TAGLICH BROTHERS

MEMBER: FINRA, SIPC | WWW.TAGLICHBROTHERS.COM

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
May 19, 2015

SITO $0.37 — (OTC QB)

	2013A	2014A	2015E	2016E
Revenues (millions)	$7.8	$9.9	$16.8	$20.4
Earnings (loss) per share	($0.04)	($0.03)	($0.01)	$0.00

52-Week range	$0.49 – $0.15	Fiscal year ends:	September
Common shares out as of May 5, 2015	153.9 million	Revenue per share (TTM)	$0.09
Approximate float	114.4 million	Price/Sales (TTM)	4.1X
Market capitalization	$57 million	Price/Sales (FY2016)E	3.4X
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 maintaining our twelve-month price target of $0.80 per share.

In April 2015, the advertising research and advisory firm BIA/Kelsey projected 2019 location targeted mobile ad revenues of $18.2 billion, a compound annual growth rate of approximately 34%.

SITO's growth should match the industry rate of 34% 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 have raised our FY15 revenue projections for this segment to $7 million, a figure which should grow to approximately $9.4 million in FY16.

In May 2015, SITO announced that Screenvision, a national cinema advertising company, contracted to use SITO's geo-fencing technology to target customers within a certain radius of a location to push coupons, ads, and promotions to mobile apps. This will enable Screenvision to deliver advertisers' messages to moviegoers outside the theaters on their mobile devices.

For FY15 we project revenue of $16.8 million and a loss of ($0.01) per share, up from $15.3 million revenue and a loss of ($0.02) per share previously. For FY16 we project revenue of $20.4 million and EPS $0.00 per share, up from $17.8 million revenue and a loss of ($0.01) per share previously. The change in our projections reflects increased expectations for media placement revenue.

2Q15 revenue (10-Q released 5/5/15) more than doubled to $3.8 million from $1.8 million. The company reported a loss of ($0.00) per share compared to a loss of ($0.01) per share in 2Q14. We projected 2Q15 revenue of $3.4 million and loss of ($0.01) per share.

****Please view our disclosures on pages 14 - 16.***

790 New York Avenue, Huntington, N.Y. 11743
(800) 383-8464 • Fax (631) 757-1333

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 $0.80 per share.**

Shares of SITO currently trade at 4X TTM sales, in line with a comparison group of fifteen companies with market capitalizations of $100 million or less in the business software & services industry. We believe shares of SITO are currently undervalued given the strong sales growth we project (up 107% into FY16 versus 43% for the industry). 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 Developments

Alliance with Screenvision – In May 2015, SITO announced an agreement with Screenvision, a national cinema advertising company, on the rollout of Project Lynx, a combination of third-party data and data collected through SITO Mobile's geo-fencing technology. SITO's geo-fencing technology targets customers within a certain radius of a location to push coupons, ads, and promotions to mobile apps. This will enable Screenvision to deliver advertisers' messages to moviegoers outside the theaters on their mobile devices.

By using both the big screen and the personal screen, marketers can pinpoint and segment the market and create immediacy in their message delivery. For example, a retailer that advertised on the big screen can deliver a coupon with a short-term expiration to the personal screen, driving traffic to a nearby store location. Similarly, a restaurant that placed a cinema ad before the movie began can send another message, as well as discounts, once the movie ends.

The Screenvision cinema advertising network is comprised of over 14,300 screens in over 2,300 theater locations across all 50 states.

SITO Mobile Outbid in Hipcricket Auction – In March 2015, SITO announced it was outbid in its attempt to acquire the mobile marketing and advertising firm Hipcricket Inc. SITO entered into an agreement with Hipcricket in January 2015 in which SITO was to acquire substantially all of Hipcricket's assets for $4.5 million cash. The transaction was subject to an auction process (stalking-horse bid) in which other interested parties had an opportunity to submit bids with the final highest or best bid requiring court approval. SITO received a refund of its $200,000 deposit in April 2015. A $325,000 break-up fee is due to paid to SITO in June 2015.

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.

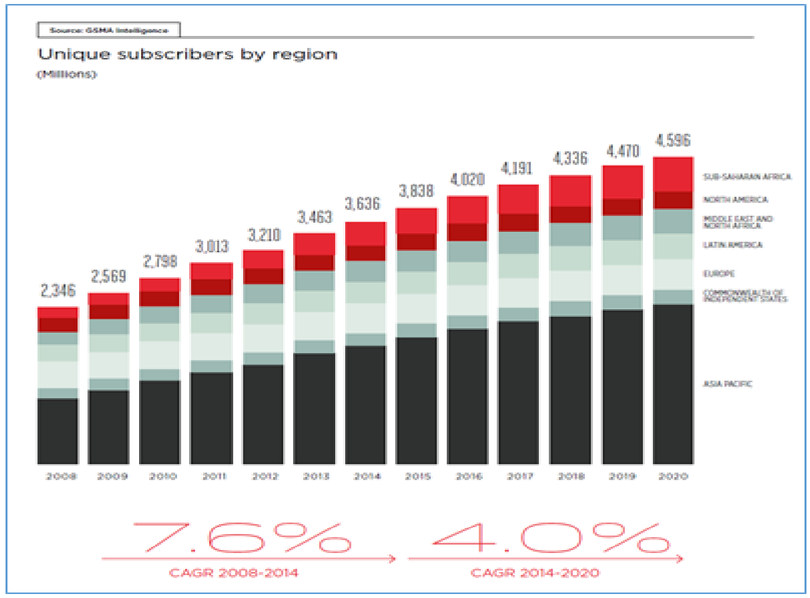
Location Based Advertising – FollowMe® is SITO's location-based mobile ad targeting software application (app). FollowMe's geo-fencing technology enables advertisers to deliver targeted ads to the smartphones of people within close proximity (approximately 15 feet) of a specific location (i.e. roofing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

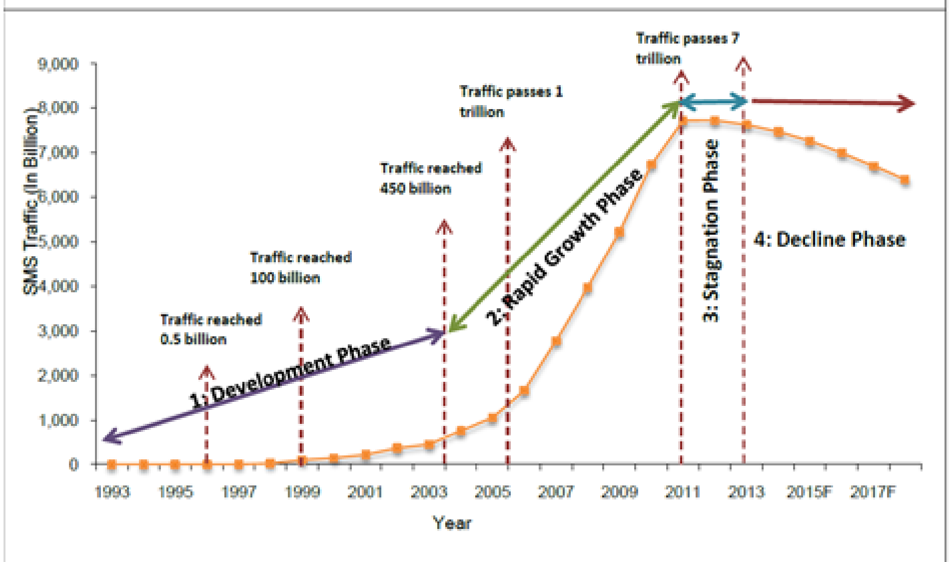
Mobile Industry Market and Forecast

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. Although text messaging

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

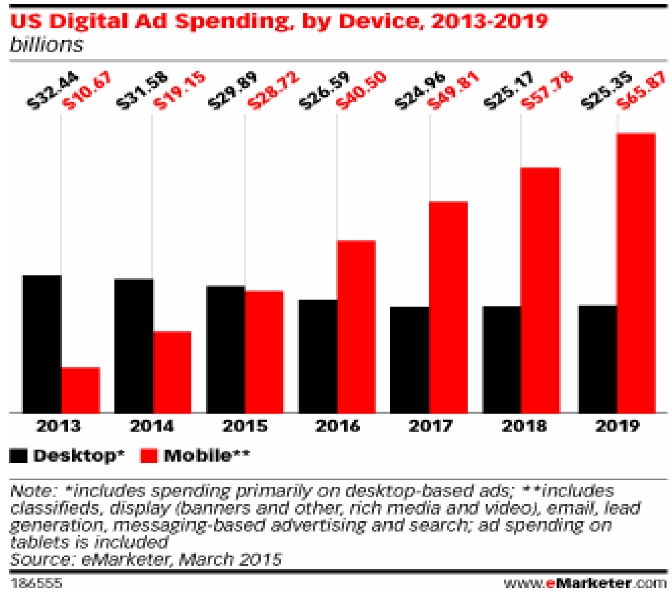


Source: Portio Research Ltd.

F – Forecasted

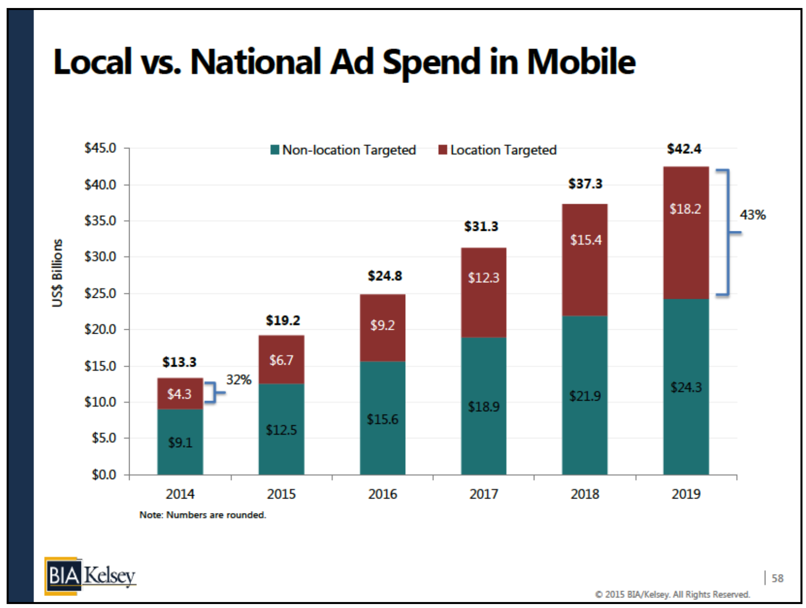
traffic has been in a decline since 2012, SITO's messaging revenue has grown at an average annual growth rate of approximately 14% over the past two years.

Mobile ad spending should underlie strong growth for SITO. The latest projection (March 2015) by eMarketer was for US mobile advertising spending to reach $28.72 billion in 2015, up 50% from $19.15 billion in 2014. For 2016, eMarketer projects spending to further increase by approximately 41% to $40.5 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).



The shift to mobile ad spending is being driven mainly by consumer demand. eMarketer said that in 2014, US adults spent an average of 2 hours, 51 minutes with mobile devices each day, up from 2 hours 19 minutes in 2013. Meanwhile, desktop time fell to 2 hours, 12 minutes daily in 2014, after being equal with mobile time in 2013.

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 April 2015, 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 $18.2 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 34% 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., 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/YΔ
Voltari	$12.2M (12/14)	39%
Mobivity	$4.0M (3/15)	2%
SITO Mobile	$12.8M (3/15)	46%

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. The company filed for chapter 11 bankruptcy protection in January 2015 and no longer files 10-K or 10-Q reports with the SEC.

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.

2Q and 1H15 Financial Results

2Q15 – Total revenue more than doubled year-on-year to $3.8 million from $1.8 million. SITO lost $339,000 or ($0.00) per share compared to a loss of $1.1 million or ($0.01) per share in 2Q14. We projected 2Q15 revenue of $3.4 million and a net loss of $938,000 or ($0.01) per share.

Wireless application revenue was up 14% at $2 million, licensing and royalty revenue was $135,000 versus nil in 2Q14, and media placement revenue was $1.6 million versus $60,000 in 2Q14 (the second quarter to realize media placement revenue).

Gross margins rose to 58.1% from 52.6% and were aided by the addition of licensing and royalty revenues (which have no underlying costs and made no contribution in 2Q14). SITO's media placement business generated a 57% gross margin in 2Q15 while wireless applications generated a 61% gross margin.

SG&A expenses rose to $2.1 million from $1.8 million. General and administrative expenses, excluding stock-based compensation, decreased to $1 million from $1.3 million due primarily due to reduced consulting services and lower compensation expense. Total stock-based compensation decreased to $150,000 from $267,000. Sales and marketing expenses, excluding stock-based compensation increased to $889,000 from $238,000 due primarily to increased spending in SITO's media placement business.

Research and development expense decreased to $9,000 from $12,000. Interest expense increased to $434,000 from $191,000 due primarily to increased debt levels.

_1H15_ – Total revenue increased 61% to $7.6 million. SITO lost $875,000 or ($0.01) per share compared to a loss of $2.2 million or ($0.02) per share in 1H14.

Wireless application revenue was up 13% at $4.4 million, licensing and royalty revenue was $268,000 versus $750,000 in 1H14 which was solely from one-time licensing revenue from Zoove Corporation, and media placement revenue was $2.9 million versus $70,000 in 1H14.

Gross margins decreased to 55.3% from 61.4% as licensing and royalty revenues (which have no underlying costs) made up a smaller percentage of total revenue (4% in 1H15 versus 16% in 1H14).

SG&A expenses decreased to $4.1 million from $4.5 million. General and administrative expenses, excluding stock-based compensation, decreased to $2.2 million from $3 million due primarily due to reduced consulting services and lower compensation expense. Total stock-based compensation decreased to $331,000 from $1.1 million. Sales and marketing expenses, excluding stock-based compensation increased to $1.6 million from $466,000 due primarily to the acquisition of DoubleVision in July 2014.

Research and development expense decreased to $20,000 from $36,000 as more costs are capitalized and amortized (amortization expense of software development costs increased to $273,000 in 1H15 versus $189,000 in 1H14). Interest expense increased to $852,000 from $384,000 due primarily to increased debt levels.

	Six Months Ended	
	3/15A	3/14A
Wireless applications	4,429	3,904
Licensing and royalties	268	750
Media placement	2,917	70
Total revenue	7,614	4,724
Cost of revenue	3,400	1,824
Gross profit	4,214	2,900
SG&A	4,138	4,528
Depreciation and amortization	133	113
Research and development	20	36
Operating income (loss)	(77)	(1,777)
Interest and other expense	(798)	(384)
Income (loss) before taxes	(875)	(2,161)
Income tax	-	-
Net Income / (Loss)	(875)	(2,161)
EPS	(0.01)	(0.02)
Shares Outstanding	153,460	141,787
Margin Analysis		
Gross margin	55.3%	61.4%
SG&A	54.3%	95.9%
Operating margin	(1.0)%	(37.6)%
Net margin	(11.5)%	(45.7)%
Year / Year Growth		
Total Revenues	61.2%	
Source: Company filings		

Liquidity

As of March 31, 2015, the company had $4.8 million cash, a current ratio of 1.2X versus 1.9X for comparable size companies (market capitalizations of $100 million or less) in the software industry, and a debt/equity ratio of 2.9X versus 1.1X 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 six months of FY15 was $346,000 consisting of cash earnings of $164,000 and a $509,000 increase in working capital. The increase in working capital consisted primarily of an increase in accounts and other receivables and a decrease in accrued interest, offset in part by an increase in accounts payable. Cash used in investing of $997,000 consisted of $623,000 of capitalized software development costs, $244,000 in patent related expenditures, and $129,000 in capital expenditures. Cash provided by financing of $5.5 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 $4.2 million to $4.8 million at March 31, 2015.

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 $8.9 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. Beginning October 2015, SITO must make monthly principle 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.

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. SITO intended to use a majority ($4.5 million) of the remainder of the proceeds to acquire Hipcricket but was outbid in the auction process.

Economic Outlook

In April 2015, the International Monetary Fund (IMF) maintained its global economic growth forecast at 3.5% for 2015 but lowered its 2016 forecast to 3.8%, down from an earlier (January 2015) growth forecast of 3.9%. The lower growth estimate reflects downward pressure from emerging markets in countries such as Russia, Brazil, and the rest of Latin America.

The IMF lowered its economic growth estimate for the US to 3.1% for 2015 and 2016, down from 3.6% in 2015 (January 2015) and 3.3% in 2016. The IMF said that US growth should be driven by domestic demand supported by low oil prices. In April 2015, the US GDP advance estimate showed the US economy grew at an annual rate of 0.2% in 1Q15. 1st quarter GDP was adversely affected by a strengthening US dollar which resulted in a widening trade deficit and severe weather impacting several regions. 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 drive wireless application revenue up by 13% in 1Q15 and 14% in 1Q15. We have increased our 2015 growth forecast in wireless application revenue to 13% (previously 6%) to reflect 2Q15 results and the increased sales force productivity.

SITO should be able to increase media placement revenue in line with the long-term CAGR growth rate of 34% 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.

The most recent quarter's (2Q15) media placement revenue was $1.6 million, an implied run rate of $6.5 million on 650 million media impressions (ads delivered) @ 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 $7 million on 702 million impressions (previously $6.1 million on 609 million impressions). We project this to grow to approximately $9.4 million on 940 million impressions in FY16 as a majority of SITO's pilots convert to full advertising campaigns.

For FY15 we project revenue of $16.8 million and a net loss of $1.2 million or ($0.01) per share. Previously we projected revenue of $15.3 million revenue and a loss of $2.9 million or ($0.02) per share. The change in our projections stems primarily from increased expectations for media placement revenue.

We project gross margins declining to 54.9% from 61.7% as lower margin media placement revenue comprises a greater percentage of total revenue (42% in FY15 versus 8% in FY14). SG&A expenses should decrease to $8.5 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 $1.3 million cash from operations in FY15 primarily from cash earnings. Capital expenditures of $200,000, patent and application costs of $490,000, and capitalized software development costs of $623,000 should result in $1.3 million cash used in investing. Cash from financing should consist of $8.3 million 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 $4.5 million to $5.1 million at September 30, 2015.

For FY16 we project revenue of $20.4 million and net income of $618,000 or $0.00 per share, up from $17.8 million revenue and a loss of $2 million or ($0.01) per share previously. The change in our projections stems primarily from increased expectations for media placement revenue and continued growth in wireless applications.

Gross margins are projected to decline to 54.5% from 54.9% as lower margin media placement revenue comprises a greater percentage of total revenue (46% in FY16 versus 42% in FY15). SG&A expenses are projected to increase to $9.2 million from $8.5 million primarily due to increased media placement investment.

We project SITO will generate $3.5 million cash from operations in FY16 from cash earnings of $2.8 million and a $694,000 decrease in working capital. The decrease in working capital will come primarily from increases in accounts payable, accrued expenses and deferred revenue, offset in part by an increase in accounts receivable. Capital expenditures of $200,000, patent and application costs of $490,000, and capitalized software development costs of $623,000 should result in $1.3 million cash used in investing. Cash used in financing should consist of $4 million for the repayment of debt. Cash should decrease by $1.9 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 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 114.4 million shares in the float and the average daily volume is approximately 125,000 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.

SITO Mobile Ltd.

Consolidated Balance Sheets
(in thousands $)

	FY12A	FY13A	FY14A	3/15A	FY15E	FY16E
Cash and cash equivalents	2,158	1,147	620	4,816	5,144	3,290
Accounts receivable	1,086	1,348	2,443	3,937	4,166	5,059
Other prepaid expenses	129	1,232	234	239	239	239
Total current assets	3,373	3,727	3,297	8,992	9,549	8,587
Net property, plant and equipment	229	239	237	325	311	364
Accounts receivable	-	-	450	225	225	225
Prepaid consulting - long-term portion	-	82	-	-	-	-
Capitalized software development costs	383	343	639	989	716	253
Intangible assets	1,346	2,067	5,371	6,533	6,451	6,286
Deposit - related party	155	-	-	-	-	-
Deferred loan costs	-	-	-	121	121	121
Other assets	84	65	113	83	83	83
Total assets	**5,570**	**6,523**	**10,107**	**17,268**	**17,456**	**15,919**
Accounts payable	768	1,352	1,652	2,995	3,321	4,071
Accrued expenses	200	209	671	460	1,144	1,389
Accrued compensation - related party	73	73	598	374	374	374
Deferred revenue	-	-	208	567	567	717
Current obligation under capital lease	-	16	17	20	20	20
Current obligation under patent acquisitions	88	-	-	-	-	-
Purchase price payable	-	-	-	1,000	1,000	1,000
Note payable	-	-	-	2,000	2,000	2,000
Convertible debentures	294	3,279	4,291	-	-	-
Total current liabilities	1,423	4,929	7,437	7,416	8,426	9,571
Deferred revenue	25	-	-	-	-	-
Obligation under capital lease	-	29	13	13	13	13
Long-term debt	-	-	-	6,776	5,776	1,776
Convertible debentures	3,213	441	-	-	-	-
Total liabilities	**4,661**	**5,399**	**7,450**	**14,205**	**14,215**	**11,360**
Total stockholders' equity	**909**	**1,124**	**2,657**	**3,063**	**3,241**	**4,559**
Total liabilities & stockholders' equity	**5,570**	**6,523**	**10,107**	**17,268**	**17,456**	**15,919**

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	9,279	10,500
Licensing and royalties	-	-	916	538	540
Media placement	-	-	759	7,017	9,400
Total revenue	6,347	7,784	9,871	16,834	20,440
Cost of revenue	2,907	3,329	3,778	7,595	9,310
Gross profit	3,440	4,455	6,093	9,239	11,130
SG&A	5,431	7,706	9,254	8,539	9,200
Depreciation and amortization	690	662	540	269	272
Research and development	85	66	60	39	40
Total operating expenses	6,206	8,434	9,854	8,847	9,512
Operating income (loss)	(2,766)	(3,979)	(3,761)	392	1,618
Interest and other expense	(488)	(1,271)	(749)	(1,558)	(1,000)
Income (loss) before taxes	(3,254)	(5,250)	(4,510)	(1,166)	618
Income tax	(1)	-	-	-	-
Net Income / (Loss)	(3,255)	(5,250)	(4,510)	(1,166)	618
EPS	(0.02)	(0.04)	(0.03)	(0.01)	0.00
Shares Outstanding	131,193	133,296	143,750	162,031	178,950
Margin Analysis					
Gross margin	54.2%	57.2%	61.7%	54.9%	54.5%
Cost of revenue	45.8%	42.8%	38.3%	45.1%	45.5%
SG&A	85.6%	99.0%	93.7%	50.7%	45.0%
Operating margin	(43.6)%	(51.1)%	(38.1)%	2.3%	7.9%
Net margin	(51.3)%	(67.4)%	(45.7)%	(6.9)%	3.0%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%
Year / Year Growth					
Total Revenues	38.6%	22.6%	26.8%	70.5%	21.4%
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	3/15A	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	2,004	2,200	2,650	9,279	2,750	2,250	2,500	3,000	10,500
Licensing and royalties	750	-	72	94	916	133	135	135	135	538	135	135	135	135	540
Media placement	10	60	132	557	759	1,289	1,628	2,000	2,100	7,017	2,200	2,300	2,400	2,500	9,400
Total revenue	2,907	1,817	2,144	3,003	9,871	3,847	3,767	4,335	4,885	16,834	5,085	4,685	5,035	5,635	20,440
Cost of revenue	962	862	818	1,136	3,778	1,820	1,580	1,972	2,223	7,595	2,314	2,136	2,296	2,564	9,310
Gross profit	1,945	955	1,326	1,867	6,093	2,027	2,187	2,363	2,662	9,239	2,771	2,549	2,739	3,071	11,130
SG&A	2,724	1,804	1,728	2,998	9,254	2,071	2,068	2,200	2,200	8,539	2,300	2,300	2,300	2,300	9,200
Depreciation and amortization	56	57	152	275	540	65	68	68	68	269	68	68	68	68	272
Research and development	24	12	13	11	60	10	9	10	10	39	10	10	10	10	40
Total operating expenses	2,804	1,873	1,893	3,284	9,854	2,146	2,145	2,278	2,278	8,847	2,378	2,378	2,378	2,378	9,512
Operating income (loss)	(859)	(918)	(567)	(1,417)	(3,761)	(119)	42	85	384	392	393	171	361	693	1,618
Interest and other expense	(193)	(191)	(185)	(180)	(749)	(418)	(380)	(380)	(380)	(1,558)	(250)	(250)	(250)	(250)	(1,000)
Income (loss) before taxes	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(537)	(338)	(295)	4	(1,166)	143	(79)	111	443	618
Income tax	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(1,052)	(1,109)	(752)	(1,597)	(4,510)	(537)	(338)	(295)	4	(1,166)	143	(79)	111	443	618
EPS	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.00)	(0.00)	(0.00)	0.00	(0.01)	0.00	(0.00)	0.00	0.00	0.00
Shares Outstanding	140,816	142,706	142,729	148,642	143,750	153,263	153,662	153,900	187,300	162,031	187,300	153,900	187,300	187,300	178,950
Margin Analysis															
Gross margin	66.9%	52.6%	61.8%	62.2%	61.7%	52.7%	58.1%	54.5%	54.5%	54.9%	54.5%	54.4%	54.4%	54.5%	54.5%
Cost of revenue	33.1%	47.4%	38.2%	37.8%	38.3%	47.3%	41.9%	45.5%	45.5%	45.1%	45.5%	45.6%	45.6%	45.5%	45.5%
SG&A	93.7%	99.3%	80.6%	99.8%	93.7%	53.8%	54.9%	50.7%	45.0%	50.7%	45.2%	49.1%	45.7%	40.8%	45.0%
Operating margin	(29.5)%	(50.5)%	(26.4)%	(47.2)%	(38.1)%	(3.1)%	1.1%	2.0%	7.9%	2.3%	7.7%	3.6%	7.2%	12.3%	7.9%
Net margin	(36.2)%	(61.0)%	(35.1)%	(53.2)%	(45.7)%	(14.0)%	(9.0)%	(6.8)%	0.1%	(6.9)%	2.8%	(1.7)%	2.2%	7.9%	3.0%
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%	107.3%	102.2%	62.7%	70.5%	32.2%	24.4%	16.1%	15.4%	21.4%
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

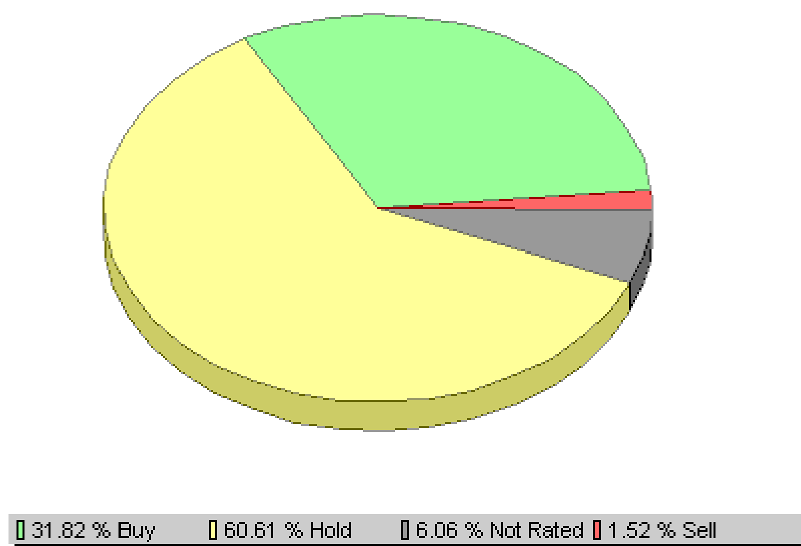
Statement of Cash Flows for the Periods Ended
(in thousands $)

	FY12A	FY13A	FY14A	6Mos15A	FY15E	FY16E
Net income (loss)	(3,255)	(5,250)	(4,511)	(875)	(1,166)	618
Depreciation & amortization	1,001	1,488	1,106	702	1,426	1,447
Stock-based compensation	503	2,243	2,095	331	700	700
Write off of capitalized patent application costs	-	-	299	-	-	-
Bad debts	18	-	-	6	-	-
Loss on disposition of assets	-	-	-	-	-	-
Cash earnings (loss)	(1,733)	(1,519)	(1,011)	164	960	2,765
Changes in assets and liabilities						
Accounts receivable	(197)	(262)	(1,539)	(1,275)	(1,723)	(892)
Prepaid expenses	8	(21)	(5)	(87)	(5)	-
Other assets	(4)	-	(38)	30	30	-
Accounts payable	(410)	584	196	1,343	1,669	750
Accrued expenses	61	9	804	(283)	473	245
Deferred revenue	25	(25)	378	189	189	339
Accrued interest	166	182	245	(426)	(294)	252
(Increase) decrease in working capital	(351)	467	41	(509)	339	694
Net cash provided by (used in) operations	**(2,084)**	**(1,052)**	**(970)**	**(345)**	**1,299**	**3,459**
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)	(245)	(490)	(490)
Purchase of property and equipment	(33)	(46)	(72)	(129)	(200)	(200)
Capitalized software development costs	(435)	(400)	(452)	(623)	(623)	(623)
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)**	**(997)**	**(1,313)**	**(1,313)**
Proceeds from issuance of common stock	318	824	1,901	1,050	1,050	-
Purchase of company's common stock	-	-	(202)	-	-	-
Proceeds (principal payments) from issuance of debt	4,312	688	-	8,206	7,206	(4,000)
Loan advances received from related parties	-	-	-	-	-	-
Repayments on related party loans	-	-	-	-	-	-
Principal reduction on obligation under capital lease	-	(7)	(16)	(10)	(10)	-
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**	**5,538**	**4,538**	**(4,000)**
Net change in cash	**1,634**	**(1,011)**	**(527)**	**4,196**	**4,524**	**(1,854)**
Cash - beginning of period	**524**	**2,158**	**1,147**	**620**	**620**	**5,144**
Cash - end of period	**2,158**	**1,147**	**620**	**4,816**	**5,144**	**3,290**

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 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.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

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.