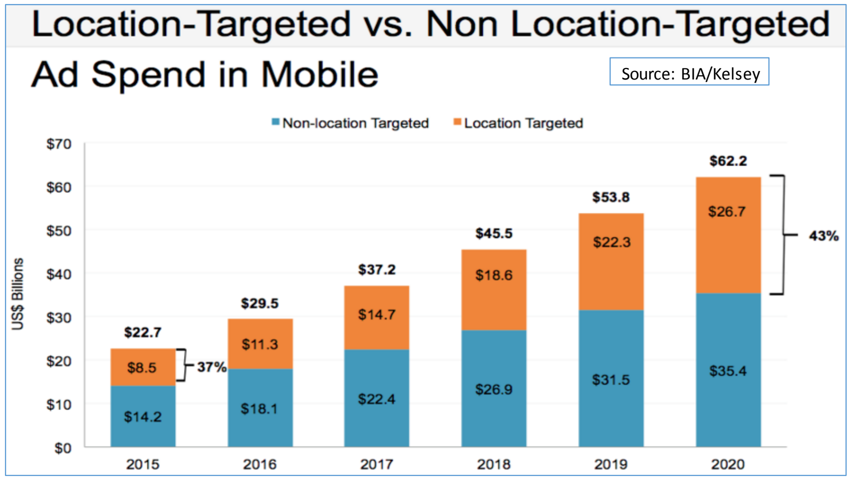
US Mobile Ad Spending, 2014-2019

	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
195293 www.eMarketer.com

1. "Are We Watching the Death of SMS?" (Press Release). eMarketer. March 2, 2015. Retrieved March 3, 2016.

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 location based advertising product.

SITO's location based advertising 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 Facebook, Twitter, Tube Mogul and Mobivity. Sales and growth rates for SITO and its public competitors are shown at right.

Company	TTM ended	Y/YΔ
Facebook	$17.9B (12/15)	44%
Twitter	$2.2B (12/15)	58%
TubeMogul	$158.3M (9/15)	NA
Mobivity	$4.3M (9/15)	8%
SITO Mobile	$19.2M (12/15)	77%

Source: Company filings

Facebook operates as a mobile application and Website that enables people to connect with each other on mobile devices and personal computers. Its messenger product is a messaging application for mobile and Web on various devices which enable people to reach others instantly as well as enable businesses to engage with customers.

Twitter operates as a platform for public self-expression and conversation in real time. It provides promoted products and services that enable its advertisers to promote their brands, products, and services.

TubeMogul operates as an enterprise software company for digital branding. It offers a cloud-based platform that enables advertisers to plan, buy, measure, and optimize video advertising spend.

Mobivity provides mobile marketing technology. Mobivity offers C-4, a mobile marketing and customer relationship management platform.

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.

1Q16 Financial Results

1Q16 – Total revenue increased 87% to $7.2 million. SITO lost $388,000 or ($0.02) per share compared to a loss of $536,000 or ($0.03) per share in 1Q15. We projected 1Q16 revenue of $5.8 million and a net loss of $1.2 million or ($0.07) per share. Media placement revenue surpassed our expectations by approximately $1.3 million.

Wireless application revenue was down 33% to $1.6 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 $245,000 versus $133,000 in 1Q15 primarily due to a $100,000 payment related to an amendment in the company's agreement with Zoove Corporation. Media placement revenue grew to $5.3 million from $1.3 million in 1Q15 primarily due to an expanded sales force and the July 2015 acquisition of Hipcricket's media placement business.

Gross margins remained relatively flat at 52.2%. SG&A expenses rose to $3.5 million from $2.1 million due primarily to increased spending in SITO's media placement business. Interest expense increased to $472,000 from $417,000. Although debt levels were reduced versus the comparable quarter in 2015, interest expense increased as the principal of SITO's debt with Fortress was outstanding for a full quarter versus a partial quarter in 2015.

Liquidity - As of December 31, 2015, the company had $2.6 million cash, a current ratio of 0.8X 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 will have to raise $3 million in additional financing in the next 21 months to meets its operational needs through September 2017.

Cash earnings of $388,000 and a $1.3 million decrease in working capital due primarily to an increase in accounts payable offset in part by an increase in accounts receivable, resulted in $1.6 million cash from operations in the first three months of FY16. Cash from operations, cash used in investing of $511,000 primarily from capitalized software development costs, and cash used in financing of $522,000 primarily from the repayment of debt, resulted in a $611,000 increase in cash to $2.6 million at December 31, 2015.

During 2015, SITO entered into a 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 from notes and common stock after deducting expenses.

The 42-month note bears interest at a rate equal to LIBOR plus 9% per annum. In March 2016, SITO amended its debt agreement with Fortress. The amendment provided for monthly debt principal payments of $175,000 per month (reduced from $333,000 per month previously) payable thorough February 2017. In March 2017, debt principal payments will become $300,000 per month until the loan maturity date of March 31, 2018, at which time the total remaining loan balance of $3.3 million will be due.

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

With SITO's business conducted primarily in the US, the slowing economic growth projections for this area could constrain growth.

In January 2016, the International Monetary Fund (IMF) lowered its economic growth estimate for the US to 2.6% in both 2016 and 2017, down from an earlier (October 2015) growth forecast of 2.8% in both 2016 and 2017. The IMF said that the strengthening US dollar was weighing on manufacturing activity and lower oil prices were curtailing investment in mining structures and equipment. However, overall activity in the US remained resilient and was supported by still-easy financial conditions and strengthening housing and labor markets.

The second estimate of US GDP growth (released on February 26, 2016) was revised upward to 1.0% in 4Q15 from 0.7% (January 29, 2016). The upward revision to US economic growth reflected an upward revision to inventory investment and a downward revision to imports.

For the year 2015, US GDP increased 2.4%, the same as in 2014. Contributing to this growth were increases in consumer spending, business investment, residential investment, inventory investment, and state and local government spending.

Projections

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 $5.7 million seasonally adjusted for a strong 1Q.

In 1Q16, SITO's customer base grew by 45% and customers spent an average of 25% more per advertising campaign. Growing customer acceptance of SITO's mobile ad technology should help SITO's media placement revenue to grow in line with the long-term CAGR growth rate of 26% for the location targeted advertising industry. However, in FY16, SITO's media placement growth should surpass the industry rate due primarily to the acquisition of Hipcricket in 4Q15 (with annual revenue of $5.6 million in FY15). SITO's Canadian partner, Cieslok Media, increased its mobile advertising commitment with SITO to $2.1 million for FY16, up from $800,000 in FY15.

Barring further acquisitions, SITO's media placement revenue should grow more in line with the industry.

The most recent quarter's (1Q16) media placement revenue of $5.35 million implies an annual run rate of $21.4 million. We have revised upward our FY16 revenue projections for this segment to $21.4 million (previously $16.6 million) and project this to grow to approximately $27 million in FY17 as the company continues to experience increased ad campaign spending.

For FY16, we project revenue of $27.8 million and a net loss of $1.9 million or ($0.11) per share. Previously we projected revenue of $23.1 million and a net loss of $5.3 million or ($0.31) per share. The change in our estimates stems primarily from a higher media placement revenue forecast than previously projected ($21.4 million currently versus $16.6 million previously).

We project gross margins of approximately 53%, consistent with FY15. SG&A expenses are projected to increase to $14 million from $10 million primarily due to a full year of expenses associated with the Hipcricket acquisition in 4Q15. Although we project a lower debt level, interest expense is projected to remain flat at $1.7 million based on the higher implied interest rate in the most recent quarter (1Q16).

We project SITO will generate $938,000 cash from operations in FY16 primarily from cash earnings. Capital expenditures of $200,000, patent and application costs of $190,000, capitalized software development costs of $633,000, and a $2.4 million pay down of debt should necessitate a $2.2 million increase in equity from the sale of common stock, decreasing cash by $340,000 to $1.7 million at September 30, 2016.

For FY17, we project revenue of $33.2 million and net income of $214,000 or $0.01 per share. Previously we projected revenue of $27.4 million revenue and a net loss of $3.5 million or ($0.20) per share. The change in our estimates stems primarily from higher media placement business than previously projected and lower debt levels as the company pays down debt and issues common stock to help fund operations (we previously projected SITO to increase debt by $2 million but believe that common stock will be issued instead in keeping with historical financing methods.

We project gross margins of 53%, consistent with FY16. SG&A expenses are projected to increase to $15.4 million from $14 million primarily due to continued media placement investment. Interest expense is projected to decrease to $1.2 million from $1.7 million as the company pays down debt.

We project SITO will generate $2.2 million cash from operations in FY17 primarily from cash earnings. Capital expenditures of $200,000, patent and application costs of $112,000, capitalized software development costs of $529,000, and a $2.9 million pay down of debt should necessitate a $1 million increase in equity from the sale of common stock, decreasing cash by $488,000 to $1.2 million 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) which was responsible for 43% of SITO's total revenue in FY15. 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 SITO.

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 12.3 million shares in the float and the average daily volume is approximately 32,000 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	1Q16A	FY16E	FY17E
Cash and cash equivalents	1,147	620	2,004	2,615	1,664	1,176
Accounts receivable	1,348	2,443	4,265	6,274	7,499	8,965
Other prepaid expenses	1,232	234	313	124	124	124
Total current assets	3,727	3,297	6,582	9,013	9,287	10,265
Net property, plant and equipment	239	237	610	585	661	703
Accounts receivable	-	450	225	-	-	-
Prepaid consulting - long-term portion	82	-	-	-	-	-
Capitalized software development costs	343	639	1,404	1,601	831	570
Intangible assets	2,067	5,371	9,601	9,501	9,039	8,687
Deposit - related party	-	-	-	-	-	-
Deferred loan costs	-	-	93	78	78	78
Other assets	65	113	84	85	85	85
Total assets	**6,523**	**10,107**	**18,599**	**20,863**	**19,981**	**20,388**
Accounts payable	1,352	1,652	2,339	4,886	4,123	4,895
Accrued expenses	209	671	809	1,181	1,423	1,700
Accrued compensation - related party	73	598	253	96	96	96
Deferred revenue	-	208	596	533	533	533
Current obligation under capital lease	16	17	16	12	12	12
Current obligation under patent acquisitions	-	-	-	-	-	-
Purchase price payable	-	-	-	-	-	-
Note payable	-	-	3,575	3,984	3,984	3,984
Convertible debentures	3,279	4,291	-	-	-	-
Total current liabilities	4,929	7,437	7,588	10,692	10,171	11,220
Deferred revenue	-	-	-	-	-	-
Obligation under capital lease	29	13	7	6	12	4
Long-term debt	-	-	5,690	4,935	3,202	352
Convertible debentures	441	-	-	-	-	-
Total liabilities	**5,399**	**7,450**	**13,285**	**15,633**	**13,385**	**11,576**
Total stockholders' equity (deficit)	**1,124**	**2,657**	**5,314**	**5,230**	**6,597**	**8,811**
Total liabilities & stockholders' equity	**6,523**	**10,107**	**18,599**	**20,863**	**19,981**	**20,388**

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	5,672	5,650
Licensing and royalties	-	916	552	680	580
Media placement	-	759	8,094	21,446	27,000
Total revenue	7,784	9,871	15,809	27,798	33,230
Cost of revenue	3,329	3,778	7,463	13,156	15,618
Gross profit	4,455	6,093	8,346	14,642	17,612
Asset impairment			831		
SG&A	7,706	9,254	9,897	13,961	15,400
Depreciation and amortization	662	540	419	819	800
Research and development	66	60	-	-	-
Total operating expenses	8,434	9,854	11,147	14,780	16,200
Operating income (loss)	(3,979)	(3,761)	(2,801)	(138)	1,412
Interest and other expense	(1,271)	(749)	(1,727)	(1,729)	(1,198)
Income (loss) before taxes	(5,250)	(4,510)	(4,528)	(1,867)	214
Income tax	-	-	-	-	-
Net Income / (Loss)	(5,250)	(4,510)	(4,528)	(1,867)	214
EPS	(0.39)	(0.31)	(0.29)	(0.11)	0.01
Shares Outstanding	13,330	14,375	15,632	17,639	19,600
Margin Analysis					
Gross margin	57.2%	61.7%	52.8%	52.7%	53.0%
Cost of revenue	42.8%	38.3%	47.2%	47.3%	47.0%
SG&A	99.0%	93.7%	62.6%	50.2%	46.3%
Operating margin	(51.1)%	(38.1)%	(17.7)%	(0.5)%	4.2%
Net margin	(67.4)%	(45.7)%	(28.6)%	(6.7)%	0.6%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	22.6%	26.8%	60.2%	75.8%	19.5%
Net Income	NMF	NMF	NMF	NMF	NMF
EPS	NMF	NMF	NMF	NMF	NMF

*Certain SG&A expenses reclassified to cost of revenue; R&D expenses reclassified to SG&A
Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements FY15A - FY17E
(in thousands $)

	12/14A*	3/15A*	6/15A*	9/15A*	FY15A*	12/15A	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	1,622	1,350	1,350	1,350	5,672	1,600	1,350	1,350	1,350	5,650
Licensing and royalties	134	135	140	144	552	245	145	145	145	680	145	145	145	145	580
Media placement	1,289	1,628	2,154	3,023	8,094	5,346	5,000	5,400	5,700	21,446	6,700	6,500	6,800	7,000	27,000
Total revenue	3,848	3,767	3,681	4,514	15,809	7,213	6,495	6,895	7,195	27,798	8,445	7,995	8,295	8,495	33,230
Cost of revenue	1,848	1,644	1,807	2,164	7,463	3,449	3,085	3,241	3,382	13,156	3,969	3,758	3,899	3,993	15,618
Gross profit	2,000	2,123	1,874	2,350	8,346	3,764	3,410	3,654	3,813	14,642	4,476	4,237	4,396	4,502	17,612
Asset impairment				831	831										
SG&A	2,053	2,012	2,380	3,452	9,897	3,461	3,500	3,500	3,500	13,961	3,850	3,850	3,850	3,850	15,400
Depreciation and amortization	65	68	77	209	419	219	200	200	200	819	200	200	200	200	800
Research and development	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total operating expenses	2,118	2,080	2,457	4,492	11,147	3,680	3,700	3,700	3,700	14,780	4,050	4,050	4,050	4,050	16,200
Operating income (loss)	(118)	43	(583)	(2,142)	(2,801)	84	(290)	(46)	113	(138)	426	187	346	452	1,412
Interest and other expense	(418)	(380)	(454)	(475)	(1,727)	(472)	(449)	(419)	(389)	(1,729)	(355)	(318)	(281)	(244)	(1,198)
Income (loss) before taxes	(536)	(337)	(1,037)	(2,617)	(4,528)	(388)	(739)	(465)	(276)	(1,867)	71	(131)	65	208	214
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(536)	(337)	(1,037)	(2,617)	(4,528)	(388)	(739)	(465)	(276)	(1,867)	71	(131)	65	208	214
EPS	(0.03)	(0.02)	(0.07)	(0.16)	(0.29)	(0.02)	(0.04)	(0.03)	(0.02)	(0.11)	0.00	(0.01)	0.00	0.01	0.01
Shares Outstanding	15,326	15,326	15,405	16,423	15,632	17,155	17,800	17,800	17,800	17,639	20,100	18,100	20,100	20,100	19,600
Margin Analysis															
Gross margin	52.0%	56.4%	50.9%	52.1%	52.8%	52.2%	52.5%	53.0%	53.0%	52.7%	53.0%	53.0%	53.0%	53.0%	53.0%
Cost of revenue	48.0%	43.6%	49.1%	47.9%	47.2%	47.8%	47.5%	47.0%	47.0%	47.3%	47.0%	47.0%	47.0%	47.0%	47.0%
SG&A	53.4%	53.4%	64.7%	76.5%	62.6%	48.0%	53.9%	50.8%	48.6%	50.2%	45.6%	48.2%	46.4%	45.3%	46.3%
Operating margin	(3.1)%	1.1%	(15.8)%	(47.5)%	(17.7)%	1.2%	(4.5)%	(0.7)%	1.6%	(0.5)%	5.0%	2.3%	4.2%	5.3%	4.2%
Net margin	(13.9)%	(8.9)%	(28.2)%	(58.0)%	(28.6)%	(5.4)%	(11.4)%	(6.7)%	(3.8)%	(6.7)%	0.8%	(1.6)%	0.8%	2.5%	0.6%
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	32.4%	107.3%	71.7%	50.3%	60.2%	87.4%	72.4%	87.3%	59.4%	75.8%	17.1%	23.1%	20.3%	18.1%	19.5%
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

*Certain SG&A expenses reclassified to cost of revenue; R&D expenses reclassified to SG&A
Source: Company filings and Taglich Brothers' estimates

SITO Mobile Ltd.

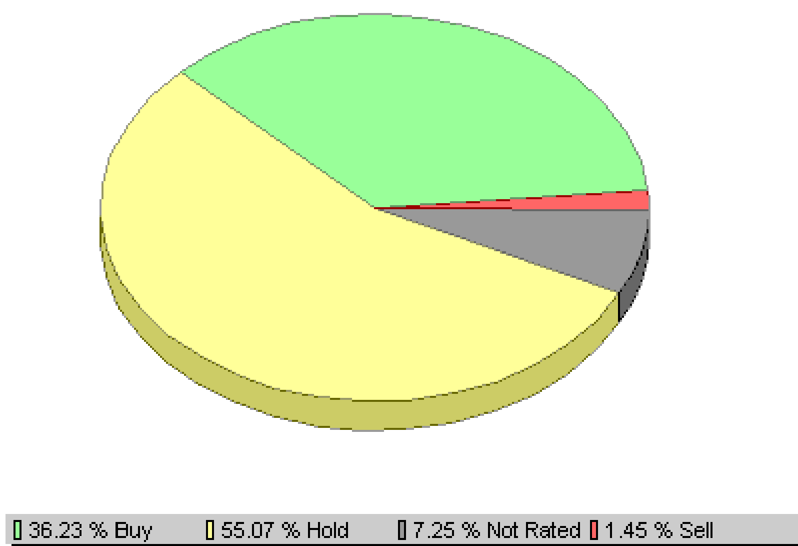
Statement of Cash Flows for the Periods Ended
(in thousands $)

	FY13A	FY14A	FY15A	3mos16A	FY16E	FY17E
Net income (loss)	(5,250)	(4,511)	(4,528)	(388)	(1,867)	214
Depreciation & amortization	1,488	1,106	1,742	622	1,772	1,080
Stock-based compensation	2,243	2,095	815	154	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)	388	905	2,294
Changes in assets and liabilities						
Accounts receivable	(262)	(1,539)	(1,843)	(1,783)	(3,234)	(1,465)
Prepaid expenses	(21)	(5)	(161)	189	189	-
Other assets	-	(38)	30	(1)	1	-
Accounts payable	584	196	687	2,546	1,784	772
Accrued expenses	9	804	(81)	216	614	278
Deferred revenue	(25)	378	217	(63)	351	163
Accrued interest	182	245	(255)	152	329	162
(Increase) decrease in working capital	467	41	(1,406)	1,256	33	(91)
Net cash provided by (used in) operations	**(1,052)**	**(970)**	**(2,300)**	**1,644**	**938**	**2,203**
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)	(71)	(190)	(112)
Purchase of property and equipment	(46)	(72)	(495)	(23)	(200)	(200)
Capitalized software development costs	(400)	(452)	(1,445)	(417)	(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)**	**(511)**	**(1,023)**	**(841)**
Proceeds from issuance of common stock	824	1,901	2,959	150	2,150	1,000
Purchase of company's common stock	-	(202)	-	-	-	-
Stock issuance costs	-	-	(75)	-	-	-
Proceeds (principal payments) from issuance of debt	688	-	8,206	(667)	(2,400)	(2,850)
Loan advances received from related parties	-	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-	-
Principal reduction on obligation under capital lease	(7)	(16)	(20)	(5)	(5)	-
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**	**(522)**	**(255)**	**(1,850)**
Net change in cash	**(1,011)**	**(527)**	**1,384**	**611**	**(340)**	**(488)**
Cash - beginning of period	**2,158**	**1,147**	**620**	**2,004**	**2,004**	**1,664**
Cash - end of period	**1,147**	**620**	**2,004**	**2,615**	**1,664**	**1,176**

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 shares 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 3,300 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:

Facebook (NASDAQ: FB)
Mobivity (OTC: MFON)
TubeMogul (NASDAQ: TUBE)
Twitter (NYSE: TWTR)

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.