

SINGLE TOUCH SYSTEMS INC  
Form POS AM  
March 27, 2012

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As filed with the Securities and Exchange Commission on March 26, 2012

Registration No. 333-170593

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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POST-EFFECTIVE AMENDMENT NO. 2 TO  
FORM S-1  
REGISTRATION STATEMENT  
Under  
THE SECURITIES ACT OF 1933

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SINGLE TOUCH SYSTEMS INC.  
(Exact name of Registrant as specified in its charter)

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Delaware	7389	13-4122844
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

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100 Town Square Place, Suite 204  
Jersey City, NJ 07310  
(201) 275-0555

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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James L. Orsini  
Chief Executive Officer  
Single Touch Systems Inc.  
100 Town Square Place, Suite 204  
Jersey City, NJ 07310  
(201) 275-0555

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Copy to:  
Hayden Trubitt, Esq.  
Stradling Yocca Carlson & Rauth  
4365 Executive Drive, Suite 1500  
San Diego, California 92121  
(858) 926-3000

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Approximate date of commencement of proposed sale to the public:  
As soon as practicable after the effective date of this Registration Statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>	Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>
(Do not check if a smaller reporting company)							

The registrant hereby amends this post-effective amendment to the registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission acting pursuant to said section 8(a) may determine.

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EXPLANATORY NOTE

On November 12, 2010, Single Touch Systems Inc. filed a registration statement with the Securities and Exchange Commission on Form S-1 (Registration No. 333-170593). We filed pre-effective amendments on March 16, 2011 and March 18, 2011, and the Commission declared the registration statement, as so amended, effective on March 22, 2011. On June 27, 2011 we filed post-effective amendment No. 1 and on July 1, 2011 we filed an amended post-effective amendment No. 1, and the Commission declared the registration statement, as so amended, effective on July 6, 2011. This Post-Effective Amendment No. 2 contains an updated prospectus.

All filing fees payable in connection with the registration of the shares registered by the registration statement were paid by the registrant at the time of the initial filing of the registration statement. No additional shares are registered hereby.

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Subject to Completion, Dated March 26, 2012

PROSPECTUS

SINGLE TOUCH SYSTEMS INC.

7,255,000 Shares  
Common Stock

This prospectus relates to an aggregate of up to 7,255,000 shares of our common stock which may be resold from time to time by the selling stockholders identified in this prospectus. The selling stockholders may sell common stock from time to time in the open market (at the prevailing market price) or in negotiated transactions. See the section in this prospectus entitled “Plan of Distribution” for additional information on how the selling stockholders may conduct sales of our common stock.

You should read this prospectus and any prospectus supplement carefully before you invest. We will not receive any proceeds from the sale of the shares by the selling stockholders.

Our common stock is traded on the OTC Bulletin Board under the symbol “SITO”. On March 16, 2012, the last reported closing sale price of our common stock was \$0.25 per share.

Investing in our common stock involves a high degree of risk. See “Risk Factors” beginning on page 5 for certain risks you should consider before purchasing any shares.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is \_\_\_\_\_, 2012

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This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission. You should rely only on the information contained in this prospectus or to which we have referred you. We have not

authorized anyone to provide you with information or to make any representation on behalf of Single Touch Systems Inc. that is different from that contained in this prospectus. You should not rely on any unauthorized information or representation. This prospectus is an offer to sell only the securities offered by this prospectus under circumstances and in jurisdictions where it is lawful to do so. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the date of delivery of this prospectus or of any sales of these securities. Our business, financial condition, results of operations and prospects may have changed since the date of this prospectus. This prospectus may be used only in jurisdictions where it is legal to sell these securities.

#### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained or incorporated by reference in this prospectus are “forward-looking statements.” These statements are based on the current expectations, forecasts, and assumptions of our management and are subject to various risks and uncertainties that could cause our actual results to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements are sometimes identified by language such as “believes,” “anticipates,” “estimates,” “expects,” “plans,” “intends,” “projects,” “future” and similar expressions and may also include references to plans, strategies, objectives, and anticipated future performance as well as other statements that are not strictly historical in nature. The risks, uncertainties, and other factors that could cause our actual results to differ materially from those expressed or implied in this prospectus include, but are not limited to, those noted under the caption “Risk Factors” beginning on page 2 of this prospectus. Readers should carefully review this information as well as the risks and other uncertainties described in other filings we may make after the date of this prospectus with the Securities and Exchange Commission.

Readers are cautioned not to place undue reliance on forward-looking statements. They reflect opinions, assumptions, and estimates only as of the date they were made, and we undertake no obligation to publicly update or revise any forward-looking statements in this prospectus, whether as a result of new information, future events or circumstances, or otherwise.

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PROSPECTUS SUMMARY

This summary highlights the information contained elsewhere in this prospectus. Because this is only a summary, it does not contain all of the information that you should consider before buying shares of our common stock. You should read the entire prospectus and any prospectus supplements carefully, especially the sections entitled “Caution Regarding Forward-Looking Statements,” “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” together with our financial statements and the related notes included elsewhere in this prospectus and in any prospectus supplements related hereto, before deciding to purchase shares of our common stock.

Single Touch Systems Inc. is an innovative mobile media solutions provider serving retailers, advertisers and brands. Through patented technologies and a modular, adaptable platform, our multi-channel messaging gateway enables marketers to reach consumers on all types of connected devices, with information that engages interest, drives transactions and strengthens relationships and loyalty.

Our solution is designed to drive return on investment for high-volume clients and/or customized branded advertisers. Our platform and tools are designed to enable large brands or anyone with substantial reach to utilize the mobile device as a new means to communicate. Communication might be in the form of a reminder message in voice or Short Message Service (SMS), an abbreviated dial code or a coupon, promotion, or an advertisement. Regardless of the form, our platform can drive value and cost savings for companies large and small and the ability to drive contextually relevant advertising messages to the right audience.

Currently, over 90% of our revenues are paid to us through AT&T Services, Inc., and currently the bulk of that revenue comes from notifications sent on behalf of Walmart. We are primarily a B2B player and/or white-label service providing a means for businesses to communicate to its primary constituents, in particular its customers, and we do not seek to have a consumer brand presence for our own name.

For a more complete description of our business, please see “Business.” beginning on page 12.

All of the shares covered by this prospectus are being offered for resale by the selling stockholders named in this prospectus. We will not receive any proceeds from any sale of the shares.

An investment in our common stock is speculative and involves substantial risks. You should read the “Risk Factors” section of this prospectus for a discussion of certain factors to consider carefully before deciding to invest in shares of our common stock.

Corporate information

Our principal executive offices are located at 100 Town Square Place, Suite 204, Jersey City, NJ 07310 and our telephone number is (201) 275-0555. Our website is [www.singletouch.net](http://www.singletouch.net). The contents of our website are not incorporated by reference into this prospectus.





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Summary of the Offering

Shares of common  
stock offered by us

None.

Shares of common  
stock offered by the  
Selling  
Stockholders

7,255,000 shares

Use of proceeds

We will not receive any proceeds from the sale of common stock covered by this prospectus.

Risk Factors

An investment in our common stock is speculative and involves substantial risks. You should read the “Risk Factors” section of this prospectus for a discussion of certain factors to consider carefully before deciding to invest in shares of our common stock.

Plan of Distribution

The shares of common stock covered by this prospectus may be sold by the selling stockholders in the manner described under “Plan of Distribution.”

OTC Bulletin Board  
Symbol

“SITO”

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RISK FACTORS

Your investment in our common stock involves a high degree of risk. You should consider the risks described below and the other information contained in this prospectus carefully before deciding to invest in our common stock. If any of the following risks actually occur, our business, financial condition and operating results could be harmed. As a result, the trading price of our common stock could decline, and you could lose a part or all of your investment.

RISKS RELATED TO OUR BUSINESS

We currently rely on brand owners, and especially Walmart, to use our programs to satisfy their communication needs and thereby to generate our revenues from wireless carriers indirectly. The loss of or a change in any of these significant relationships could materially reduce our revenues.

Both our present and our future depend heavily on our relationship with Walmart. We must retain our current business there and expand the relationship into augmented programs, both for its own sake and as a reference point for possible similar business with other retailers and brand owners. Our relationship with Walmart is subject to risk based on factors such as performance, reliability, pricing, competition, alternate technological solutions and changes in interpersonal relationships.

We currently rely on wireless carriers, and especially AT&T, to market and distribute our products and services and to generate our revenues. The loss of or a change in any of these significant carrier relationships could cause us to lose access to their subscribers and thus materially reduce our revenues.

Our future success is highly dependent upon maintaining successful relationships with wireless carriers. A significant portion of our revenue has always been derived from a very limited number of carriers, and currently over 90% of our revenues are paid to us through AT&T Services, Inc. We expect that we will continue to generate a substantial majority of our revenues through distribution relationships with a limited number of carriers for the foreseeable future. Our failure to maintain our relationships with these carriers would materially reduce our revenues and thus harm our business, operating results and financial condition.

Typically, carrier agreements have a term of one or two years with automatic renewal provisions upon expiration of the initial term, absent a contrary notice from either party. In addition, some carrier agreements, including our key agreement with AT&T Services, Inc., provide that the carrier can terminate the agreement early and, in some instances, at any time without cause, which could give them the ability to renegotiate economic or other terms. The agreements generally do not obligate the carriers to market or distribute any of our products or services. In many of these agreements, we warrant that our products do not violate community standards, do not contain libelous content, do not contain material defects or viruses, and do not violate third-party intellectual property rights, and we indemnify the carrier for any breach of a third party's intellectual property.

Many other factors outside our control could impair our ability to generate revenues through a given carrier, including the following:

- the carrier's preference for our competitors' products and services rather than ours;
- the carrier's decision to discontinue the sale of some or all of our products and services;
- the carrier's decision to offer similar products and services to its subscribers without charge or at reduced prices;
- the carrier's decision to restrict or alter subscription or other terms for downloading our products and services;
- a failure of the carrier's merchandising, provisioning or billing systems;

the carrier's decision to offer its own competing products and services;  
the carrier's decision to transition to different platforms and revenue models; and  
consolidation among carriers.

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If any of our carriers decides not to market or distribute our products and services or decides to terminate, not renew or modify the terms of its agreement with us or if there is consolidation among carriers generally, we may be unable to replace the affected agreement with acceptable alternatives, causing us to lose access to that carrier's subscribers and the revenues they afford us, which could materially harm our business, operating results and financial condition.

We may be unable to develop and introduce in a timely way new products or services.

The planned timing and introduction of new products and services are subject to risks and uncertainties. Unexpected technical, operational, deployment, distribution or other problems could delay or prevent the introduction of new products and services, which could result in a loss of, or delay in, revenues.

We may need to raise additional capital to meet our business requirements in the future and such capital raising may be costly or difficult to obtain and could dilute current stockholders' ownership interests.

We may need to raise additional capital in the future, which may not be available on reasonable terms or at all. The raising of additional capital may dilute our current stockholders' ownership interests. Our present income from operations is insufficient to achieve our business plan. We may need to raise additional funds through public or private debt or equity financings to meet various objectives including, but not limited to:

- pursuing growth opportunities, including more rapid expansion;
- acquiring complementary businesses;
- making capital improvements to improve our infrastructure;
- hiring qualified management and key employees;
- developing new services, programming or products;
- responding to competitive pressures;
- complying with regulatory requirements such as licensing and registration; and
- maintaining compliance with applicable laws.

Any additional capital raised through the sale of equity or equity-backed securities may dilute current stockholders' ownership percentages and could also result in a decrease in the fair market value of our equity securities. The terms of those securities issued by us in future capital transactions may be more favorable to new investors, and may include preferences, superior voting rights and the issuance of warrants or other derivative securities, which may have a further dilutive effect.

Furthermore, any additional debt or equity financing that we may need may not be available on terms favorable to us, or at all. If we are unable to obtain required additional capital, we may have to curtail our growth plans or cut back on existing business and, further, we may not be able to continue operating if we do not generate sufficient revenues from operations needed to stay in business.

We may incur substantial costs in pursuing future capital financing, including investment banking fees, legal fees, accounting fees, securities law compliance fees, printing and distribution expenses and other costs. We may also be required to recognize non-cash expenses in connection with certain securities we issue, such as convertible notes and warrants, which may adversely impact our reported financial results.

We may not be able to manage our growth effectively.

Our strategy envisions growing our business. Even if we do grow, if we fail to manage our growth effectively our financial results could be adversely affected. Growth may place a strain on our management systems and resources.

We must continue to refine and expand our business development capabilities, our systems and processes and our access to financing sources. As we grow, we must continue to hire, train, supervise and manage new employees. We cannot assure you that we will be able to:

- meet our capital needs;
- expand our systems effectively or efficiently or in a timely manner;
- allocate our human resources optimally; or
- identify and hire qualified employees or retain valued employees.

If we are unable to manage our growth and our operations our financial results could be adversely affected.

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We have undergone a management transition.

Until May 16, 2011, Anthony Macaluso served as our Chief Executive Officer, President and Chief Financial Officer. On that date, James Orsini started his employment with us and took on those titles, with Anthony Macaluso remaining employed as our executive Chairman. On September 26, 2011 we employed John Quinn as our Chief Financial Officer. We have also recruited and hired other senior staff. We have moved our executive headquarters from Encinitas, California, to Jersey City, New Jersey. Such a management transition subjects us to a number of risks, including risks pertaining to coordination of responsibilities and tasks, creation of new management systems and processes, differences in management style, effects on corporate culture, and the need for transfer of historical knowledge.

Our management ranks are thin, and losing or failing to add key personnel could affect our ability to grow our business successfully.

Our future performance depends substantially on the continued service of our senior management and other key personnel, including personnel which we need to hire. In particular, our success depends upon the continued efforts of our management personnel, Anthony Macaluso, our Chairman; James Orsini, our President and Chief Executive Officer; John Quinn, our Chief Financial Officer, and other members of the senior management team. We need to identify and hire additional senior managers to perform key tasks and roles.

Our inability to protect or monetize our proprietary technology adequately could adversely affect our business.

Our proprietary technology is one of the keys to our performance and ability to remain competitive. We rely on a combination of patent, copyright and trade secret laws to establish and protect our proprietary rights. We also use technical measures, confidentiality agreements and non-compete agreements to protect our proprietary rights.

We rely on copyright laws and/or trade secret laws to protect the source code for our proprietary software. We generally enter into agreements with our employees and consultants and limit access to and distribution of our software, documentation and other proprietary information. The steps we take to protect our proprietary information may not prevent misappropriation of our technology, and the agreements we enter into for that purpose might not be enforceable. A third party might obtain and use our software or other proprietary information without authorization or develop similar software independently. It is difficult for us to police the unauthorized use of our technology, particularly because the global nature of the Internet makes it difficult to control the ultimate destination or security of software or other transmitted data. The laws of other countries may not provide us with adequate or effective protection of our intellectual property.

In fact, we believe competitors are violating some of our patents. We believe this is damaging our business. Although we have engaged law firms to undertake legal actions to enjoin violations of our patent rights and/or compel compensation for use of those rights, there is no assurance of success and, even in the event of success, we will incur legal fees and expenses. Competitors might be able to work around our patents and our other intellectual property.

Applicable rules, including those contained in and issued under the Sarbanes-Oxley Act of 2002, may be burdensome to us and/or make it difficult for us to retain or attract qualified officers and directors, which could adversely affect the management of our business.

We may be unable to attract and retain those qualified officers, directors and members of board committees required to provide for our effective management because of the rules and regulations that govern publicly-held companies. The enactment of the Sarbanes-Oxley Act of 2002 has resulted in the issuance of a series of rules and regulations and

the strengthening of existing rules and regulations by the SEC, as well as the adoption of new and more stringent rules by national securities exchanges. The perceived increased personal risk associated with these recent changes may deter qualified individuals from accepting roles as directors and executive officers.



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Further, some of these recent changes heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, the management of our business and our ability to obtain or retain listing of our shares of common stock on any national securities exchange (assuming we elect to seek and are successful in obtaining such listing) could be adversely affected.

We are subject to competition.

We have many actual and potential competitors, almost all of whom have more financial, personnel, intellectual property and/or reputational resources than we do. If we and our business do not grow larger, we will not be able to enjoy the economies of scale that many of our competitors do.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to report our financial results accurately or detect fraud. Consequently, investors could lose confidence in our financial reporting, and this may decrease the trading price of our stock.

We must maintain effective internal controls to provide reliable financial reports and detect fraud. We will be assessing our internal controls to identify areas that need improvement. Failure to implement any required changes to our internal controls or any others that we identify as necessary to maintain an effective system of internal controls could harm our operating results and cause investors to lose confidence in our reported financial information. Any such loss of confidence would have a negative effect on the trading price of our stock.

Also, and in any event, Sarbanes-Oxley Act requirements regarding internal control over financial reporting are costly to implement and maintain, and such costs are relatively more burdensome for smaller companies such as us than for larger companies.

**RISKS RELATED TO OUR INDUSTRY**

If wireless subscribers do not continue to use their mobile handsets to access mobile content and other applications, our business growth and future revenues may be adversely affected.

We operate in a developing industry. Our success depends on growth in the number of wireless subscribers who use their handsets to receive information and access data services and, in particular, applications of the type we develop and distribute. New or different mobile applications developed by our current or future competitors may be preferred by subscribers to our offerings. In addition, other mobile platforms may become widespread, and end users may choose to switch to these platforms. If the market for our products and services does not continue to grow or we are unable to acquire new end users, our business growth and future revenues could be adversely affected.

System or network failures could reduce our sales, increase costs or result in a loss of end users of our products and services.

Mobile content delivery relies on wireless carrier networks to deliver products and services to end users. In certain circumstances, mobile content distributors may also rely on their own hardware and software to deliver products on demand to end users through their carriers' networks. In addition, certain products require access over the mobile Internet to our hardware and software in order to enable certain features. Any failure of, or technical problem with, carriers', third parties' or billing systems, delivery or information systems, or communications networks could result in the inability of end users to receive communications or download our products, prevent the completion of a billing

transaction, or interfere with access to some aspects of our products. If any of these systems fails or if there is an interruption in the supply of power, an earthquake, fire, flood or other natural disaster, or an act of war or terrorism, end users might be unable to access our offerings. For example, from time to time, our carriers have experienced failures with their billing and delivery systems and communication networks, including gateway failures that reduced the provisioning capacity of their branded e-commerce system. Any failure of, or technical problem with, the carriers', other third parties' or our systems could cause us to lose end users or revenues or incur substantial repair costs and distract management from operating our business, or persuade retailers or brand owners that solutions utilizing our programs are not sufficiently reliable. This, in turn, could harm our business, operating results and financial condition.

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Our business depends on the growth and maintenance of wireless communications infrastructure.

Our success will depend on the continued growth and maintenance of wireless communications infrastructure in the United States and internationally. This includes deployment and maintenance of reliable next-generation digital networks with the speed, data capacity and security necessary to provide reliable wireless communications services. We have no control over this. Wireless communications infrastructure may be unable to support the demands placed on it if the number of subscribers continues to increase, or if existing or future subscribers increase their bandwidth requirements. Wireless communications have experienced a variety of outages and other delays as a result of infrastructure and equipment failures and could face outages and delays in the future. These outages and delays could reduce the level of wireless communications usage as well as our ability to distribute our products and services successfully. In addition, changes by a wireless carrier to network infrastructure may interfere with downloads and may cause end users to lose functionality. This could harm our business, operating results and financial condition.

Actual or perceived security vulnerabilities in mobile handsets or wireless networks could adversely affect our revenues.

Maintaining the security of mobile handsets and wireless networks is critical for our business. There are individuals and groups who develop and deploy viruses, worms and other illicit code or malicious software programs that may attack wireless networks and handsets. Security experts have identified computer “worm” programs that target handsets running on certain operating systems. Although these worms have not been widely released and do not present an immediate risk to our business, we believe future threats could lead some end users to seek to reduce or delay future purchases of our products or reduce or delay the use of their handsets, or persuade retailers or brand owners that solutions utilizing our programs are not sufficiently reliable. Wireless carriers and handset manufacturers may also increase their expenditures on protecting their wireless networks and mobile phone products from attack, which could delay adoption of new handset models. Any of these activities could adversely affect our revenues, and this could harm our business, operating results and financial condition.

It is possible that laws and regulations may be adopted in the United States and elsewhere that could restrict the media and wireless communications industries, including laws and regulations regarding customer privacy, taxation, content suitability, copyright, distribution and antitrust. Such news laws and regulations, if any, might be adverse to our business interest. Furthermore, the growth and development of the market for electronic commerce may prompt calls for more stringent consumer protection and privacy laws that may impose additional burdens on companies such as ours conducting business through wireless carriers. We anticipate that regulation of our industry will increase and that we will be required to devote legal and other resources to address this regulation. Changes in current laws or regulations or the imposition of new laws and regulations in the United States or elsewhere regarding the media and wireless communications industries may lessen the growth of wireless communications services and may materially reduce our ability to increase or maintain sales of our products and services.

We may experience unexpected expenses or delays in service enhancements if we are unable to license third-party technology on commercially reasonable terms.

We rely on technology that we license from third parties, and may find a need to license additional technology in the future. These third-party technology licenses might not continue to be available to us on commercially reasonable terms or at all. If we are unable to obtain or maintain these licenses on favorable terms, or at all, we could experience delays in completing and developing our products and services.

**RISKS RELATED TO OUR COMMON STOCK**

Our common stock is not traded on any national securities exchange.

Our common stock is currently quoted on the OTC Bulletin Board and is not heavily traded, which may increase price quotation volatility and could limit the liquidity of the common stock, all of which may adversely affect the market price of the common stock and our ability to raise additional capital.

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Trading in our stock has been modest, so investors may not be able to sell as much stock as they want at prevailing prices.

The average daily trading volume in our common stock for the twelve-month period ended September 30, 2011 was approximately 83,000 shares. If modest trading in our stock continues, it may be difficult for investors to sell or buy substantial quantities of shares in the public market at any given time at prevailing prices.

Applicable SEC rules governing the trading of “penny stocks” limits the trading and liquidity of the common stock which may affect the trading price of the common stock.

Our common stock is currently quoted on the OTC Bulletin Board, and trades below \$5.00 per share; therefore, the common stock may be considered a “penny stock” and potentially subject to SEC rules and regulations which impose limitations upon the manner in which such shares may be publicly traded. These regulations require the delivery, before any transaction involving a penny stock, of a disclosure explaining the penny stock market and the associated risks. Under these regulations, certain brokers who recommend such securities to persons other than established customers or certain accredited investors must make a special written suitability determination regarding such a purchaser and receive such purchaser’s written agreement to a transaction before sale. In addition, margin regulations prevent low-priced stocks such as ours from being used as collateral for brokers’ margin loans to investors. These regulations have the effect of limiting the trading activity of the common stock and reducing the liquidity of an investment in our common stock. In addition, many institutional investors, as a matter of policy, do not invest in stocks which are not traded on a national securities exchange and/or which trade for less than \$5.00 per share (or some lower price point).

The price of our common stock has been and may continue to be volatile, which could lead to losses by investors and costly securities litigation.

The trading price of our common stock has been and is likely to continue to be volatile and could fluctuate in response to factors such as:

- actual or anticipated variations in our operating results and prospects;
- announcements of technological innovations by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments;
- additions or departures of key personnel;
- introduction of new services by us or our competitors;
- sales of our common stock or other securities in the open market; and
- other events or factors, many of which are beyond our control.

The stock market has experienced significant price and volume fluctuations, which have often been unrelated to the operating performance of these companies, and in particular the market prices of stock in smaller companies and technology companies have been highly volatile. In the past, following periods of volatility in the market price of a company’s securities, securities class action litigation has often been initiated against the company. Litigation initiated against us, whether or not successful, could result in substantial costs and diversion of our management’s attention and resources, which could harm our business and financial condition.

We do not expect any cash dividends to be paid on our common stock in the foreseeable future.

We have never declared or paid a cash dividend on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future. We expect to use any future earnings, as well as any capital that may be raised in the future, to fund business growth. Consequently, a stockholder's only opportunity to achieve a return on investment may result if the price of our common stock appreciates and that stockholder sell his or her shares at a profit. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment.

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Securities analysts may not initiate coverage or continue to cover our common stock, and this may have a negative impact on its market price.

Common stock prices are often significantly influenced by the research and reports that securities analysts publish about companies and their business. We do not have any control over these analysts. There is no guarantee that securities analysts will cover our common stock. If securities analysts do not cover our common stock, the lack of research coverage may adversely affect its market price. If we are covered by securities analysts and our stock is downgraded, our stock price will likely decline. If one or more of these analysts ceases to cover us or fails to publish regular reports on us, we can lose visibility in the financial markets, which can cause our stock price or trading volume to decline.

You may experience dilution of your ownership interests because of the future issuance of additional shares of our common stock and our preferred stock.

We have aggressively issued common stock and other equity-based securities in support of our business objectives and initiatives. In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our present stockholders. We are currently authorized to issue an aggregate of 205,000,000 shares of capital stock consisting of 200,000,000 shares of common stock and 5,000,000 shares of preferred stock with preferences and rights to be determined by our Board of Directors. As of December 31, 2011, there were 130,182,392 shares of common stock outstanding, 33,780,000 shares of common stock issuable upon exercise of outstanding stock options and 16,030,986 shares of common stock issuable upon exercise or conversion of outstanding warrants and convertible notes. The holders of such options, warrants, and convertible securities can be expected to exercise (convert) them at a time when our common stock is trading at a price higher than the exercise (conversion) price of these outstanding options, warrants, and convertible securities. If these options or warrants to purchase our common stock are exercised, convertible debt is converted or other equity interests are granted under our 2008, 2009 or 2010 stock plans, or under other plans or agreements adopted in the future, such equity interests will have a dilutive effect on your ownership of common stock. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. Such securities may be issued at below-market prices or, in any event, prices that are significantly lower than the price at which you may have paid for your shares. The future issuance of any such securities may create downward pressure on the trading price of our common stock.

We are controlled by our executive Chairman/major stockholder Anthony Macaluso.

Anthony Macaluso, our executive Chairman, beneficially owns approximately 24% of our outstanding common stock, on a Rule 13d-3 basis. Such concentrated control of the Company may adversely affect the price of our common stock. Because of his high percentage of beneficial ownership, and his positions as an officer and director, Mr. Macaluso may be able to control matters requiring the vote of stockholders, including the election of our Board of Directors and certain other significant corporate actions. This control could delay, defer or prevent others from initiating a potential merger, takeover or other change in our control, even if these actions would benefit our other stockholders and us. This control could adversely affect the voting and other rights of our stockholders and could depress the market price of our common stock. If you acquire common stock, you may have no effective voice in the management of the Company.

Our income statements are heavily influenced by non-cash charges, which may negatively influence investors' view of us.

Investors like companies which report income statement profits (or relatively small net losses), and do not like companies which report large losses on their income statements. In recent years our income statements' reported losses have been increased by large non-cash charges such as those for non-employee stock-based compensation, employee stock-based compensation, net loss on settlement of indebtedness (with below-market stock issuances), and changes in the fair value of derivative liability. This could make it more difficult for some investors to understand our operations and the situation of our business easily, especially if they prefer to use traditional stock valuation metrics and multiples, and it could cause some



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investors to disregard us or to view us negatively. This could affect the demand for our stock and adversely affect our stock price. It is possible that we will take actions which result in such charges on our future statements of income, but whether or not we do, the past instances of charges will continue to be reflected in the current-period-versus-past-period comparisons, which are used in our SEC reports and by investors and analysts.

Even though we are not a California corporation, our common stock could still be subject to a number of key provisions of the California General Corporation Law.

Under Section 2115 of the California General Corporation Law, or CGCL, non-listed corporations not organized under California law may still be subject to a number of key provisions of the CGCL. This determination is based on whether the corporation has specific significant business contacts with California and if more than 50% of its voting securities are held of record by persons having addresses in California. Under Section 2115, we could be subject to certain provisions of the CGCL. Among the more important provisions are those relating to the election and removal of directors, cumulative voting, standards of liability and indemnification of directors, distributions, dividends and repurchases of shares, shareholder meetings, approval of certain corporate transactions, dissenters' rights, and inspection of corporate records. We have not determined whether or not we are, or will be, subject to such CGCL requirements.

## USE OF PROCEEDS

We will not receive any proceeds from the sales, if any, of the common stock covered by this prospectus. All net proceeds from the sale of the common stock covered by this prospectus will go to the selling stockholder. See "Selling Stockholders" and "Plan of Distribution" described below. If the warrants overlying certain of such shares are exercised for cash, we would receive such exercise-price cash proceeds, which we would intend to use for general working capital purposes.

## Market Information

Our common stock has been quoted on the OTC Bulletin Board since June 20, 2002. From June 20, 2002 until May 14, 2008 our stock was quoted under the symbol "HSNI". From May 15, 2008 to the present it has been quoted under the symbol "SITO". The following table sets forth, for the fiscal quarters indicated, the high and low closing sale prices per share of our common stock. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

Quarter Ended	High	Low
March 31, 2012 (to 3/16/2012)	0.38	0.25
December 31, 2011	0.33	0.20
September 30, 2011	0.56	0.26
June 30, 2011	0.75	0.45
March 31, 2011	0.83	0.49
December 31, 2010	1.05	0.73
September 30, 2010	1.48	0.65
June 30, 2010	1.52	0.48
March 31, 2010	0.84	0.45
December 31, 2009	0.76	0.65
September 30, 2009	0.55	0.52

#### Holders

As of September 30, 2011, there were 251 record holders of our common stock. This does not include the beneficial owners of unexchanged stock certificates or the additional beneficial owners of our common stock who held their shares in street name as of that date.

#### Dividends

We have never paid or declared any cash dividends on our common stock and do not anticipate paying cash dividends in the foreseeable future but rather intend to retain future earnings, if any, for reinvestment in our future business. Any future determination to pay cash dividends will be in compliance with our contractual obligations and otherwise at the discretion of the Board of Directors and based upon our financial condition, results of operations, capital requirements and such other factors as the board of directors deems relevant.

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### BUSINESS

#### General

We were incorporated in Delaware on May 31, 2000, under our original name, Hosting Site Network, Inc. On May 12, 2008, we changed our name to Single Touch Systems Inc. In the periods before the acquisition described in the next sentence, we had no active business operations. On July 24, 2008, we acquired all of the outstanding shares of Single Touch Interactive, Inc. (“Interactive”). Interactive was incorporated in Nevada on April 2, 2002.

We maintain a website located at <http://www.singletouch.net>, and electronic copies of our periodic or other reports and any amendments to those reports, are available, free of charge, under the “Company” link on our website as soon as practicable after such material is filed with, or furnished to, the SEC.

Single Touch Systems Inc. is an innovative mobile media solutions provider serving retailers, advertisers and brands. Through patented technologies and a modular, adaptable platform, our multi-channel messaging gateway enables marketers to reach consumers on all types of connected devices, with information that engages interest, drives transactions and strengthens relationships and loyalty.

Our solution is designed to drive return on investment for high-volume clients and/or customized branded advertisers. Our platform and tools are designed to enable large brands or anyone with substantial reach to utilize the mobile device as a new means to communicate. Communication might be in the form of a reminder message in voice or Short Message Service (SMS), an abbreviated dial code or a coupon, promotion, or an advertisement. Regardless of the form, our platform can drive value and cost savings for companies large and small and the ability to drive contextually relevant advertising messages to the right audience.

Currently, over 90% of our revenues are paid to us through AT&T Services, Inc., and currently the bulk of that revenue comes from notifications sent on behalf of Walmart. We are primarily a B2B player and/or white-label service providing a means for businesses to communicate to its primary constituents, in particular its customers, and we do not seek to have a consumer brand presence for our own name.

#### Background of Industry Growth and Potential

Cell phone penetration and usage are becoming almost ubiquitous, and business applications utilizing cell phones are growing rapidly. USA Today notes that well-known retailers and brands are employing various mobile tactics to enhance the shopping experience. A Custom Mobile Retail Advisor Survey from Sept 2011 showed 46% of mobile phone consumers engaged in shopping activities on their mobile device.

According to CTIA – The Wireless Association (June 2011), there were 327 million wireless subscribers in the US, representing 103.9% of the US population. The combined minutes and messages of this group have risen 9.5% year over year. It takes 90 minutes for the average person to respond to an email yet only 90 seconds to respond to a SMS or Multimedia Messaging Service (MMS) text message; and there is a 300% increase in opens for SMS/MMS vs. emails. For many consumers, cellular phones have already made the transition from a communication device to a media-consumption device. With continuing technological advancements, people are becoming more dependent on their cell phones and less dependent on landlines.

#### Principal Products and Services

Messaging and Notifications – Our Short Message Service (SMS) gateway offers a hosted messaging platform to SMS-enable any application, website or system. We enable the immediate capability to deliver and receive messages to and from any application, via our messaging platform.

The foremost example of our solution running today is Walmart. Walmart pharmacy departments send individualized text messages through our gateway, to their customers letting them know when their prescriptions are ready for pickup. Potentially, we would be able not only to send a customer a reminder but also let them know that a product is on sale, provide product information or product reviews, display inventory levels or enable a click-through connection to customer service.

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Abbreviated Dial Codes – 75% of smartphone users prefer mobile couponing to physical paper copies based on the Custom Mobile Retailer Advisor survey from September 2011. The Association of National Advertisers reports while normal paper coupon redemption is between 1% to 3% feature phones coupon redemption is 10% and smartphone coupon redemption is 20%. Our recent case studies with Hibbett Sporting Goods, Inc., showed 14% redemption. MobiLens, a unit of comscore, reported a 24% average response rate from those that received SMS advertisements during the three-month period ended September 2011. We are showing a better than 5% click-through from Rich Text Messages with embedded uniform resource locators (URL), which compares favorably with a traditional Internet banner advertising of 1% click-through rate.

### Certain Agreements

Our business agreements consist primarily of customer agreements and carrier agreements. Customer agreements are typically agreements with companies which have sales relationships with the end users of the transacted media content or service application. These agreements typically involve a split of the fees received between the brand owner and us or a fixed fee per transaction. Carrier agreements are infrastructure in nature and establish the connection to the end user that enables us to deliver and collect payment for the transacted media content or service application. Carrier agreements typically involve a split of the fees received between the carrier and us.

Our services agreement with AT&T Services, Inc., as amended, provides among other things that we shall provision, implement and maintain the ADC Registry Program to be licensed for use by AT&T for the purpose of marketing and promoting customer retail locations and other programs. AT&T may terminate the agreement at any time on upon proper written notice as provided in the agreement.

### Research and Development

During the fiscal years ended September 30, 2011 and September 30, 2010 we spent \$502,110 and \$528,166, respectively, on software development that was capitalized. Software development costs amortized and charged to operations in fiscal 2011 and fiscal 2010 were \$412,632 and \$438,445, respectively. In addition, in fiscal 2011 we charged off \$0 in development costs we deemed impaired, compared to \$218,776 in fiscal 2010.

Our research and development activities relate primarily to general coding of software and product development. These activities consist of both new products and support or improvements to existing products. Certain of our research and development resources are dedicated to improving our ADC programs while others are dedicated to refining our mobile notification and couponing products.

We believe that we may need to increase our current level of dedicated research and development resources by adding both hardware and engineers.

### Government Regulation

We provide value-added and enabling platforms for carrier based distribution of various software and media content, as well as notifications and other communications. Applicable regulations are primarily under the Federal Communications Commission and related to the operations policies and procedures of the wireless communications carriers. Messaging and safeguarding Personal Health Information, moreover, is relegated, among other things, to the Privacy Rule of the Health Insurance Portability and Accountability Act, otherwise known as HIPAA. The wireless carriers are primarily responsible for regulatory compliance. Given the growing and dynamic evolution of digital wireless products that can be offered to consumers over a wireless communication network, regulators could impose rules, requirements and standards of conduct on third-party content and infrastructure providers such as us. We are not

currently aware of any pending regulations that would materially impact our operations.

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Employees

We currently have 18 full-time and no part-time employees including our chairman, our chief executive officer, our chief financial officer, 7 persons serving as programmers and technical staff operators, 6 persons in sales and marketing, 1 person in accounting and 1 administrative assistant. We expect to increase our future employee levels on an as-needed basis in connection with our expected growth.

Properties

Our executive offices are located at 100 Town Square Place, Suite 204, Jersey City, NJ 07310. We have a five-year lease for this space at a rate of \$8,925 per month. The facilities comprise approximately 3500 square feet consisting entirely of administrative office space.

We have additional offices located at 2235 Encinitas Blvd., Suite 210, Encinitas, CA 92024. We have a month-to-month renewal lease for this space at a rate of \$3,027 per month. The facilities comprise approximately 1900 square feet consisting entirely of administrative and software development office space.

We have additional offices located at 3310 Market Street, Suite 204, Rogers, AR 72758. We have a five-year lease for this space at a rate of \$3,645 per month. The facilities comprise approximately 2100 square feet consisting entirely of administrative and software development office space.

We have additional offices located at 12301 West Explorer Drive, Suite 210, Boise, ID 83713. We have a two-year lease for this space at a rate of \$1,204 per month. The facilities comprise approximately 1445 square feet consisting entirely of software development office space.

Our servers are housed at CoreSite, 900 N. Alameda Street, Los Angeles, CA 90012 and CoreSite, 427 North La Salle, Chicago, IL 60605.

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MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following Management’s Discussion and Analysis should be read in conjunction with our financial statements and the related notes thereto. The Management’s Discussion and Analysis contains forward-looking statements that involve risks and uncertainties, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words “believe,” “plan,” “intend,” “anticipate,” “target,” “estimate,” “expect,” and the like, and/or future-tense or conditional constructions (“will,” “may,” “should,” etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements in this Prospectus. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors such as those in the Risk Factors section above. We do not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Prospectus.

Overview

Single Touch Systems Inc. is an innovative mobile media solutions provider serving retailers, advertisers and brands. Through patented technologies and a modular, adaptable platform, our multi-channel messaging gateway enables marketers to reach consumers on all types of connected devices, with information that engages interest, drives transactions and strengthens relationships and loyalty.

Our solution is designed to drive return on investment for high volume clients and/or customized branded advertisers. Our platform and tools are designed to enable large brands or anyone with substantial reach to utilize the mobile device as a new means to communicate. Communication might be in the form of a reminder message, a coupon, an advertisement or a voice call. Regardless of the form, our platform can drive value and cost savings for companies large and small, and we provide the ability to drive contextually relevant advertising messages to the right audience.

Our business has focused on leveraging our solution in the areas of messaging/notifications and Abbreviated Dial Codes. These solutions are to be enhanced by our deployment of imbedded advertisements and couponing.

“The vast mobile messaging industry worldwide, currently generating revenues in excess of USD 150 billion, and set to continue growing to more than USD 233 billion by 2014.” (1)

“Short Messaging Service, simply known as SMS, has established itself as the simplest, easiest and most economical means of personalized one-to-one communication – with SMS volume growth statistics attesting to its popularity.” (1)

“The performance of SMS over the last five years has been staggering and remains so mainly because it is cheap, easy to use, convenient, discreet and universally acceptable to some 4 billion consumers worldwide. SMS continues to grow in all markets. In 2009 worldwide SMS traffic topped 5 trillion messages, and that figure is set to exceed 10 trillion in 2013.” (1)

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(1) Source: Portio Research Mobile Factbook 2011





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We have developed and are preparing to deploy advertisements and couponing within our product offerings. This development is significant in that our per-message revenue increases significantly for each message that includes an advertisement. We see these expanded offerings, including those not based directly on messaging volume, as important steps in our continued program to creating both consumer and advertiser demand for our mobile media platform; accessing mobile notifications, advertisements, coupons and commerce transactions from the mobile phone.

Currently, over 90% of our revenues are paid to us through AT&T Services, Inc., and the bulk of that revenue comes from notifications sent on behalf of Walmart. These programs and related services continue to develop nationwide and we continue to experience increasing activity in these programs that have caused our AT&T revenues to grow.

We have a portfolio of intellectual property relevant to our industry related to mobile search, commerce, advertising and streaming media. This portfolio represents our many years innovation in the wireless industry through patented technology developed by us as well as patented technology we purchased from Microsoft and others.

We have law firms engaged to protect our patented technology against unauthorized users and infringers. We have sent letters of notification to several companies making them aware of our patent portfolio. We will continue to identify and notify companies we believe may be infringing on the intellectual property protected by our growing patent portfolio.

As we expand operational activities, we may continue to experience operating losses and/or negative cash flows from operations and may be required to obtain additional financing to fund operations.

Throughout our history our operations have been constrained by our ability to raise funds, and our liquidity has been an ongoing issue. We have received debt and equity investments both from insiders and from private investors. We have always had negative cash flows from operations and net operating losses, although the size of the net operating losses has been magnified by a variety of non-cash accounting charges. As we expand operational activities, we may continue to experience operating losses and/or negative cash flows from operations and may be required to obtain additional financing to fund operations.

Our operating history makes predictions of future operating results difficult to ascertain. Our revenue is concentrated with a single customer. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in our stage of development. Such risks include, but are not limited to, an evolving business model and the management of growth. To address these risks we must, among other things, diversify our customer base, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

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## Results of Operations

## Results of Operations for the Three Months Ended December 31, 2011 and December 31, 2010

During the three-month period ended December 31, 2011, the Company had an increase in revenue of approximately 57% over revenue generated during the same three-month period in the previous year (\$1,589,673 in 2011 compared to \$1,011,738 in 2010). The growth, all of which is organic, is attributable to additions of programs and increased mobile adoption rates. The Company's net loss for the three months ended December 31, 2011 was \$629,196. This compares favorably with the net loss incurred during three months ended December 31, 2010 of \$4,899,323. The net loss of \$629,196 incurred in 2011 included stock-based compensation of \$31,106 and \$155,471 of depreciation and amortization. The net loss of \$4,899,323 incurred in 2010 included stock-based compensation of \$3,603,708 and \$137,287 of depreciation and amortization. Net loss, excluding stock-based compensation and depreciation and amortization, was \$442,619 in 2011 as compared to \$1,158,328 in 2010, a decrease of 62%.

We define Adjusted EBITDA as consolidated operating income before depreciation, amortization of intangible assets, stock-based compensation, and special charges. We use Adjusted EBITDA to evaluate the underlying performance of our business, and a summary of Adjusted EBITDA, reconciling GAAP amounts (i.e., items reported in accordance with U.S. Generally Accepted Accounting Principles) to Adjusted EBITDA amounts (i.e., items included within Adjusted EBITDA as defined directly above) for the three months ended December 31, 2011 and 2010 follows:

## For the Three Months Ended December 31,

	GAAP	2011 Adjust- ments	Adjusted EBITDA	GAAP	2010 Adjust- ments	Adjusted EBITDA	\$	GAAP Change	%
Revenue									
Wireless Applications	\$1,589,673		\$1,589,673	\$1,011,738		\$1,011,738	\$577,935	57 %	
Operating Expenses									
Royalties and Application Costs	763,321		763,321	506,455		506,455	256,866	51 %	
Research and Development	37,200		37,200	23,339		23,339	13,861	59 %	
Compensation expense (including stock-based compensation)	693,823	(9,690 )	684,133	3,573,198	(3,182,508)	390,690	(2,879,375)	-81 %	
Depreciation and amortization	155,471	(155,471)	-	137,287	(137,287)	-	18,184	13 %	
General and administrative (including stock-based compensation)	530,670	(21,416 )	509,254	1,005,045	(421,200)	583,845	(474,375)	-47 %	
	2,180,485	(186,577)	1,993,908	5,245,324	(3,740,995)	1,504,329	(3,064,839)	-58 %	
Loss from Operations/Adjusted	\$(590,812)	\$186,577	\$(404,235)	\$(4,233,586)	\$3,740,995	\$(492,591)	\$3,642,774	-86 %	

EBITDA

Royalties and application costs represent the direct out-of-pocket costs associated with revenue. Royalties and application costs vary substantially in line with revenue and totaled \$763,321 in 2011, compared to \$506,455 in 2010, an increase of 51%.

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Compensation expense of \$693,823 in 2011 includes stock based compensation totaling \$9,690 relating to the vesting of options granted to an employee to purchase 300,000 shares of the Company's common stock. Compensation expense of \$3,573,198 in 2010 includes stock-based compensation totaling \$3,182,508 consisting of the fair value of 3,000,000 common shares issued to the Company's executive chairman, \$2,700,000, and the fair value of options granted to employees and officers to purchase 5,155,000 shares of common stock, \$482,508. The compensation expense included within Adjusted EBITDA, which excludes stock-based compensation, totaled \$684,133 for 2011 and \$390,690, reflecting the additional personnel needed to service and manage our expanding underlying business.

General and administrative expenses for the three months ended December 31, 2011 and 2010, both on a GAAP and on an Adjusted EBITDA basis, consist of the following:

	For the Three Months Ended December 31,									
	GAAP	2011 Adjust- ments	Adjusted EBITDA	GAAP	2010 Adjust- ments	Adjusted EBITDA	\$	GAAP Change %	\$	Adjusted EBITDA Change %
Professional Fees	\$166,960	\$(15,006)	\$151,954	\$253,821		\$253,821	\$(86,861)	-34 %	\$(101,867)	-40 %
Travel	138,841		138,841	55,049		55,049	83,792	152 %	83,792	152 %
Consulting expense	106,925	(6,410)	100,515	605,195	(421,200)	183,995	(498,270)	-82 %	(83,480)	-45 %
Office rent	45,291		45,291	29,704		29,704	15,587	52 %	15,587	52 %
Insurance expense	28,156		28,156	17,586		17,586	10,570	60 %	10,570	60 %
Equipment lease	-		-	22,500		22,500	(22,500)	-100%	(22,500)	-100%
Trade shows	12,000		12,000	-		-	12,000		12,000	
Telephone	11,610		11,610	7,836		7,836	3,774	48 %	3,774	48 %
Office expense	8,056		8,056	2,745		2,745	5,311	193 %	5,311	193 %
Other	12,831		12,831	10,609		10,609	2,222	21 %	2,222	21 %
Total General and Administrative Expenses	\$530,670	\$(21,416)	\$509,254	\$1,005,045	\$(421,200)	\$583,845	\$(474,375)	-47 %	\$(74,591)	-13 %

Our professional fees decreased from 2011 when compared to that for 2010. Professional fees of \$166,960 in 2011 includes stock-based compensation of \$15,006 pertaining to the vesting of options granted to the Company's outside legal counsel to purchase 250,000 shares of the Company's common stock. No stock-based compensation was included in professional fees for 2010. Professional fees excluding stock-based compensation decreased from \$253,821 in 2010 to \$151,954 in 2011 due largely to replacing some services previously performed by variable-priced outside advisors with those from fixed-fee outside advisors and management.

Travel expense has increased from \$55,049 in 2010 to \$138,841 in 2011. This is largely attributable to the addition of personnel and increased business development activities.

Consulting expense of \$106,925 in 2011 includes stock-based compensation of \$6,410 pertaining to the vesting of options granted to a Company director to purchase 200,000 shares of the Company's common stock Consulting

expenses of \$605,195 in 2010 included \$421,200 of stock-based compensation mostly attributable to one outside advisors no longer compensated for such services. Excluding stock-based compensation consulting expense has decreased from \$183,995 in 2010 to \$100,515 in 2011. This reduction is largely attributable to replacing some services previously performed by outside consultants with those of management.

Other expenses not part of Loss from Operations or Adjusted EBITDA in 2011 included interest expense of \$37,609, of which \$15,644 pertains to interest accruing on \$1,800,000 of convertible debt issued by the Company in November and December of 2011, \$15,777 pertains to amortization of discounts on the convertible debt (See Note 9 to the financial statements), and \$6,188 pertains to imputed interest on the Company's obligation on the purchase of patents and patent applications (See Note 8 to the financial statements).

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Other expenses not part of Loss from Operations or Adjusted EBITDA in 2010 included a \$651,315 loss on settlement of indebtedness relating to the Company issuance of 723,684 shares of its common stock through a settlement with a former Note holder caused by a dispute as to the number of shares he believed he was entitled to through the original conversion of his note and interest expense of \$13,622.

### Changes in assets and liabilities

At December 31, 2011, we had total assets of \$5,007,520 and total liabilities of \$3,013,057. As of December 31, 2010, we had total assets of \$6,081,465 and total liabilities of \$1,437,140. The decrease in assets is largely due to the reduction in cash raised prior to December 31, 2010 and used to fund operating losses following then, and the increase in liabilities is largely due to the \$1,800,000 convertible debt issuance in the quarter ended December 31, 2010 (See footnote 9 to the financial statements.)

### Liquidity and Capital Resources

During the three-month period ending December 31, 2011 cash used in operating activities totaled \$580,909. Cash used in investing activities totaled \$136,344, of which \$92,072 represented the capitalized internal costs of our software development, \$5,282 represented equipment purchases, and \$38,990 represented capitalized legal fees incurred in the process of applying for various patents on our technology. Cash provided from financing activities amounted to \$1,800,000 through the issuance of convertible debt. We had an overall net increase in cash for the period of \$1,082,747; the beginning balance for the period was \$523,801 while the cash balance at the end of the period was \$1,606,548.

During the three-month period ending December 31, 2010 cash used in operating activities totaled \$479,269. Cash used in investing activities totaled \$322,045, of which \$169,128 represented the capitalized internal costs of our software development, \$91,850 represented equipment purchases, and \$61,067 represented capitalized legal fees incurred in the process of applying for various patents on our technology. Cash provided in financing activities was \$17,685 representing cash advances from a related party. We had an overall net decrease in cash for the period of \$783,629; the beginning balance for the period was \$4,040,169, while the cash balance at the end of the period was \$3,256,540.

Over the next twelve months we believe that existing capital and anticipated funds from operations will be sufficient to sustain our current level of operations. We may, however, seek additional financing to increase our cash and liquidity buffer. In addition, increased acceleration in our organic business or other strategic initiatives may require other financing. There can, moreover, be no assurance of when, if ever, our operations become profitable.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements or financing activities with special purpose entities.

### Years Ended September 30, 2011 and September 30, 2010

During the fiscal year ending September 30, 2011, we had revenues of approximately \$4.6 million and experienced a loss from operations of approximately \$7.3 million, of which approximately \$4.6 million pertained to stock-based compensation. Our net loss for the year was roughly \$8 million, which included an approximate \$650 thousand loss on settlement of indebtedness. Excluding stock-based compensation, and the loss on settlement of indebtedness, our net loss for the year was approximately \$2.8 million. Stock-based compensation has no impact on our cash position.

During the fiscal year ending September 30, 2010, we had revenues of approximately \$792,000 and experienced a loss from operations of approximately \$4.7 million, of which approximately \$1.2 million pertained to stock-based compensation. Our net loss for the year was roughly \$12 million, which included an approximate \$2.7 million loss from settlement of debt and a loss of approximately \$3.9 million from changes in the fair value of a derivative liability. Excluding stock-based compensation and the loss from settlement of debt and the loss from the changes in the derivative liability, our net loss for the year amounted to approximately \$4.2 million.



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The following table presents the Company's consolidated revenues and operating results for the years ended September 30, 2011 and 2010:

	For the Year Ended		Increase (decrease)	
	2011	2010	\$	%
<b>Revenue</b>				
Wireless applications	\$ 4,579,862	\$ 792,564	\$ 3,787,298	477.85%
<b>Operating Expenses</b>				
Royalties and application costs	2,543,885	651,028	1,892,857	290.75%
Research and development	78,860	84,240	(5,380)	-6.39%
Compensation expense	5,468,643	1,422,020	4,046,623	284.57%
Depreciation and amortization	633,535	611,897	21,638	3.54%
General and administrative	3,161,751	2,729,286	432,465	15.85%
	11,886,674	5,498,471	6,388,203	116.180%
Loss from operations	(7,306,812)	(4,705,907)	(2,600,905)	55.27%
<b>Other Income (Expenses)</b>				
Net gain (loss) on settlement of indebtedness	(651,315)	(2,738,985)	2,087,670	-76.22%
Changes in fair value of derivative and warrant liability	-	(3,946,275)	3,946,275	-100.00%
Interest expense	(26,236)	(812,785)	786,549	-96.77%
Net (loss) before income taxes	(7,984,363)	(12,203,952)	4,219,589	-34.58%
Provision for income taxes	(800)	(800)	-	-
Net income (loss)	\$ (7,985,163)	\$ (12,204,752)	\$ 4,219,589	-34.58%

General and administrative expenses for the two years ended September 30, 2011 and 2010 consist of the following:

	For the Year Ended		Increase (decrease)	
	2011	2010	\$	%
Consulting Services	\$ 1,448,613	\$ 1,449,687	\$ (1,074)	-0.07%

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Professional services	821,022	\$	404,381	\$	416,641	103.03%
Impairment loss	-	\$	218,776	\$	(218,776)	-100.00%
Travel	322,951	\$	197,613	\$	125,338	63.43%
Rent expense	121,681	\$	101,473	\$	20,208	19.91%
Bad debts	105,632	\$	-	\$	105,632	100.00%
Penalties	3,168	\$	72,595	\$	(69,427)	-95.64%
Insurance	83,953	\$	43,002	\$	40,951	95.23%
Marketing expense	78,324	\$	11,000	\$	67,324	612.04%
Equipment lease	45,000	\$	58,500	\$	(13,500)	-23.08%
Outside services	39,936	\$	12,366	\$	27,570	222.95%
Telephone	38,820	\$	36,529	\$	2,291	6.27%
Other expenses	52,651	\$	123,364	\$	(70,713)	-57.32%
	\$ 3,161,751	\$	2,729,286	\$	432,465	15.85%

Other expenses

In fiscal year 2011, we recognized a loss of approximately \$650 thousand through the issuance of 723,684 shares of our common stock in complete settlement of disputed claims. Interest expense for fiscal year 2011 totaled approximately \$26 thousand.

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In fiscal 2010 we recognized a loss on the cancelation of debt totaling approximately \$2.7 million. Of the \$2.7 million loss, approximately \$900 thousand was recognized on the issuance of 612,500 shares of our common stock for past due professional services totaling approximately \$400 thousand; approximately \$1.8 million was recognized on the issuance of 3.03 million shares of our common stock in cancellation of approximately \$1.12 million of notes payable; and approximately \$900 thousand was recognized through the issuance of 1 million shares of our common stock to a note holder in complete settlement of the debt outstanding on the note. The other non-operating item that affected our net loss for fiscal year 2010 was the change in the fair market value of our derivative liability relating to the Peltz warrants, which created a net loss for the year of approximately \$3.9 million.

Interest expense for fiscal year 2010 amounted to approximately \$813 thousand, and included \$500 thousand on the amortization of a beneficial conversion feature on debt that we issued to a non-affiliate, approximately \$172 thousand on debt due our chief executive officer and his wholly owned corporation, and approximately \$141 thousand on debt due non-affiliates.

Liquidity and Capital Resources

At September 30, 2011, we had total assets of approximately \$3.7 million and total liabilities of approximately \$1.5 million, while at September 30, 2010, we had total assets of approximately \$6.5 million and total liabilities of approximately \$1 million. Our cash balance decreased by approximately \$3.5 million during the year ended September 30, 2011.

Our only outstanding indebtedness at September 30, 2011 is the approximately \$164,000 (net of approximately \$11 thousand implicit interest) due Microsoft on March 15, 2012 on our acquisition of patents and patent applications.

The future of our liquidity/capital resources position will hinge on how soon, if ever, our operations become profitable, as well as whether any future capital is raised.

During the fiscal year ended September 30, 2011, net cash used in our operating activities totaled approximately \$1.5 million. Net cash used in investing activities totaled approximately \$1 million and included approximately \$155 thousand paid to Mr. Macaluso on the option of acquiring his interest in Soapbox Mobile, Inc.; approximately \$95 thousand on an investment in a certificate of deposit that is pledged as a security deposit on our office lease in New Jersey; approximately \$111 thousand paid in legal fees on patent and patent applications; approximately \$196 thousand on equipment purchases; and approximately \$502 thousand on software development. We used approximately \$956 thousand in our financing activities including the reduction of approximately \$791 thousand in debt due to Mr. Macaluso and the reduction of approximately \$165 thousand of debt due non-affiliates.

During the fiscal year ended September 30, 2010, net cash used in our operating activities totaled approximately \$4.6 million. Net cash used in investing activities totaled approximately \$1.5 million and included approximately \$900 thousand on the acquisition of patent and patent applications, approximately \$69 thousand on equipment purchases and approximately \$528 thousand on software development. Financing activities provided us with approximately \$9.95 million. During the year, we received approximately \$11.6 million through the issuance of approximately 24.4 million shares of our common stock through various private offerings and \$500 thousand in proceeds from the issuance of convertible debt. Of the \$12.1 million received, approximately \$313 thousand was used in costs associated with the private offerings; \$522 thousand was used in reducing the principal balance due to Mr. Macaluso and his wholly owned corporation; approximately \$875 thousand was used to reduce the principal balance due on non-affiliate debt; and \$450 thousand was paid as partial consideration in the modification of the term relating to warrants granted to a consultant.



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### Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. We have identified the following accounting policies that we believe are key to an understanding of our financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

#### Revenue Recognition

Revenue is recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, Revenue Recognition in Financial Statements, as revised by SAB No. 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable and collectability is probable. Sales are recorded net of sales discounts.

#### Non-monetary Consideration Issued for Services

We value all services rendered in exchange for our common stock at the quoted price of the shares issued at date of issuance or at the fair value of the services rendered, whichever is more readily determinable. All other services provided in exchange for other non-monetary consideration are valued at either the fair value of the services received or the fair value of the consideration relinquished, whichever is more readily determinable.

Our accounting policy for equity instruments issued to consultants and vendors in exchange for goods and services follows the provisions of ASC Topic 505-50, "Equity Based Payments to Non Employees." The measurement date for the fair value of the equity instruments issued is determined at the earlier of (i) the date at which a commitment for performance by the consultant or vendor is reached or (ii) the date at which the consultant or vendor's performance is complete. In the case of equity instruments issued to consultants, the fair value of the equity instrument is recognized over the term of the consulting agreement. In accordance with ASC Topic 505, an asset acquired in exchange for the issuance of fully-vested, non-forfeitable equity instruments should not be presented or classified as an offset to equity on the grantor's balance sheet once the equity instrument is granted for accounting purposes. Accordingly, we record the fair value of non-forfeitable common stock issued for future consulting services as prepaid services in our consolidated balance sheet.

#### Conventional Convertible Debt

When the convertible feature of the conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). We record a BCF as a debt discount pursuant to ASC Topic 470-20, "Debt with Conversion and Other Options." In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. We amortize the discount to interest expense or equity (if the debt is due to a related party) over the life of the debt using the effective interest method.

#### Software Development Costs

We account for our software development costs in accordance with ASC Topic 985-20, "Cost of Software to be Sold, Leased, or Otherwise Marketed." Under ASC Topic 985-20, we expense software development costs as incurred until we determine that the software is technologically feasible. Once we determine that the software is technologically feasible, we amortize the costs capitalized over the expected useful life of the software.

#### Fair Value Measurement

The Company complies with the provisions of ASC No. 820-10 (ASC 820-10), "Fair Value Measurements and Disclosures." ASC 820-10 relates to financial assets and financial liabilities. ASC 820-10 defines fair value, establishes

a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

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ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions, about market participant assumptions, that are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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## MANAGEMENT

The following persons are our executive officers and directors, and hold the offices set forth opposite their names.

Name	Age	Position
Anthony Macaluso	49	Executive Chairman and Director
James Orsini	48	Chief Executive Officer, President and Director
John Quinn	48	Chief Financial Officer
Richard Siber	49	Director
Stuart R. Levine	64	Director
Stephen D. Baksa	66	Director

Our Board of Directors consists of five members. Only our independent, non-executive directors receive any cash remuneration for acting as such. All directors may, however, be reimbursed their expenses, if any, for attendance at meetings of the Board of Directors.

No family relationships exist between any of our present directors and officers.

The following is a brief account of the business experience during the past five years of each of our directors and executive officers:

Anthony Macaluso became our President, Chief Executive Officer, Chairman, and principal shareholder upon the closing of the acquisition of Single Touch Interactive, Inc. in July 2008. He founded Interactive in 2002, and from that time to May 2011 had primary responsibilities for our operations and business. On May 16, 2011, he stepped down as our Chief Executive Officer, President and Chief Financial Officer but continued on as our executive Chairman.

James Orsini joined us on May 16, 2011, as our Chief Executive Officer, President and Chief Financial Officer, and as a Director. From February 2006 to May 2011, Mr. Orsini served as Executive Vice President and Director of Finance and Operations at Saatchi & Saatchi New York, a marketing/advertising agency unit of Publicis Groupe S.A. Mr. Orsini received a bachelor of science in business administration degree from Seton Hall University, magna cum laude (1985), and is a certified public accountant.

John Quinn joined us on September 26, 2011, as our Chief Financial Officer. Mr. Quinn was most recently Principal of ParenteBeard, LLC, an accounting and consulting firm. He was responsible for starting and was co-head of the Transaction Advisory Services group, which focused on M&A advisory and international tax consulting. Prior to joining ParenteBeard in 2010, Mr. Quinn was the New York based Chief Financial Officer of Financial Dynamics, a financial communications and investor relations consultancy. During his six-year tenure, Mr. Quinn was instrumental in converting an investor relations services provider into a full-service multinational and overseeing the sale and integration of Financial Dynamics to FTI Consulting, Inc.

From 1997-2004 Mr. Quinn was a partner at Scarpati Quinn & Hennessey, LLP, where he was a key contributor to the rapid growth of the accounting firm into an advisory, consulting and international tax service provider. For the eight years prior, he was senior manager of M&A and tax at Saatchi & Saatchi, the global advertising and marketing giant. Mr. Quinn began his career as a senior associate at KPMG in 1986. Mr. Quinn holds a MBA in international finance from Columbia University's Business School (1995) and graduated with a B.S. in accounting from the State University of New York (1986). He is a Certified Public Accountant.



Richard Siber became a director of ours upon the closing of the acquisition of Single Touch Interactive, Inc. in July 2008. Mr. Siber founded Siber Consulting LLC in July 2004 and presently serves as its Chief Executive Officer. Siber Consulting provides technical and marketing services to the wireless industry. From 1994 through June 30, 2008 Mr. Siber was a partner in the Communications & High Tech practice at Accenture, Ltd. where he helped manage Accenture's worldwide wireless communications activities and was involved in all aspects of Accenture's mobile and wireless practice, including its Service Delivery Platform. Throughout his career, Mr. Siber has provided a broad range of marketing, strategic and industry-

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oriented consulting services to mobile operators, equipment vendors and content providers worldwide in the wireless industry. His experience has included all wireless industry licensed and unlicensed technologies including Cellular, PCS, LMR, Paging, Narrowband and Broadband Mobile Data, WiFi, Wireless PBX, Wireless Local Loop, and Satellite. Mr. Siber is a frequent industry speaker and has chaired, moderated or spoken at more than 250 wireless conferences and forums worldwide. Mr. Siber has a Bachelor of Arts degree from Boston University (1983) and a Masters of Business Administration degree from Boston College (1990).

Stuart R. Levine was elected to the board of Single Touch Systems Inc. on August 8, 2011. Mr. Levine is the founder, Chairman and Chief Executive Officer of Stuart Levine and Associates LLC, an international management consulting and leadership development Company. From 1992 to 1996, he was Chief Executive Officer of Dale Carnegie & Associates, Inc, a provider of leadership, communication and sales skills training. In 2011, Mr. Levine was recognized by the National Association of Corporate Directors as one of the top 100 most influential people in governance within the United States. Mr. Levine serves as a director of Broadridge Financial Solutions, Inc., a provider of investor communications, securities processing, and clearing and outsourcing solutions, where he serves as Chair of the Governance and Nominating Committee. He is Lead Director of J. D'Addario & Company, Inc., a private manufacturer of musical instrument accessories. He also serves on the board of North Shore-Long Island Jewish Health System. In addition, Mr. Levine is the bestselling author of "The Leader in You" (Simon & Schuster 2004), "The Six Fundamentals of Success" (Doubleday 2004) and "Cut to the Chase" (Doubleday 2007). Mr. Levine is the former Lead Director of Gentiva Health Services, Inc., a provider of home healthcare services, where he served from 2000 to 2009. He also served as a director of European American Bank from 1995 to 2001 and The Olsten Corporation, a provider of staffing solutions, from 1994 to 2000. Mr. Levine is a former Chairman of Dowling College as well as a former Member of the New York State Assembly.

Specific experience, qualifications, attributes or skills:

- Operating and management experience, including as chief executive officer of a global client services business
- Public company directorship and committee experience
- Frequent panel chair and participant in director education programs sponsored by the NACD
- Independent of the Company

Stephen D. Baksa became a director of ours on November 1, 2011. Mr. Baksa was a General Partner at The Vertical Group from 1989 through 2010, a private equity and venture capital firm focused on the fields of medical technology and biotechnology. He is currently employed at The Vertical Group as an advisor/consultant. For more than 30 years, The Vertical Group has been an early stage investor and major shareholder of some of the medical technology industry's most successful companies. Before Mr. Baksa joined The Vertical Group, he was co-founder of Paddington Partners, a firm engaged in special situation investing focused on public health care equities. Mr. Baksa holds an M.B.A. from The Rutgers School of Business (1969) and a B.A. in Economics from Gettysburg College (1967).

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## Executive Compensation

The following table sets forth information concerning the total compensation paid or accrued by us during the two fiscal years ended September 30, 2011 to:

all individuals who served as our chief executive officer or acted in a similar capacity for us at any time during the fiscal year ended September 30, 2011 and two additional individuals who were serving as executive officers of ours at the end of the fiscal year ended September 30, 2011.

## SUMMARY COMPENSATION TABLE

Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Total (\$)
Anthony Macaluso Executive Chairman	2011	322,582	0	2,700,000	205,182	3,227,764
	2010	275,000	0	0	3,140	278,140
James Orsini Chief Executive Officer	2011	144,375	25,000	260,000	0	429,375
	2010	0	0	0	0	0
John Quinn Chief Financial Officer	2011	4,327	0	30,000	0	34,327
	2010	0	0	0	0	0

Note: Table does not include option awards that have not vested for: Anthony Macaluso - 6,000,000 options vesting from 5/16/2012 through 5/16/2014 all expiring 6/1/2016, valued at \$538,350; James Orsini – 4,500,000 options vesting 5/16/2012 through 5/16/2014 all expiring 5/16/2016, valued at 421,510; John Quinn – 1,500,000 options vesting 9/30/2012 through 9/30/2014 all expiring 9/30/2016, valued at \$53,500.

## Employment Agreements and Benefits

Other than health insurance, we do not currently provide any employee benefit or retirement programs. Our officers' salaries are determined by the Board of Directors. Officers and employees may receive bonuses from time to time in the form of cash or equity at the sole discretion of the Board of Directors.

We have no plans in place and have never maintained any plans that provide for the payment of retirement benefits or benefits that will be paid primarily following retirement including, but not limited to, tax qualified deferred benefit plans, supplemental executive retirement plans, tax-qualified deferred contribution plans and nonqualified deferred contribution plans.

## Employment / Severance / Change-in-Control Agreements

On March 10, 2011, we entered into an employment letter agreement with James Orsini, who began employment as our Chief Executive Officer, President and Chief Financial Officer on May 16, 2011. The agreement (as amended on May 16, 2011) is for a three-year term, with successive two-year renewals unless either party elects against renewal. Mr. Orsini is entitled to a \$385,000 annual salary, subject to possible increases. Mr. Orsini can also receive discretionary cash bonuses, and after three months of employment he was entitled to and did receive a \$25,000 payment in respect of certain expenses. In addition, the agreement called for us to grant to him (and we accordingly did grant to him) 4,500,000 stock options under our 2010 Stock Plan; with one-third (with an exercise price of \$0.63 per share) vesting on the first anniversary of his employment start date, one-third (with an exercise price of \$0.90 per share) vesting on the second anniversary of his employment start date, and one-third (with an exercise price of \$0.90 per share) vesting on the third anniversary of his employment start date. Vesting of his stock options shall accelerate if we experience a change in majority control. Mr. Orsini agreed not to compete with us during his employment and for two years thereafter.

If we terminate Mr. Orsini's employment without cause or for disability or if he resigns for good reason (as those terms are defined in the agreement), or if we elect not to enter into a renewal term of the employment letter agreement, he will receive one year of salary continuation and one year of COBRA premium payments. In addition, if we terminate Mr. Orsini's employment without cause or if he resigns for good reason, he will be entitled to exercise any of the 4,500,000 stock options which had vested as of the termination date, until three years after the termination date (or, if earlier, the expiration of the options).

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If we experience a change in majority control (as defined in the agreement) during Mr. Orsini's employment, all his unvested stock options would immediately vest.

On June 3, 2011, we entered into an employment letter agreement with Anthony Macaluso, as our executive Chairman, effective as of June 1, 2011. The agreement is for a three-year term, with successive two-year renewals unless either party elects against renewal. Mr. Macaluso is entitled to a \$385,000 annual salary, subject to possible increases. Mr. Macaluso can also receive discretionary cash bonuses. We also agreed in the employment letter agreement to grant Mr. Macaluso certain stock options under our 2010 Stock Plan.

In full satisfaction of all obligations under the employment letter agreement to grant stock options to Mr. Macaluso, and after taking account of certain remissions, we granted Mr. Macaluso on June 1, 2011 a total of 4,500,000 stock options under our 2010 Stock Plan, with 1,500,000 of the options (at an exercise price of \$0.65 per share) vesting on May 16, 2012, 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting on May 16, 2013 and 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting on May 16, 2014.

If Mr. Macaluso is terminated without cause or due to disability, or if he resigns for good reason (all as defined in the employment letter agreement) or if we elect not to renew his employment term, then upon giving us a release he shall be entitled to one year of salary continuation and one year of COBRA premiums payments. Also, if we are acquired or if he is terminated without cause or if he resigns for good reason (all as defined in the employment letter agreement) during Mr. Macaluso's employment, all his unvested stock options will immediately vest.

In addition, if we terminate Mr. Macaluso's employment without cause or due to disability or if he resigns for good reason, he would be entitled to exercise any of the 4,500,000 stock options until three years after the termination date (or, if earlier, the expiration of the options).

On September 26, 2011, we entered into an employment letter agreement with John Quinn, as our Chief Financial Officer, effective as of September 26, 2011. Pursuant to the agreement we pay Mr. Quinn an annual salary of \$225,000. The Agreement also calls for successive one-year renewals unless either party elects against renewal. Mr. Quinn can also receive discretionary cash bonuses.

We also agreed to grant Mr. Quinn 100,000 shares of our common stock under our 2009 Employee and Consultant Stock Plan, subject to a nontransferability restriction which lapsed on December 25, 2011.

We also agreed to grant Mr. Quinn a total of 1,500,000 upfront stock options under our 2008 Stock Option Plan with 500,000 of the options (at an exercise price of \$0.65 per share) vesting after one year of service, 500,000 of the options (at an exercise price of \$0.90 per share) vesting after two years of service and 500,000 of the options (at an exercise price of \$0.90 per share) vesting after three years of service.

Under the Agreement, if Mr. Quinn is terminated without cause or due to his disability, or if he resigns for good reason (all as defined in the Agreement) or if we elect not to renew his employment term, then upon giving us a release he shall be entitled to six months of salary continuation and six months of COBRA premiums payments. Also, vesting of his stock options shall accelerate if Mr. Quinn is terminated without cause or if he resigns for good reason, or if we are acquired.



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## Equity Compensation

The following table reflects information for our executive officers named in the Summary Compensation Table, effective September 30, 2011.

## Outstanding Equity Awards at Fiscal Year-End

Name	Number of securities underlying unexercised options exercisable (#)	Number of securities underlying unexercised options unexercisable (#)	Option exercise price(\$)	Option expiration date
Anthony Macaluso	50,000	—	1.38	7/28/2012
	50,000	—	1.38	7/28/2013
	1,200,000	—	0.90	12/9/2013
	750,000	—	0.65	6/1/2016
	-	1,500,000	0.65	6/1/2016
	-	1,500,000	0.90	6/1/2016
	-	1,500,000	0.90	6/1/2016
James Orsini	-	1,500,000	0.63	5/16/2016
	-	1,500,000	0.90	5/16/2016
	-	1,500,000	0.90	5/16/2016
John Quinn	-	500,000	0.65	9/26/2016
	-	500,000	0.90	9/26/2016
	-	500,000	0.90	9/26/2016

## Equity Compensation Plan Information

The following table reflects information for equity compensation plans and arrangements for any and all directors, officers, employees and/or consultants through September 30, 2011.

## Equity Compensation Plan Information

Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans
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	(a)		(excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	8,475,000 \$	0.88	325,000
Equity compensation plans not approved by security holders	28,130,000 \$	0.74	1,457,500
Total	36,605,000 \$	0.77	1,782,500



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In April 2008 our Board of Directors and stockholders adopted the 2008 Stock Option Plan (the “2008 Plan”) to provide participating employees, non-employee directors, consultants and advisors with an additional incentive to promote our success. The maximum number of shares of common stock which may be issued pursuant to options and awards granted under the 2008 Plan is 8,800,000. The 2008 Plan is currently administered by our Board of Directors but may be subsequently administered by a compensation committee designated by our Board of Directors. The 2008 Plan authorizes the grant to 2008 Plan participants of non-qualified stock options, incentive stock options, restricted stock awards, and stock appreciation rights. No option shall be exercisable more than 10 years after the date of grant. Upon separation from service, no further vesting of options can occur, and vested options will generally expire unless exercised within a year after separation. Generally, no option granted under the 2008 Plan is transferable by the individual or entity to whom it was granted otherwise than by will or laws of decent and distribution, and, during the lifetime of such individual, is not exercisable by any other person, but only by him.

In December 2009 our Board of Directors adopted the 2009 Employee and Consultant Stock Plan (“2009 Plan”) to provide common stock grants to selected employees, non-employee directors, consultants and advisors. The total number of shares subject to the 2009 Plan is 2,000,000. The 2009 Plan is administered by our Board of Directors.

In December 2010 our Board of Directors adopted the 2010 Stock Plan (“2010 Plan”) to provide common stock option grants to selected employees, non-employee directors, consultants and advisors. In June 2011, the Board increased the total number of shares subject to the 2010 Plan to 25,000,000. The 2010 Plan is administered by our Board of Directors.

3,825,000 of the shares shown as underlying in the “Equity compensation plans not approved by security holders” row consists of 1,000,000 shares underlying an option which we granted to Pharmacy Management Group, LLC in June 2011 as compensation for consulting services and 2,825,000 remaining shares underlying a warrant which we granted to Peltz Capital Management, LLC in October 2008 as compensation for consulting services. The Peltz warrant was amended by a September 2010 settlement and release agreement, pursuant to which 7,000,000 previously-issued warrants were returned to us under certain terms of the release. We canceled those 7,000,000 warrants in June 2011, and the 2,825,000 warrants included above are the only ones remaining outstanding to Peltz Capital Management, LLC as of September 30, 2011.

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## Director Compensation

On August 8, 2011, the Company appointed Stuart R. Levine to serve on its Board of Directors. Pursuant to the appointment letter agreement with him dated August 8, 2011 (the “Levine Agreement”), the Company will pay Mr. Levine an annual cash stipend of \$20,000 (in quarterly increments). The Company also granted Mr. Levine 200,000 stock options under the 2010 Stock Plan exercisable at \$0.331 per share, which fully vest on August 8, 2012, subject to continuation of service. Such stock options would, if vested on the date of cessation of service, remain exercisable until the earlier of the scheduled expiration date or 18 months after the cessation of service, whichever is sooner. In addition, the Company issued Mr. Levine 25,000 shares of its common stock valued at their respective market value on date of grant totaling \$7,000.

Pursuant to the letter agreement with him dated August 8, 2011 (the “Siber Agreement”), the Company will pay Mr. Siber an annual cash stipend of \$20,000 (in quarterly increments). The Company also granted Mr. Siber 200,000 stock options under the 2010 Stock Plan exercisable at \$0.331 per share, which fully vest on August 8, 2012, subject to continuation of service. Such stock options would, if vested on the date of cessation of service, remain exercisable until the earlier of the scheduled expiration date or 18 months after the cessation of service, whichever is sooner.

On November 1, 2011, the Company appointed Stephen D. Baksa to serve on its Board of Directors. Pursuant the appointment letter agreement with him dated November 1, 2011 (the “Baksa Agreement”), we will pay Mr. Baksa an annual cash stipend of \$20,000 (in quarterly increments). The Company also granted to Mr. Baksa 200,000 five-year stock options under our 2010 Stock Plan, which annual options would vest in one lump amount one year after they are granted, subject to continuation of service. Such stock options would, if vested on the date of cessation of service, remain exercisable until the earlier of the scheduled expiration date or 18 months after the cessation of service, whichever is sooner. As contemplated by the Baksa Agreement, we granted such 200,000 stock options to Mr. Baksa effective November 1, 2011. The exercise price of the stock options is \$0.225 per share.

There are currently no other regular cash compensation arrangements in place for members of the Board of Directors acting as such. Directors may however be reimbursed their expenses, if any, for attendance at meetings of the Board of Directors.

The following table sets forth compensation received by our directors in fiscal year 2011.

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	All other compensation (\$)	Total (\$)
Anthony Macaluso(2)	0	0	0	0	0
James Orsini(1)	0	0	0	0	0
Richard Siber	2,912	0	\$ 10,215	0	\$ 13,127
Stuart R. Levine	2,912	\$ 7,000	\$ 10,215	0	\$ 20,127

(1) This table includes only his compensation which was expressly for service as a director. Mr. Orsini received other compensation as an executive officer—see the Summary Compensation Table above.

(2)

This table includes only his compensation which was expressly for service as a director. Mr. Macaluso received other compensation as an executive officer—see the Summary Compensation Table above.

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RELATED PARTY TRANSACTIONS

Macaluso /Affiliates 2008 Indebtedness Consolidation and Restatement

Before the reverse merger of July 24, 2008, Anthony Macaluso made certain loan advances to Single Touch Interactive, Inc. Initially, the outstanding balance bore interest at a rate of 8% per annum and was to become due and payable in December 2010. On July 24, 2008, we and he entered into a modification of the debt arising from such loan advances, accrued interest of \$24,282 and \$942,397 of accrued compensation evidencing it by a convertible promissory note with a principal amount of \$2,319,512, bearing interest at an annual rate of 8%, with interest payable monthly. The principal balance was payable on demand, and if no demand was made the note was to mature on July 15, 2010. The note was convertible at the holder's option into shares of our common stock at \$0.08 per share.

Before the reverse merger of July 24, 2008, Activate Sports, LLC, which is an affiliate of Anthony Macaluso, made certain loan advances to Single Touch Interactive, Inc. Initially, the outstanding balance bore interest at a rate of 8% per annum and was to become due and payable in December 2010. On July 24, 2008, we and Activate Sports, LLC entered into a modification of the debt arising from such loan advances and accrued interest, evidencing it by a convertible promissory note with a principal amount of \$561,558, bearing interest at an annual rate of 8%, with interest payable monthly. The principal balance was payable on demand, and if no demand was made the note was to mature on July 15, 2010. The note was convertible at the holder's option into shares of our common stock at \$0.08 per share. On September 16, 2008, Activate Sports, LLC exercised its right to convert the full principal balance due it by the Company of \$561,558 into 7,019,475 shares of common stock.

Before the reverse merger of July 24, 2008, Activate, Inc., which is an affiliate of Anthony Macaluso, made certain loan advances to Single Touch Interactive, Inc. Initially, the outstanding balance bore interest at a rate of 8% per annum and was to become due and payable in December 2010. On July 24, 2008, we and Activate, Inc. entered into a modification of the debt arising from such loan advances and accrued interest, evidencing it by a convertible promissory note with a principal amount of \$73,445, bearing interest at an annual rate of 8%, with interest payable monthly. The principal balance was payable on demand, and if no demand was made the note was to mature on July 15, 2010. The note was convertible at the holder's option into shares of our common stock at \$0.08 per share. The Company paid the balance due in full during the year ended September 30, 2011.

Dunn Warrants for Consulting 2007/2008

In July 2007 and June 2008 Single Touch Interactive, Inc. issued common stock warrants to Laurence Dunn, who later became a Director, as consideration for consulting services as a strategic advisor performing corporate planning, strategic consulting projects, mergers and acquisition advice, introduction to institutional groups, financial engineering services and related services. The warrants were for the purchase of 500,000 shares of common stock at a price of \$0.02 per share and for the purchase of 1,000,000 shares of common stock at an exercise price of \$0.01 per share, respectively. Mr. Dunn has transferred 52,500 of the \$0.02 warrants and exercised all of the \$0.01 warrants. The remaining 447,500 \$0.02 warrants were exercised in June of 2011. Only 50,000 of the transferred warrants were outstanding at September 30, 2011.

StreamWorks 2009 Intellectual Property Transaction (Macaluso/Activate)

On June 2, 2009, we entered into an Intellectual Property Rights Purchase and Transfer Agreement with StreamWorks Technologies, Inc., a Delaware corporation ("StreamWorks"), pursuant to which we acquired a portfolio of 2 US patents and 14 patent applications related primarily to the management, streaming and routing of electronic media. In consideration for the portfolio, StreamWorks received 3,666,667 common shares of the Company and warrants to

purchase 1,833,334 shares of our common stock at an exercise price of \$2.30 per share for a period of two years. In addition, StreamWorks executives Floyd Bowen and Charles Jennings entered into non-compete agreements in our favor not to compete with us in the field of mobile Abbreviated Dial Codes or mobile Streaming Dynamic Advertising for three years. Shortly before this transaction, Activate, Inc., an affiliate of Anthony Macaluso, sold 1,200,000 shares of our common stock, which it owned, to three major investors in StreamWorks for \$1,200,000.

On March 30, 2010, an additional US patent, for “System and Method for Streaming Media,” was issued to us, based on a patent application in this portfolio.

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Dunn 2009-2011 Consulting

We engaged our then- director Laurence Dunn as a consultant on financial matters, at a rate of \$15,000 per month, from December 1, 2009 through March 2011, and at a rate of \$10,000 per month for April 2011.

Macaluso 2009 Intellectual Property Transaction

On December 14, 2009, Anthony Macaluso assigned to us, as required by the Agreement and Plan of Merger and Reorganization dated March 20, 2008, under which we acquired Interactive in a reverse merger, all of his rights in a US patent and approximately 20 patent applications, generally related to providing information over cell phones. Upon the assignment, we reimbursed him \$244,840 for the total legal fees he had incurred relating to the property transferred. Since then, several patents have been issued on these patent applications.

2010 Macaluso/Activate Consolidation and Modification - 2009 Debt

In fiscal 2009, Activate, Inc., which is an affiliate of Anthony Macaluso, made loan advances of \$894,500 to us, at 8% interest per annum. We repaid \$99,081 in fiscal 2009 and \$504,000 in fiscal 2010. In June 2009, Activate, Inc. purchased from a third party a \$250,000 promissory note, bearing 10% interest per annum, which we had issued.

On June 28, 2010, we issued Activate, Inc. a new convertible promissory note with a principal amount of \$633,651, which represented \$291,397 of outstanding loan advances, plus the \$54,170 of accrued but unpaid interest on the loan advances, plus the \$250,000 principal amount of the purchased promissory note, plus the \$29,787 of accrued but unpaid interest on the purchased \$250,000 promissory note, plus the \$8,297 of accrued but unpaid interest on the converted \$73,445 convertible promissory note. The new note was to mature on June 27, 2011, accrued interest at an annual rate of 1% and was convertible at the holder's option into our common stock at \$0.37 per share. We prepaid, in February and April 2011, the entire principal amount of and all accrued interest on this new note.

Macaluso 2010 Debt Conversion

On or shortly after June 28, 2010, Anthony Macaluso and his former spouse, Nicole Macaluso, converted a convertible promissory note's principal balance of \$2,319,512 into 28,993,896 shares of our common stock. Anthony Macaluso received 13,773,992 of these shares issued.

On June 28, 2010, we issued Anthony Macaluso a new convertible promissory note with a principal amount of \$155,531, which represented \$123,581 of accrued compensation (net of payroll taxes) plus the \$31,950 accrued but unpaid interest due him on the converted \$2,319,512 convertible promissory note. The new note matured on June 27, 2011, accrued interest at an annual rate of 1% and was convertible at the holder's option into our common stock at \$0.37 per share. We repaid, in May and June 2011, the entire principal amount of and all accrued interest on this new note. On June 28, 2010, Activate, Inc. converted a convertible note's principal balance of \$73,445 into 918,063 shares of our common stock.

Cassina 2010 Debt Conversion

From time to time our then- director James Cassina advanced funds to us, and from time to time we have repaid some of the principal amount of and accrued interest on such advances. The net advances began accruing interest in December 2008 at an annual rate of 8%. On June 29, 2010, we issued 606,768 shares of common stock to him in satisfaction of the total balance of \$224,511 (which included accrued interest of \$25,011), for an effective conversion rate of \$0.37 per share.

#### Soapbox Mobile, Inc. Related-Party Arrangements

Anthony Macaluso is currently the majority shareholder of Soapbox Mobile, Inc., which provided the use of certain equipment and software to us from February 2008 through June 2010 at a monthly rate of \$4,000 and had been providing them to us from July 1, 2010 to June 30, 2011 at a monthly rate of \$7,500. On June 30, 2011, the Company entered into an agreement with Anthony Macaluso whereby the Company was granted an option to acquire his majority interest in Soapbox. Under the terms of the option grant, the Company was required to pay and did a deposit of \$155,000 which will be refunded in the event the acquisition does not close. Under the option agreement as modified, the agreement extends through March 31, 2012, during which both parties have the opportunity to perform due diligence necessary to determine the value of the majority interest and perform other actions necessary to complete the acquisition.

#### Baksa 2011 Convertible Note and Warrants Purchase

On November 14, 2011, Stephen Baksa purchased from us a \$500,000 promissory note and 1,000,000 warrants, in exchange for \$500,000 cash. The note bears interest at 10% per annum and matures in one year, and is convertible into our common stock at \$0.50 per share. The warrants have an exercise price of \$0.25 per share and expire in three years.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 15, 2012, the beneficial ownership of Single Touch Systems Inc. common stock by each of our directors and named executive officers, by each person known to us to beneficially own more than 5% of our common stock, and by the officers and directors of the Company as a group. Except as otherwise indicated, all shares are owned directly. Unless otherwise indicated in the footnotes to the following table, each person named in the table has sole voting and investment power (subject to applicable community property laws) and that person's address is c/o Single Touch Systems Inc., 100 Town Square Place, Suite 204, Jersey City, NJ 07310. Shares of Common Stock subject to options, warrants, or convertible notes currently exercisable or convertible or exercisable or convertible within 60 days after February 15, 2012 are deemed outstanding for computing the share ownership and percentage of the person holding such options, warrants, or convertible notes but are not deemed outstanding for computing the percentage of any other person.

	Shares	Percentage
Anthony Macaluso (1)	37,515,498	23.5%
Richard Siber (2)	3,100,000	2.3%
James Orsini(9)	400,000	0.3%
Medical Provider Financial Corporation IV (3)	12,700,000	9.8%
John Quinn(10)	100,000	0.1%
Nicole Macaluso (1)(5)	23,297,219	17.7%
Mike Robert (6)	13,433,370	9.9%
Stephen D. Baksa (4)(8)	7,865,034	5.9%
Stuart R. Levine (8)	25,000	0.0%
Officers and Directors as a Group (6 persons) (7)	49,005,532	30.7%

- (1) Includes 2,050,000 shares underlying stock options and 1,250,000 shares underlying warrants. Also includes 3,829,309 shares owned by Dan Ayala, which Mr. Macaluso has the right to vote pursuant to a proxy. Also includes 21,997,219 shares owned directly or as custodian by Nicole Macaluso, which Mr. Macaluso has the right to vote pursuant to a proxy. Mr. Macaluso owns 8,388,970 shares outright in his own name. Mr. Macaluso disclaims beneficial ownership of the shares owned by Dan Ayala and of the shares owned by Nicole Macaluso. Does not include 5,250,000 shares underlying stock options not exercisable within 60 days.
- (2) Includes 3,100,000 shares underlying stock options.
- (3) The address for Medical Provider Financial Corporation IV is 2100 South State College Boulevard, Anaheim, CA 92806. Thomas Seaman is now acting as receiver for Medical Provider Financial Corporation IV.
- (4) Includes 4,847,402 shares owned directly and 917,332 shares owned as trustee. Also includes 1,100,000 shares underlying warrants and 1,000,000 shares underlying a convertible promissory note.



- (5) The address for Ms. Macaluso is P. O. Box 1318, Rancho Santa Fe, CA 92067. Includes 50,000 shares underlying stock options and 1,250,000 shares underlying warrants. Ms. Macaluso owns 21,747,219 shares outright in her own name and 250,000 shares as custodian for children. Other than the shares listed in the table next to her name, Ms. Macaluso disclaims beneficial ownership of the shares beneficially owned by Anthony Macaluso.
- (6) The address for Mr. Robert is 4831 Mt. Longs Drive, San Diego, CA 92117. Includes 4,500,000 shares underlying warrants issued by us. Mr. Robert owns 8,933,370 shares outright and in the name of his retirement account.
- (7) Includes Messrs. Macaluso, Siber, Orsini, Baksa, Levine and Quinn.
- (8) Does not include 200,000 shares underlying stock options not exercisable within 60 days.
- (9) Does not include 4,500,000 shares underlying stock options not exercisable within 60 days.
- (10) Does not include 1,500,000 shares underlying stock options not exercisable within 60 days.

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## SELLING STOCKHOLDERS

This prospectus covers offers and sales of up to 7,255,000 shares of our common stock which may be offered from time to time by the selling stockholders identified in this prospectus.

The table below identifies each selling stockholder and shows the number of shares of common stock beneficially owned by the selling stockholder before and after this offering, and the numbers of shares offered for resale by the selling stockholder. Our registration of these shares does not necessarily mean that each such selling stockholder will sell all or any of its shares of common stock. However, the “Shares Beneficially Owned After Offering” columns in the table assume that all shares covered by this prospectus will be sold by each such selling stockholder and that no additional shares of common stock will be bought or sold by the selling stockholder. No estimate can be given as to the number of shares that will be held by each such selling stockholder after completion of this offering because each such selling stockholder may offer some or all of the shares and, to our knowledge, there are currently no agreements, arrangements or understandings with respect to the sale of any of the shares.

The 6,880,000 shares to be sold hereunder by the selling stockholders other than Daniel and Jill Harrington were sold by Anthony Macaluso, then our chief executive officer, and the Harringtons to such selling stockholders in Section 4(1½) private transactions, with the proceeds applied to the payment of a judgment in a private lawsuit (and certain related amounts) in favor of the Harringtons. None of such selling stockholders’ proceeds of resale are payable to us, to Mr. Macaluso or to the Harringtons. The 375,000 shares to be sold hereunder by the Harringtons were obtained from Mr. Macaluso in a Section 4(1½) private transaction, in consideration for certain forbearances in connection with the satisfaction of the judgment. None of the Harringtons’ proceeds of resale of such 375,000 shares are payable to us or to Mr. Macaluso.

The following table sets forth the name of each selling stockholder, and, if applicable, the nature of any position, office, or other material relationship which the selling stockholder has had, within the past three years, with us or with any of our predecessors or affiliates, the amount of shares of our common stock beneficially owned by such stockholder before the offering, the amount being offered for the stockholder’s account, and the amount to be owned by such stockholder after completion of the offering.

Beneficial Owner	Shares Beneficially Owned Before Offering (1)		Shares Being Offered	Shares Beneficially Owned After Offering (1)	
	Shares	%		Shares	%
Pike H. Sullivan (10)	5,200,000	3.9%	1,700,000	3,500,000	2.6%
Superius Securities Group, Inc. Profit Sharing Plan (2)	6,316,667	4.8%	1,200,000	5,116,667	3.9%
Michael C. Robert (3)	13,433,370	9.9%	1,000,000	12,433,370	9.2%
Mark T. Donahoe (4)	520,270	*	500,000	20,270	*
Ted Cooper	2,005,084	1.5%	500,000	1,505,084	1.2%
Terminal Ventures, Inc. (5)	460,000	*	460,000	0	0%
Stephen Baksa (6)	7,865,034	5.9%	400,000	7,465,034	5.6%
John W. Backus (11)	1,525,000	1.2%	500,000	1,025,000	*
Edward M. Giles IRA #2 (7)	6,277,778	4.8%	200,000	5,877,778	4.5%
Edward M. Giles Roth IRA #5 (7)	6,277,778	4.8%	200,000	5,877,778	4.5%

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Health Alliance Network, Inc. Defined Benefit Plan (8)	345,902	*	120,000	225,902	*
John S. Concklin (9)	416,669	*	100,000	316,669	*
Daniel and Jill Harrington	375,000	*	375,000	0	0%
TOTAL (2)(3)(5)(6)(7)(8)(9)(10)(11)	44,740,774	31.3%	7,255,000	37,485,774	26.2%

\* Less than 1%

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 under the Securities Exchange Act and is not necessarily indicative of beneficial ownership for any other purpose. Applicable percentage ownership is based on 130,682,392 shares of common stock outstanding as of February 29, 2012. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of such person's common stock subject to options, warrants and convertible promissory notes exercisable or convertible within 60 days after February 29, 2012 are deemed to be outstanding. Except as otherwise noted, we believe that each of the stockholders named in the table has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them, subject to applicable community property laws. The information with respect to beneficial ownership is based upon record ownership data provided by our transfer agent, information as supplied or confirmed by selling stockholders or based upon our actual knowledge.

(2) Includes 900,000 shares underlying warrants and 400,000 shares underlying a convertible promissory note. The natural person with voting and investment control over the entity's beneficially-owned shares is James Hudgins.

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- (3) Includes 4,500,000 shares underlying warrants issued by us. Mr. Robert owns 8,933,370 shares outright and in the name of his retirement account.
- (4) Includes shares underlying warrants. Certain of the offered shares have already been sold hereunder.
- (5) The natural person with voting and investment control over the entity's beneficially-owned shares is Jeffrey Pressman.
- (6) Includes 4,847,402 shares owned directly and 917,332 shares owned as trustee. Also includes 1,100,000 shares underlying warrants and 1,000,000 shares underlying a convertible promissory note.
- (7) Edward M. Giles is the beneficial owner of the securities held by Edward M. Giles Roth IRA #5 (200,000 outstanding shares), Edward M. Giles IRA #2 (276,400 outstanding shares), himself (1,481,106 outstanding shares, 433,334 shares underlying warrants and 200,000 shares underlying a convertible promissory note. ), Edward M. Giles Roth IRA #3 (1,333,332 outstanding shares and 333,333 shares underlying warrants), ELAN 2008 GRAT II, Edward M. Giles, Grantor (333,336 outstanding shares and 83,334 shares underlying warrants), Isles Capital, L.P. (670,270 outstanding shares and 100,000 shares underlying warrants), and December 2009 Five Year GRAT (833,333 outstanding shares).
- (8) Includes 7,000 shares underlying warrants owned by such Plan. Also includes 149,568 shares outstanding shares and 8,000 shares underlying warrants owned by Anthony V. Milone and other affiliated trusts.
- (9) Includes 16,667 shares underlying warrants.
- (10) Includes 2,000,000 shares owned directly. Also includes 1,600,000 shares underlying warrants and 1,600,000 shares underlying a convertible promissory note.
- (11) Includes 1,125,000 shares owned directly. Also includes 200,000 shares underlying warrants and 200,000 shares underlying a convertible promissory note.

## DESCRIPTION OF CAPITAL STOCK

### General Background

Our authorized capital stock currently consists of 200 million shares of common stock, \$0.001 par value, and 5 million shares of preferred stock, \$0.0001 par value.

As of December 31, 2011, we had issued and outstanding 130,182,392 of shares of common stock, held by 251 stockholders of record. In addition, as of December 31, 2011, we had outstanding options to acquire 33,780,000 shares of common stock and outstanding warrants to acquire 16,030,986 shares of common stock.

### Common Stock

Except as required by law, holders of our common stock are entitled to vote on all matters as a single class, and each holder of common stock is entitled to one vote for each share of common stock owned. Holders of common stock do not have cumulative voting rights.

Holders of our common stock are entitled to receive ratably any dividends that may be declared by the board of directors out of legally available funds, subject to any preferential dividend rights of any outstanding preferred stock. Upon any liquidation, dissolution, or winding up of Single Touch Systems, holders of our common stock are entitled to share ratably in all assets remaining available for distribution to stockholders after the payment of all debts and

other liabilities and subject to the prior rights of any outstanding preferred stock.

Holders of our common stock have no preemptive, subscription, redemption or conversion rights. Our outstanding shares of common stock are validly issued, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock which we may designate and issue in the future without further stockholder approval.

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Our common stock is not currently traded on any national securities exchange and instead is quoted on the OTC Bulletin Board under the symbol "SITO."

Preferred Stock

We are authorized to issue 5,000,000 shares of "blank check" preferred stock, \$0.0001 par value per share, none of which as of the date hereof is designated or outstanding. The Board of Directors is vested with authority to divide the shares of preferred stock into series and to fix and determine the relative rights and preferences of the shares of any such series. Once authorized, the dividend or interest rates, conversion rates, voting rights, redemption prices, maturity dates and similar characteristics of the preferred stock will be determined by the Board of Directors, without the necessity of obtaining approval of our stockholders.

The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of Single Touch Systems without further action by the stockholders and may adversely affect the market price of and voting, economic and other rights of holders of our common stock.

Warrants

The shares and exercise-price figures below reflect adjustments for any stock splits, reverse stock splits and stock dividends. Warrants issued by Single Touch Interactive, Inc. are now exercisable only for shares of Single Touch Systems Inc. common stock.

In 2005, Single Touch Interactive, Inc. issued to one consulting firm and to Jordan Schur warrants for the purchase of 5,000,000 shares of common stock at an exercise price of \$1.00 per share. These warrants expire on July 15, 2015. In the merger, we assumed these warrants. These warrants do not have a net-exercise provision. Of these warrants, 1,250,000 have been canceled upon the issuance of 1,250,000 shares; and the remaining 1,250,000 warrants owned by Jordan Schur have been amended so that their exercise price is \$0.70 per share (which exercise price can, however, at the discretion of our Board of Directors, be increased at the time of a proposed exercise to an exercise price no greater than the then market price per share).

From July 9, 2006 through July 23, 2007, in connection with issuances of convertible debt, Single Touch Interactive, Inc. issued to 20 note purchasers warrants for the purchase of 774,000 shares of common stock at an exercise price of \$1.76 per share. Each respective warrant expires on the fifth anniversary of its date of grant. In the merger, we assumed these warrants. These warrants do not have a net-exercise provision. As of the date of this prospectus a total of 516,000 of these warrants were exercisable.

On July 25, 2007, Single Touch Interactive, Inc. issued to 2 consultants (including Laurence Dunn, a former director) warrants for the purchase of 1,000,000 shares of common stock at an exercise price of \$0.02 per share. These warrants expire on July 25, 2012. In the merger, we assumed these warrants. These warrants do not have a net-exercise provision. As of the date of this prospectus a total of 547,500 of these warrants were exercisable.

On October 30, 2008, in connection with a Non-Exclusive Special Advisory Services Agreement, we issued to Peltz Capital Management, LLC warrants initially exercisable for the purchase of 5,952,362 shares of common stock at an exercise price of \$2.10 per share. These warrants have a net-exercise provision and expire on October 30, 2013. The number of underlying shares and the exercise price of these warrants were subsequently adjusted to 11,000,000 and \$0.08, respectively, under the terms of a September 29, 2010 settlement and release agreement, and as of the date of this prospectus 1,675,000 of such warrants have been satisfied via cash or net-exercise; and (under the terms of the September 29, 2010 settlement and release agreement) 7,000,000 of the warrants previously issued were returned to us

in 2011 by Peltz Capital Management, LLC pursuant and subject to certain terms of the settlement and release agreement.

From December 13, 2009 through January 7, 2010, in connection with the sale of common stock, we issued to Mike Robert warrants to purchase 3,500,000 shares; 1,750,000 at an exercise price of \$1.00 expiring on December 11, 2011 and 1,750,000 at an exercise price of \$1.00 expiring on January 7, 2012. These warrants do not have a net-exercise provision. These warrants were extended on September 30, 2011 pursuant to the terms of a Settlement, Mutual Release & Discharge with Mr. Robert; half now expiring on December 13, 2012 and half now expiring on January 7, 2013.

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In January 2010, in connection with our engagement of it as a financial adviser, we issued to Gar Wood Securities, LLC warrants to purchase 1,000,000 shares at an exercise price of \$1.00 per share that expire in January 2013. Also in connection with the issuance of our common stock from January 2010 to May 2010, the compensation we paid to Gar Wood Securities, LLC as our placement agent included issuing to it and its affiliates 100,273 common stock warrants at an exercise price of \$1.00 per share that expire on May 10, 2013. Also, in connection with these common stock issuances, the compensation we paid to Financial West Investment Group, Inc. as our placement agent included issuing to it and its affiliates 55,541 common stock warrants at an exercise price of \$1.00 per share that expire on May 28, 2013. These warrants do not have a net-exercise provision.

On March 12, 2010, in connection with the issuance of a convertible note, we issued to Mike Robert warrants for the purchase of 1,000,000 shares of common stock at an exercise price of \$0.75 per share. These warrants were to expire on March 21, 2012. The warrants were extended on September 30, 2011 pursuant to the terms of a Settlement, Release & Discharge Agreement with Mr. Robert to expire on September 3, 2013. These warrants do not have a net-exercise provision.

On July 16, 2010, in connection with the sale of common stock, we issued to 29 accredited investors warrants for the purchase of 2,056,334 shares of common stock at an exercise price of \$1.00 per share. These warrants expire on July 15, 2013. In connection therewith, the compensation we paid to Gar Wood Securities, LLC as our placement agent included issuing to it and its affiliates 169,528 of such common stock warrants. These warrants do not have a net-exercise provision.

Convertible Debt Financing with 50% Warrant Coverage – From November 14, 2011 through February 28, 2012, we issued convertible promissory notes with an aggregate principal amount of \$2,000,000, and warrants to purchase an aggregate of 4,000,000 shares of common stock, to private investors (including Stephen Baksa) for an aggregate of \$2,000,000 cash. The notes bear interest at 10% per annum and mature one year after issuance, and are convertible into our common stock at \$0.50 per share at the option of the holder. We have the right to prepay the notes on 10 days' written notice.

The warrants expire three years after issuance; the exercise price of the warrants is \$0.25 per share. The warrants do not allow for cashless exercise.

Anti-takeover Effects of Provisions of Delaware Law and our Charter and Bylaws

Certain provisions of our Certificate of Incorporation and Bylaws may make it more difficult to acquire control of us by various means. These provisions could deprive our stockholders of opportunities to realize a premium on the shares of common stock owned by them. In addition, these provisions may adversely affect the prevailing market price of our stock. These provisions are intended to:

- enhance the likelihood of continuity and stability in the composition of the board and in the policies formulated by the board;
- discourage certain types of transactions which may involve an actual or threatened change in control of Single Touch Systems;
- discourage certain types of transactions which may involve an actual or threatened change in control of Single Touch Systems;
- discourage certain tactics that may be used in proxy fights;
- encourage persons seeking to acquire control of us to consult first with the board of directors to negotiate the terms of any proposed business combination or offer; and



reduce our vulnerability to an unsolicited proposal for a takeover that does not contemplate the acquisition of all our outstanding shares or that is otherwise unfair to our stockholders.

Our Certificate of Incorporation provides that special meetings of our stockholders may be called only by the board of directors or an officer authorized by it to do so. This limitation on the right of stockholders to call a special meeting could make it more difficult for stockholders to initiate actions that are opposed by the board of directors. These actions could include the removal of an incumbent director or the election of a stockholder nominee as a director. They could also include the implementation of a rule requiring stockholder ratification of specific defensive strategies that have been adopted by the board of directors with respect to unsolicited takeover bids. In addition, the limited ability of the stockholders to call a special meeting of stockholders may make it more difficult to change the existing board and management.

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval. These additional shares may be utilized for a variety of corporate purposes, including future public offerings to raise additional capital, corporate acquisitions and employee benefit plans. The existence of authorized but unissued shares of common stock and preferred stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

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The Delaware General Corporation Law, or DGCL, provides generally that the affirmative vote of a majority of the shares outstanding and entitled to vote is required to amend a corporation's certificate of incorporation. Our bylaws may be amended generally by the affirmative vote of a majority of the shares entitled to vote thereon or by the act of a majority of our directors.

We believe that we currently would not satisfy the elements of Section 203 of the DGCL (Section 203), and accordingly that currently the provisions of Section 203 would not apply to any proposed business combination in which we would be acquired. Under Section 203, certain business combinations between a Delaware corporation whose stock generally is publicly traded or held of record by more than 2,000 stockholders and an interested stockholder are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless (i) the corporation has elected in its original certificate of incorporation not to be governed by Section 203 (we did not make such an election), (ii) the business combination was approved by the Board of Directors of the corporation before the other party to the business combination became an interested stockholder, (iii) upon consummation of the transaction that made it an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction (excluding voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to render or vote stock held by the plan), or (iv) the business combination was approved by the Board of Directors of the corporation and ratified by two-thirds of the voting stock which the interested stockholder did not own. The three-year prohibition also does not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of certain extraordinary transactions involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of the majority of the corporation's directors. The term business combination is defined generally to include mergers or consolidations between a Delaware corporation and an interested stockholder, transactions with an interested stockholder involving the assets or stock of the corporation or its majority-owned subsidiaries and transactions which increase an interested stockholder's percentage ownership of stock. The term interested stockholder is defined generally as a stockholder who, together with affiliates and associates, owns (or, within three years prior, did own) 15% or more of a Delaware corporation's voting stock. If it should become applicable to us in the future, Section 203 could prohibit or delay a merger, takeover or other change in control of our company and therefore could discourage attempts to acquire us.

### Applicability of California Corporate Law

Although we are incorporated in Delaware, we may nonetheless be subject to Section 2115 of the California General Corporation Law, which imposes various requirements of California corporate law on non-California corporations if they have specified characteristics of ownership and operations indicating significant contacts with California. Public companies listed on a recognized national securities exchange are generally exempt from Section 2115. Since our common stock is traded on the OTC Bulletin Board, we are potentially subject to the provisions of Section 2115. The key provision of California corporate law that may apply to us is the right of our stockholders to cumulate votes in the election of directors.

In May 2005, the Delaware Supreme Court in *VantagePoint Venture Partners 1996 v. Examen, Inc.* held that Section 2115 violates the internal affairs doctrine and thus does not apply to Delaware corporations. If followed by California courts, this ruling would mean that the cumulative voting requirements and other sections of the California Corporations Code do not apply to us. The impact of the Delaware Supreme Court's decision on our situation, as it may be interpreted by California courts, is uncertain.

### Indemnification of Directors and Officers

The DGCL permits a corporation to indemnify its current and former directors and officers against expenses, judgments, fines and amounts paid in connection with a legal proceeding. To be indemnified, the person must have acted in good faith and in a manner the person reasonably believed to be in, and not opposed to, the best interests of the corporation. With respect to any criminal action or proceeding, the person must not have had reasonable cause to believe the conduct was unlawful.

The DGCL permits a present or former director or officer of a corporation to be indemnified against certain expenses if the person has been successful, on the merits or otherwise, in defense of any proceeding brought against such person by virtue of the fact that such person is or was an officer or director of the corporation. In addition, the DGCL permits the advancement of expenses relating to the defense of any proceeding to directors and officers contingent upon the person's commitment to repay advances for expenses against such person is not ultimately entitled to be indemnified.

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The DGCL provides that the indemnification provisions contained in the DGCL are not exclusive of any other right that a person seeking indemnification may have or later acquire under any provision of a corporation's by-laws, by any agreement, by any vote of stockholders or disinterested directors or otherwise. Furthermore, the DGCL provides that a corporation may maintain insurance, at its expense, to protect its directors and officers against any expense, liability or loss, regardless of whether the corporation has the power to indemnify such persons under the DGCL.

Our Certificate of Incorporation provides that, to the extent permitted by the DGCL, we will indemnify our current and former directors and officers against all expenses actually and reasonably incurred by them as a result of their being threatened with or otherwise involved in any action, suit or proceeding by virtue of the fact that they are or were one of our officers or directors. However, we will not be required to indemnify an officer or director for an action, suit or proceeding commenced by that officer or director unless we authorized that director or officer to commence the action, suit or proceeding. Our Certificate of Incorporation also provides that we shall advance expenses incurred by any person we are obligated to indemnify, upon presentation of appropriate documentation.

Furthermore, our Bylaws provide that we may purchase and maintain insurance on behalf of our directors and officers against any liability, expense or loss, whether or not we would otherwise have the power to indemnify such person under our Certificate of Incorporation or the DGCL.

Also, we have entered into indemnification agreements with our (outside) directors and with Mr. Quinn.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors and officers, we have been advised that, although the validity and scope of the governing statute have not been tested in court, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In addition, indemnification may be limited by state securities laws.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

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PLAN OF DISTRIBUTION

Each selling stockholder and any of its pledgees, donees, transferees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of common stock, registered hereunder, on any stock exchange, market or trading facility on which the shares are traded or in private transactions, at fixed or negotiated prices. Each selling stockholder may use any one or more of the following methods when selling shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits investors;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- to cover short sales made after the date this Registration Statement is declared effective by the Securities and Exchange Commission;
- broker-dealers may agree with the selling stockholder to sell a specified number of such shares at a stipulated price per share;
- a combination of any such methods of sale; and
- any other method permitted pursuant to applicable law.

The selling stockholders may also sell shares under Rule 144 under the Securities Act, if available, rather than under this prospectus.

Broker-dealers engaged by the selling stockholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling stockholders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated. The selling stockholders do not expect these commissions and discounts to exceed what is customary in the types of transactions involved.

Each selling stockholder may from time to time pledge or grant a security interest in some or all of the shares owned by it and, if it defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell shares of common stock from time to time under this prospectus, or under an amendment to this prospectus under Rule 424(b)(3) or other applicable provision of the Securities Act amending the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus.

Upon being notified in writing by a selling stockholder that any material arrangement has been entered into with a broker-dealer for the sale of common stock through a block trade, special offering, exchange distribution or secondary distribution or a purchase by a broker or dealer, we will, if then required, file a supplement to this prospectus pursuant to Rule 424(b) under the Securities Act, disclosing (i) the name of each such selling stockholder and of the participating broker-dealer(s), (ii) the number of shares involved, (iii) the price at which such the shares of common stock were sold, (iv) the commissions paid or discounts or concessions allowed to such broker-dealer(s), where applicable, (v) that such broker-dealer(s) did not conduct any investigation to verify the information set out or incorporated by reference in this prospectus, and (vi) other facts material to the transaction. In addition, upon the being notified in writing by a selling stockholder that a donee or pledgee intends to sell more than 500 shares of common stock, we will, if then required, file a supplement to this prospectus in accordance with applicable securities law.

The selling stockholders also may transfer the shares of common stock in other circumstances, in which case the transferees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this

prospectus.

The selling stockholders and any broker-dealers or agents that are involved in selling the shares may be deemed to be “underwriters” within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Discounts, concessions, commissions and similar

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selling expenses, if any, that can be attributed to the sale of securities will be paid by the selling stockholders and/or the purchasers. Each selling stockholder has represented and warranted to us that it acquired the securities subject to this registration statement in the ordinary course of such selling stockholder's business and, at the time of its purchase of such securities such selling stockholder had no agreements or understandings, directly or indirectly, with any person to distribute any such securities.

We have advised each selling stockholder that it may not use shares registered on this registration statement to cover short sales of common stock made before the date on which this registration statement was declared effective by the Securities and Exchange Commission. If a selling stockholder uses this prospectus for any sale of the common stock, it will be subject to the prospectus delivery requirements of the Securities Act. Each selling stockholder will be responsible to comply with the applicable provisions of the Securities Act and the Securities Exchange Act, and the rules and regulations thereunder promulgated, including, without limitation, Regulation M, as applicable to the selling stockholder in connection with resales of its shares under this registration statement.

We will pay all fees and expenses incident to the registration of the shares, but we will not receive any proceeds from the sale of the common stock.

#### LEGAL MATTERS

Selected legal matters with respect to the validity of the securities offered by this prospectus have been passed upon for us by Stradling Yocca Carlson & Rauth, San Diego, California.

#### EXPERTS

Our financial statements as of and for the fiscal years ended September 30, 2011 and 2010, included in this prospectus have been audited by Weaver, Martin & Samyn LLC, an independent registered public accounting firm, as stated in their reports appearing herein and elsewhere in this prospectus, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

#### WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 with the SEC for the stock offered pursuant to this prospectus. This prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance reference is made to the copy of such contract or other document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference. For further information with respect to us and the common stock offered hereby, please refer to the registration statement and its exhibits and schedules for further information relating to us and our common stock.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 and in accordance therewith file reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements, other information and a copy of the registration statement may be inspected by anyone without charge and copies of these materials may be obtained upon the payment of the fees prescribed by the Securities and Exchange Commission, at the Public Reference Room maintained by the Securities and Exchange Commission at 100 F Street NE, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The registration statement and the reports, proxy statements and other information filed by us are also available through the Securities and Exchange Commission's website on the World Wide Web at the following address:

<http://www.sec.gov>.



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Interim Financial Statements December 31, 2011

SINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED BALANCE SHEETS

	December 31, 2011 (Unaudited)	September 30, 2011
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,606,548	\$ 523,801
Accounts receivable - trade	1,147,839	907,275
Prepaid expenses	59,360	93,872
Other current asset	155,000	155,000
Total current assets	2,968,747	1,679,948
Property and equipment, net	278,855	303,214
<b>Other assets</b>		
Capitalized software development costs, net	393,506	395,188
Intangible assets:		
Patents	560,290	714,623
Patent applications cost	705,488	544,240
Deposits and other assets	100,634	99,481
Total other assets	1,759,918	1,753,532
Total assets	\$ 5,007,520	\$ 3,736,694

The accompanying notes are an integral part of these financial statements

Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED BALANCE SHEETS - continued

	December 31, 2011 (Unaudited)	September 30, 2011
<b>Liabilities and Stockholders' Equity (Deficit)</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 1,180,816	\$ 1,178,057
Accrued expenses	169,050	176,232
Accrued compensation - related party	72,139	36,410
Current obligation on patent acquisitions	169,868	163,680
Convertible debentures- unrelated parties, including accrued interest, net of discounts of \$302,590	1,006,616	
Convertible debentures - related party, including accrued interest, net of discounts of \$91,870	414,568	-
<b>Total current liabilities</b>	<b>3,013,057</b>	<b>1,554,379</b>
<b>Long-term liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>3,013,057</b>	<b>1,554,379</b>
<b>Stockholders' Equity (Deficit)</b>		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized; none outstanding		
Common stock, \$.001 par value; 200,000,000 shares authorized, 130,182,392 shares issued and outstanding as of December 31, 2011 and as of September 30, 2011	130,182	130,182
Additional paid-in capital	123,887,742	123,446,398
Accumulated deficit	(122,023,461)	(121,394,265)
Common stock subscriptions receivable		-
<b>Total stockholders' equity (deficit)</b>	<b>1,994,463</b>	<b>2,182,315</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 5,007,520</b>	<b>\$ 3,736,694</b>

The accompanying notes are an integral part of these financial statements

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Table of ContentsSINGLE TOUCH SYSTEMS, INC  
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended December 31,	
	2011	2010
<b>Revenue</b>		
Wireless applications	\$ 1,589,673	\$ 1,011,738
<b>Operating Expenses</b>		
Royalties and application costs	763,321	506,455
Research and development	37,200	23,339
Compensation expense (including stock based compensation of \$9,690 in 2011 and \$3,182,508 in 2010)	693,823	3,573,198
Depreciation and amortization	155,471	137,287
General and administrative (including stock based compensation of \$21,416 in 2011 and \$421,200 in 2010)	530,670	1,005,045
	2,180,485	5,245,324
Loss from operations	(590,812 )	(4,233,586 )
<b>Other Income (Expenses)</b>		
Net gain (loss) on settlement of indebtedness	-	(651,315 )
Interest income	25	-
Interest expense	(37,609 )	(13,622 )
Net (loss) before income taxes	(628,396 )	(4,898,523 )
Provision for income taxes	(800 )	(800 )
Net income (loss)	\$ (629,196 )	\$ (4,899,323 )
Basic and diluted loss per share	\$ (0.00 )	\$ (0.04 )
Weighted average shares outstanding	130,182,392	124,734,617

The accompanying notes are an integral part of these financial statements



Table of ContentsSINGLE TOUCH SYSTEMS, INC  
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Three Months Ended December 31,	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (629,196 )	\$ (4,899,323 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	29,641	22,250
Amortization expense - software development costs	93,754	85,759
Amortization expense - patents	32,076	29,278
Amortization expense - discount of convertible debt	15,777	
Stock based compensation	31,106	3,603,708
Loss on settlement of debt	-	651,315
(Increase) decrease in assets		
(Increase) decrease in accounts receivable	(240,564 )	(173,302 )
(Increase) decrease in prepaid expenses	34,511	30,121
(Increase) decrease in deposits and other assets	(1,154 )	(1,204 )
Increase (decrease) in liabilities		
Increase (decrease) in accounts payable	2,759	161,459
Increase (decrease) in accrued expenses	28,549	(2,952 )
Increase (decrease) in accrued interest	15,644	2,370
Decrease (increase) in patent obligations	6,188	11,252
Net cash used in operating activities	(580,909 )	(479,269 )
<b>Cash Flows from Investing Activities</b>		
Patents and patent applications costs	(38,990 )	(61,067 )
Purchase of property and equipment	(5,282 )	(91,850 )
Capitalized software development costs	(92,072 )	(169,128 )
Net cash used in investing activities	\$ (136,344 )	\$ (322,045 )

The accompanying notes are an integral part of these financial statements

Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	For the Three Months Ended December 31,	
	2011	2010
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of convertible debt - unrelated parties	1,300,000	-
Proceeds from issuance of convertible debt - related parties	500,000	-
Loan advances received from related parties	-	17,685
Net cash provided by financing activities	1,800,000	17,685
Net increase (decrease) in cash	1,082,747	(783,629 )
Beginning balance - cash	523,801	4,040,169
Ending balance - cash	\$ 1,606,548	\$ 3,256,540
<b>Supplemental Information:</b>		
Interest expense paid	\$ -	\$ 65,370
Income taxes paid	\$ -	\$ -

## Non-cash investing and financing activities:

For the three-months ended December 31, 2011

During the three months ended December 31, 2011, the Company received \$1,800,000 through the issuance of convertible debt including common stock warrants to purchase 3,600,000 shares of the Company's common stock at \$0.50 per share. The Company recognized discounts against the principal amounts due totaling \$414,425 with an offsetting amount charged to equity. The discount is being amortized over the one-year term of the respective debt instrument. The discounts consist of the relative fair value of the warrants totaling \$362,909 and the relative fair value of beneficial conversion features totaling \$51,516. Amortization of the discounts charged to operations for the three month ended December 31, 2011 amounted to \$15,777. In addition,



amortization of \$4,188 was charged to equity relating to the discount on debt issued to a related party.

During the three months ended December 31, 2011, the Company recognized stock-based compensation of \$31,106 on the vesting of 750,000 options.

For the three-months ended December 31, 2010

During the three months ended December 31, 2010, the Company issued 365,975 shares of its common stock through the cashless exercise of 400,000 warrants.

During the three months ended December 31, 2010, the Company issued 723,684 shares of its common stock through a settlement with a former noteholder as to the number of shares he was entitled to in the original conversion of his note. The Company recognized a loss of \$651,315 on the issuance of the 723,684 shares.

During the three months ended December 31, 2010, the Company issued 3,000,000 shares of its common stock to its President as compensation. The shares were valued at \$2,700,000 and charged to operations and is included in officer's compensation.

During the three months ended December 31, 2010, the Company charged \$193,866 to equity relating to the amortization of discounts on related party convertible debt (See Note 9).

In December 2010, the Company granted its employees options to purchase 9,655,000 shares of its common stock at \$0.90 per share. The options were granted pursuant to the Company's 2010 Stock Plan. The options expire 3 years from date of grant.

The accompanying notes are an integral part of these financial statements

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements  
December 31, 2011  
(Unaudited)

1. Organization, History and Business

Single Touch Systems, Inc. (“the Company”) was incorporated in Delaware on May 31, 2000, under its original name, Hosting Site Network, Inc. On May 12, 2008, the Company changed its name to Single Touch Systems, Inc.

On July 24, 2008, the Company acquired all of the outstanding shares of Single Touch Interactive, Inc. (“Interactive”), a company incorporated in the State of Nevada on April 2, 2002, in exchange for issuing 42,967,554 shares of its common stock. For financial reporting purposes, the acquisition was treated as a reverse acquisition whereby Interactive’s operations continue to be reported as if it had actually been the acquirer. Assets and liabilities continue to be reported at Interactive’s historical cost, as the Company had nominal assets, liabilities and operations before the reverse acquisition.

The Company offers its patented technologies and a modular, adaptable platform, and multi-channel messaging gateway to its customers enabling them to reach consumers on all types of connected devices.

On May 27, 2008, Interactive declared a 1-for-2 reverse split of its common stock. All references in the accompanying financial statements to the number of shares outstanding and per-share amounts have been restated to reflect this stock split.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the financial position of the Company as of December 31, 2011, and the results of its operations and cash flows for the three months ended December 31, 2011 and 2010. Certain information and footnote disclosures normally included in financial statements have been condensed or omitted pursuant to rules and regulations of the U.S. Securities and Exchange Commission (the “Commission”). The Company believes that the disclosures in the unaudited condensed consolidated financial statements are adequate to make the information presented not misleading. However, the unaudited condensed consolidated financial statements included herein should be read in conjunction with the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2011 filed with the Commission on December 30, 2011.

The accompanying consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Reclassification

Certain reclassifications have been made to conform the 2012 amounts to 2011 classifications for comparative purposes.

#### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Single Touch Systems, Inc. and its wholly-owned subsidiaries, Single Touch Interactive, Inc., and HSN, Inc. (an inactive company formed in New Jersey on August 21, 2001). Intercompany transactions and balances have been eliminated in consolidation.

#### Revenue Recognition

Revenue is derived on a per message/notification basis through the Company's patented technologies and a modular, adaptable platform, designed to create multi-channel messaging gateways for all types of connected devices. Revenue is recognized in accordance with Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition in Financial Statements," as revised by SAB No. 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable and collectability is probable. Sales are recorded net of sales discounts.

#### Accounts Receivable

Accounts receivable is reported at the customers' outstanding balances, less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable.

#### Allowance for Doubtful Accounts

An allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual customers. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired.

#### Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

Depreciation is computed on the straight-line and accelerated methods for financial reporting and income tax reporting purposes based upon the following estimated useful lives:

S o f t w a r e 2- 3 years  
development  
Equipment 5 years  
C o m p u t e r 5 years  
hardware  
O f f i c e 7 years  
furniture

Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The Company determined that none of its long-term assets at December 31, 2011 were impaired.

Prepaid Royalties

The Company's agreements with licensors and developers generally provide it with exclusive publishing rights and require it to make advance royalty payments that are recouped against royalties due to the licensor or developer based on product sales. Prepaid royalties are amortized on a software application-by-application basis, based on the greater of the proportion of current year sales to total current and estimated future sales or the contractual royalty rate based on actual net product sales. The Company continually evaluates the recoverability of prepaid royalties, and charges to operations the amount that management determines is probable that will not be recouped at the contractual royalty rate in the period in which such determination is made or at the time the Company determines that it will cancel a development project. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year.

Capitalized Software Development Costs

The Company capitalizes internal software development costs subsequent to establishing technological feasibility of a software application. Capitalized software development costs represent the costs associated with the internal development of the Company's software applications. Amortization of such costs is recorded on a software application-by-application basis, based on the greater of the proportion of current year sales to total of current and estimated future sales for the applications or the straight-line method over the remaining estimated useful life of the software application. The Company continually evaluates the recoverability of capitalized software costs and will charge to operations amounts that are deemed unrecoverable for projects it abandons.

#### Issuances Involving Non-cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a dollar amount equaling the market value of the shares issued on the date the shares were issued for such services. The non-cash consideration received pertains to consulting services.

#### Stock Based Compensation

The Company accounts for stock-based compensation under ASC Topic 505-50, formerly SFAS No. 123R, "Share-Based Payment" and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An amendment to SFAS No. 123." These standards define a fair-value-based method of accounting for stock-based compensation. In accordance with SFAS Nos. 123R and 148, the cost of stock-based compensation is measured at the grant date based on the value of the award and is recognized over the vesting period. The value of the stock-based award is determined using the Binomial or Black-Scholes option-pricing models, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount that must be paid to acquire the stock. The resulting amount is charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period. During the three months ended December 31, 2011, the Company recognized stock-based compensation expense totaling \$31,106 through the vesting of 750,000 common stock options (See Note 12). During the three months ended December 31, 2010, the Company recognized stock based compensation expense of \$2,700,000 through the issuance of 3,000,000 shares of its common stock to its executive chairman and \$903,708 through the granting of options to management, employees, and non-executive directors to purchase 9,655,000 shares of the Company's common stock at \$0.90 per share (See Note 12).

#### Loss Per Share

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

the assumed conversion of warrants and debt to purchase common shares would have an anti-dilutive effect. Potential common shares as of December 31, 2011 that have been excluded from the computation of diluted net loss per share include 16,030,986 warrants and 33,780,000 options. Potential common shares as of December 31, 2010 that have been excluded from the computation of diluted net loss per share include 39,336,820 warrants, 8,675,000 options, and \$789,182 of debt convertible into 2,132,924 shares of the Company's common stock.

Cash and Cash Equivalents

For purpose of the statements of cash flows, the Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less.

Concentration of Credit Risk

The Company primarily transacts its business with one financial institution. The amount on deposit in that one institution may from time-to-time exceed the federally-insured limit.

Of the Company's revenue earned during the three months ended December 31, 2011, approximately 99% was generated from contracts with eight customers covered under the Company's master services agreement with AT&T. Of the Company's revenue earned during the three months ended December 31, 2010, approximately 97% was generated from contracts with eight customers covered under the Company's master services agreement with AT&T.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Convertible Debentures

If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense or equity (if the debt is due to a related party), over the life of the debt using the effective interest method.

Income Taxes

The Company accounts for its income taxes under the provisions of ASC Topic 740 "Income Taxes." The method of accounting for income taxes under ASC 740 is an asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-08, an amendment to Topic 350, “Intangibles - Goodwill and Other,” which simplifies how entities test goodwill for impairment. Previous guidance under Topic 350 required an entity to test goodwill for impairment using a two-step process on at least an annual basis. First, the fair value of a reporting unit was calculated and compared to its carrying amount, including goodwill. Second, if the fair value of a reporting unit was less than its carrying amount, the amount of impairment loss, if any, was required to be measured. Under the amendments in this update, an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads the entity to determine that it is more likely than not that its fair value is less than its carrying amount. If after assessing the totality of events or circumstances, an entity determines that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, then the two-step impairment test is unnecessary. If the entity concludes otherwise, then it is required to test goodwill for impairment under the two-step process as described under paragraphs 350-20-35-4 and 350-20-35-9 under Topic 350. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, and early adoption is permitted. The Company is currently evaluating whether early adoption is necessary.

The Company continually assesses any new accounting pronouncements to determine their applicability to the Company. Where it is determined that a new accounting pronouncement affects the Company’s financial reporting, the Company undertakes a study to determine the consequence of the change to its financial statements and assures that there are proper controls in place to ascertain that the Company’s financials properly reflect the change.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

## 3. Accounts Receivable

Accounts receivable at December 31, 2011 consist of the following:

Due from customers	\$ 1,228,283
Less allowance for bad debts	(80,444 )
	\$ 1,147,839

## 4. Property and Equipment

The following is a summary of property and equipment at December 31, 2011:

Computer hardware	\$ 702,581
Equipment	46,731
Office furniture	107,001
	856,313
Less accumulated depreciation	(577,458 )
	\$ 278,855

Depreciation expense for the three months ended December 31, 2011 and 2010 was \$29,641 and \$22,250, respectively.

## 5. Capitalized Software Development Costs

The following is a summary of capitalized software development costs at December 31, 2011:

Beginning balance	\$ 395,188
Additions	92,072
Amortizations	(93,754 )
Charge offs	-
Ending balance	\$ 393,506

Amortization expense for the three months ended December 31, 2011 and 2010 was \$93,754 and \$59,759, respectively.

Amortization expense for the remaining estimated lives of these costs are as follows:

Year Ending September 30, 2012	\$ 241,698
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2013	151,808
	\$ 393,506

## 6. Intangible Assets

The following is a summary of capitalized patent costs at December 31, 2011:

Patent costs	\$939,534
Less accumulated amortization	(234,046 )
	\$705,488

Amortization charged to operations for the three months ended December 31, 2011 and 2010 totaled \$32,076 and \$29,278, respectively.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

A schedule of amortization expense over the estimated life of the patents is as follows:

Period Ending December 31,	
2012	\$ 132,392
2013	132,392
2014	132,392
2015	132,392
2016	125,229
Thereafter	50,691
	\$ 705,488

In January 2011, the Company was issued US Patent 7,865,181 “Searching for mobile content” and US Patent 7,865,182 “Over the air provisioning of mobile device settings”. The costs associated with these patents, totaling \$29,254 are included above and are being amortized over the patent’s estimated useful life of 7 years.

In September 2011, the Company was issued US Patent 8,015,307 “System and method for streaming media”. The costs associated with these patents totaling \$8,115 are included above and are being amortized over the patent’s estimated useful life of 7 years.

In October 2011, the Company was issued US Patent 8,041,341 “System of providing information to a telephony subscriber”. The costs associated with these patents totaling \$22,940 are included above and are being amortized over the patent’s estimated useful life of 7 years.

## 7. Income Taxes

As of December 31, 2011, the Company has a net operating loss carryover of approximately \$36,579,000 available to offset future income for income tax reporting purposes, which will expire in various years through 2032, if not previously utilized. However, the Company’s ability to use the carryover net operating loss may be substantially limited or eliminated pursuant to Internal Revenue Code Section 382.

We adopted the provisions of ASC 740-10-50, formerly FIN 48, “Accounting for Uncertainty in Income Taxes”. We had no material unrecognized income tax assets or liabilities for the three months ended December 31, 2011 or for the three months ended December 31, 2010.

Our policy regarding income tax interest and penalties is to expense those items as general and administrative expense but to identify them for tax purposes. During the three months ended December 31, 2011 and 2010, there were no income tax, or related interest and penalty items in the income statement, or liability on the balance sheet. We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2007. We are not currently involved in any income tax examinations.

The provisions for income tax expense for the three months ended December 31, 2011 and 2010 are as follows:

	2011	2010
Current		
Federal	\$ -	\$ -
State	800	800
Total income tax expense	\$ 800	\$ 800

#### 8. Obligation on Patent Acquisitions

On March 15, 2010, the Company purchased six patents and three patent applications from an unrelated third party (“Seller”) for \$900,000 of which \$550,000 was paid on the execution of the purchase agreement. \$175,000 was due and paid on or before March 15, 2011 and the final installment of \$175,000 is due on or before March 15, 2012. As the agreement did not provide for any stated interest on the payments, the Company was required to impute interest on the payment stream. The Company present valued the payments at \$831,394 using an effective interest rate of 15% in its computation. Of the \$831,394, \$706,685 was allocated to the purchased patents and \$124,709 was allocated to the patent applications. The patents are being amortized over 7 years. The value assigned to the patent applications is not being amortized. Upon the issuance of a patent, its respective cost will be amortized over the patent’s estimated useful life. Costs associated with abandoned applications are charged to operations. The Company granted the Seller a license to utilize all acquired patents over their respective lives on a worldwide basis for no consideration. In addition, the Company is required to reserve for the Seller ten abbreviated dialing codes for a five-year period. The patents have been pledged as collateral against the remaining balance due.

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(Unaudited)

As of December 31, 2011, \$725,000 of the \$900,000 has been paid. The remaining payment of \$175,000 is due in March 2012. Interest accrued and charged to operations for the three months ended December 31, 2011 and 2010 totaled \$6,188 and \$11,252 respectively. Following is the maturities of the long-term portion of the obligation at December 31, 2011:

March 15, 2012	\$ 175,000
Less imputed interest	(5,132 )
	\$ 169,868

## 9. Convertible Debt

During the months of November and December 2011, the Company received a total of \$1,800,000 in consideration for issuing convertible notes and warrants to purchase 3,600,000 shares of the Company's common stock to seven investors including a Company director. The notes are assessed interest at a rate of 10% per annum. Principal and accrued interest is fully due one year from the respective date of each loan, but may be extended by mutual consent of the holder and the Company. Principal and interest accruing in one year are convertible into shares of the Company's common stock at a price of \$0.50 per share. Interest accrued on the notes during the three months ended December 31, 2011 charged to operations totaled \$15,644.

The warrants became exercisable into common shares commencing on the date of each loan at a price of \$0.25 per share and expire three years from the respective date of grant.

Pursuant to ASC Topic 470-20, "Debt with Conversion and Other Options," the convertible notes were recorded net of discounts that include the relative fair value of the warrants' and the notes' beneficial conversion features totaling \$414,425. The discounts are being amortized to either interest expense or equity (if the debt is due to a related party) over the one year term of the various notes using the effective interest method. The initial value of the warrants of \$362,909 was calculated using the binomial option model with a risk free interest rates ranging from 0.39% to 0.43%, volatility ranging from 100.79% to 103.00%, and trading prices ranging from \$0.25 to \$0.35 per share. The beneficial conversion feature of \$51,516 was calculated pursuant to ASC Topic 470-20 using trading prices ranging from \$0.25 to \$0.35 per share and an effective conversion price \$0.0322 per share.

Amortization of the discounts for the three months ended December 31, 2011 totaled \$19,965 of which \$15,777 was charged to interest expense and \$4,188 was charged to equity.

The balance of these convertible notes at December 31, 2011 is as follows:

Principal balance	\$ 1,800,000
Accrued interest	15,644
	1,815,644
Less discount	(394,460 )

#### 10. Other Related Party Transactions

On June 30, 2011, the Company entered into an agreement with its executive chairman whereby the Company was granted an option to acquire his majority interest in Soapbox. Under the terms of the option grant, the Company is required to pay a deposit of \$155,000 which will be refunded in the event the acquisition does not close. Under the original option agreement the term was six months in which both parties would perform due diligence necessary to determine the value of his majority interest and perform other actions necessary to complete the acquisition. The option has been extended to March 31, 2012.

As discussed in Note 9, a Company director provided \$500,000 of the \$1,800,000 received in the Company's convertible debt issuance. As part of the consideration received for the \$500,000, the director received warrants to purchase 1,000,000 common shares of the Company's common stock for a period of three years at a price of \$0.25 per share. The \$500,000 note is convertible into the Company's common shares at a conversion rate of \$0.50 per share.

#### 11. Fair Value

The Company's financial instruments consist principally of notes payable, convertible debentures and a derivative warrant liability. Notes payable and convertible debentures are financial liabilities with carrying values that approximate fair value. The Company determines the fair value of notes payable and convertible debentures based on the effective yields of similar obligations. The Company determines the fair value of its derivative warrant liability based upon the trading prices of its common stock on the date of issuance and when applicable, on the last day of the quarter. The Company uses the Binomial Option Model in valuing the fair value of its derivative warrant liability.

The Company believes all of the financial instruments' recorded values approximate fair market value because of their nature and respective durations.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

The Company complies with the provisions of ASC No. 820-10 (ASC 820-10), "Fair Value Measurements and Disclosures." ASC 820-10 relates to financial assets and financial liabilities. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions, about market participant assumptions, which are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as follows:

December 31, 2011:

	Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Liabilities</b>				
Obligation on patent acquisitions	-	\$ 169,868	-	\$ 169,868
Convertible debentures	-	\$ 1,815,644	-	\$ 1,815,644

12. Stockholders' Equity

## Common Stock

The holders of the Company's common stock are entitled to one vote per share of common stock held.

The Company did not issue any common shares during the three months ended December 31, 2011.

During the three months ended December 31, 2010, the Company issued 4,089,659 of its common stock of which 365,975 shares were issued in the cashless exercises of 400,000 warrants, 3,000,000 shares were issued to the Company's president as compensation valued at \$2,700,000 that was charged to operations and included in officers' compensation, and issued 723,684 shares of its common through a settlement with a former note holder as to the number of shares to which he was entitled in the original conversion of his note. The Company recognized a loss of \$651,315 on the issuance of the 723,684 shares.

## Warrants

As indicated in Note 9, the Company issued warrants to seven investors to purchase a total of 3,600,000 shares of the Company's common stock at a price of \$0.50 per share. The warrants expire at various dates through November and December 2014.

## Options

During the three months ended December 31, 2011, the Company granted options to a director to purchase 200,000 shares of the Company's common stock at \$0.225 per share. The Company valued the options at \$6,410 using a binomial option model based upon an expected life of 5 years, risk free interest rate of 0.90%, and expected volatility of 102.42%. At the date of grant, the Company's common stock had a trading price of \$0.22 per share. The Company is charging the \$6,410 to operations as compensation expense based upon the vesting of the respective options.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

During the three months ended December 31, 2011, the Company recognized stock based compensation on the vesting of 750,000 options totaling \$31,106.

A summary of outstanding stock warrants and options is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding – September 30, 2011	49,810,986	\$ 0.82
Granted	3,800,000	0.25
Exercised	-	-
Cancelled	-	-
Outstanding – December 31, 2011	53,610,986	\$ 0.79

Of the 53,610,986 options and warrants outstanding exercisable, 39,710,986 are fully vested and currently available for exercise.

## 13. Commitments and Contingency

## Operating Leases

The Company leases office space in Encinitas, California; Rogers, Arkansas; Boise, Idaho and Jersey City, New Jersey. The Encinitas lease expires on May 31, 2012. The Rogers office is leased on a month-to-month basis. The Boise lease expires on October 14, 2012. The Jersey City lease expires on June 30, 2016 and the Company has the option to lease the Jersey City offices for an additional five years. In addition to paying rent, the Company is also required to pay its pro rata share of the property's operating expenses. Rent expense for the three months ended December 31, 2011 and 2010 was \$45,291 and \$29,703, respectively. The Rogers office is leased on a temporary basis until the Company's construction of its new offices also located in Rogers is completed (See Note 14).

Minimum future rental payments under non-cancellable operating leases with terms in excess of one year as of September 30, 2011 for the next five years and in the aggregate are:

Year Ended December 31,	
2012	\$ 118,834
2013	109,800
2014	111,600
2015	113,400
2016	141,525
	\$ 595,159



### Licensing Fee Obligations

The Company has entered into various licensing agreements that require the Company to pay fees to the licensors on revenues earned by the Company utilizing the related license. The amounts paid on each license vary depending on the terms of the related license.

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Single Touch Systems, Inc.

Notes To Condensed Consolidated Financial Statements

December 31, 2011

(Unaudited)

## 14. Subsequent Events

In August 2011, the Company entered into an agreement to lease office space in Rogers, Arkansas for a term of five years. The lease commences on the earlier of when the Company moves into the premises or three days after the certificate of occupancy has been issued. As of December 31, 2011, the office space was still under construction and the Company took possession on January 1, 2012. Under the terms of the lease, a security deposit of \$3,645 is required to be paid. Provided the Company is not in default under any of the terms and condition of the lease, it has the option to renew the lease for an additional five years. The following is the required monthly rent over the initial term of the lease:

Months	
1 -24	\$3,645 per month
25-36	\$3,718 per month
37-48	\$3,793 per month
49-60	\$3,869 per month

While the Roger's office space was under construction, the Company leased additional offices in Rogers, Arkansas in October 2011 on a month-to-month basis. Monthly rent on these leased premises was \$1,154.

On January 31, 2012 the Company accepted \$100,000 as additional financing from one investor. This investment, together with those of the same terms made in November and December of 2011, represents a cumulative total of \$1,900,000 out of the \$2,000,000 financing approved by the Board in November 2011. The \$100,000 note issued to the investor bears interest at a rate of 10% per annum, and the principal and accrued interest are due and payable on the first anniversary of the note. That term may, however, be extended by mutual agreement of the holder and the Company. The Company may, at its options, prepay the principal and accrued interest at any time with notice given to the holder. The principal and first twelve months' interest may be converted into common stock of the Company at \$0.50 per share. In addition, the holder received warrants to purchase as many as 200,000 shares of common stock of the Company at a price of \$0.25 per share for three years from date of issuance; the warrants do not all for cashless exercise.

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Consolidated Financial Statements for the Fiscal Years Ended September 30, 2011 and 2010

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders  
Single Touch Systems  
Encinitas, California

We have audited the accompanying consolidated balance sheets of Single Touch Systems ("the Company") as of September 30, 2011 and 2010 and the related consolidated statements of operations, changes in stockholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Single Touch Systems as of September 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Weaver, Martin & Samyn LLC  
Weaver, Martin & Samyn LLC  
Kansas City, Missouri  
December 29, 2011

Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED BALANCE SHEETS

	September 30,	
	2011	2010
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 523,801	\$ 4,040,169
Accounts receivable - trade	907,275	514,327
Accounts receivable - related party	-	36,762
Prepaid expenses	93,872	212,034
Other current asset	155,000	-
<b>Total current assets</b>	<b>1,679,948</b>	<b>4,803,292</b>
<b>Property and equipment, net</b>	<b>303,214</b>	<b>203,091</b>
<b>Other assets</b>		
Capitalized software development costs, net	395,188	305,710
<b>Intangible assets:</b>		
Patents	714,623	779,846
Patent applications cost	544,240	428,729
Deposits and other assets	99,481	15,282
<b>Total other assets</b>	<b>1,753,532</b>	<b>1,529,567</b>
<b>Total assets</b>	<b>\$ 3,736,694</b>	<b>\$ 6,535,950</b>

See accompanying notes.

Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED BALANCE SHEETS - continued

	2011	September 30,	2010
<b>Liabilities and Stockholders' Equity (Deficit)</b>			
<b>Current liabilities</b>			
Accounts payable and other accrued expenses	\$ 1,178,057		\$ 461,364
Accrued compensation	176,232		77,950
Accrued compensation - related party	36,410		-
Current obligation on patent acquisitions	163,680		175,000
Convertible debentures - related parties, including accrued interest, net of discounts of \$575,857	-		197,280
<b>Total current liabilities</b>	<b>1,554,379</b>		<b>911,594</b>
<b>Long-term liabilities</b>			
Obligation on patent acquisitions	-		141,865
<b>Total liabilities</b>	<b>1,554,379</b>		<b>1,053,459</b>
<b>Stockholders' Equity (Deficit)</b>			
Preferred stock, \$.0001 par value, 5,000,000 shares authorized; none outstanding	-		-
Common stock, \$.001 par value; 200,000,000 shares authorized, 130,182,392 shares issued and outstanding as of September 30, 2011 and 123,676,892 shares issued and outstanding as of September 30, 2010	130,182		123,677
Additional paid-in capital	123,446,398		118,768,416
Accumulated deficit	(121,394,265)		(113,409,102)
Common stock subscriptions receivable	-		(500 )
<b>Total stockholders' equity (deficit)</b>	<b>2,182,315</b>		<b>5,482,491</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 3,736,694</b>		<b>\$ 6,535,950</b>

See accompanying notes.



Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended September 30,	
	2011	2010
<b>Revenue</b>		
Wireless applications	\$ 4,579,862	\$ 792,564
<b>Operating Expenses</b>		
Royalties and application costs	2,543,885	651,028
Research and development	78,860	84,240
Compensation expense (including stock based compensation of \$3,634,268 in 2011 and \$52,439 in 2010)	5,468,643	1,422,020
Depreciation and amortization	633,535	611,897
General and administrative (including stock based compensation of \$958,162 in 2011 and \$1,185,281 in 2010)	3,161,751	2,729,286
	11,886,674	5,498,471
Loss from operations	(7,306,812 )	(4,705,907 )
<b>Other Income (Expenses)</b>		
Net gain (loss) on settlement of indebtedness	(651,315 )	(2,738,985 )
Changes in fair value of derivative and warrant liability	-	(3,946,275 )
Interest expense	(26,236 )	(812,785 )
Net (loss) before income taxes	(7,984,363 )	(12,203,952 )
Provision for income taxes	(800 )	(800 )
Net income (loss)	\$ (7,985,163 )	\$ (12,204,752 )
Basic and diluted loss per share	\$ (0.06 )	\$ (0.14 )
Weighted average shares outstanding	127,817,223	85,055,249

See accompanying notes.





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SINGLE  
TOUCH  
SYSTEMS, INC  
STATEMENT OF  
STOCKHOLDERS' (DEFICIT)  
FROM OCTOBER 1, 2009 THROUGH SEPTEMBER 30, 2011

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Common Shares Subscribed	Total
Balance - September 30, 2009	64,442,417	\$ 64,442	\$ 92,568,239	\$ (101,204,350)	\$ -	\$ (8,571,669 )
Shares issued for cash	24,519,927	24,520	11,587,485	-	-	11,612,005
Compensation to placement agents on warrant grants	-	-	558,200	-	-	558,200
Offering costs - cash	-	-	(312,770 )	-	-	(312,770 )
Offering costs - compensation recognized on warrant granted to placement agents	-	-	(558,200 )	-	-	(558,200 )
Reclass of warrant liability to permanent equity pursuant to modification in terms of warrant grant	-	-	8,658,675	-	-	8,658,675
Shares issued in cashless exercise of warrants	113,198	113	(113 )	-	-	-
Shares issued in cancellation of convertible debt and accrued interest	32,938,850	32,939	5,312,541	-	-	5,345,480
Shares issued in cancelation of payables for professional services	612,500	613	465,667	-	-	466,280

Recognition of beneficial conversion feature on issuance of convertible debt	-	-	1,289,181	-	-	1,289,181
Compensation recognized on vesting of option grants	-	-	85,094	-	-	85,094
Amortization of beneficial conversion feature on related party debt			(1,255,033 )	-	-	(1,255,033 )
Shares issued pursuant to settlement agreement	1,000,000	1,000	849,000	-	-	850,000
Shares issued pursuant to subscription receivable	50,000	50	450	-	(500 )	-
Payment under terms of modified warrant agreement	-	-	(480,000 )	-	-	(480,000 )
Net loss for the year ended September 30, 2010	-	-	-	(12,204,752 )	-	(12,204,752)
Balance - September 30, 2010	123,676,892	123,677	118,768,416	(113,409,102)	(500 )	\$ 5,482,491
Shares issued in cashless exercise of warrants	944,316	944	(944 )	-	-	-
Shares issued for services	3,625,000	3,625	3,043,375	-	-	3,047,000
Compensation recognized on option and warrant grants	-	-	1,545,430	-	-	1,545,430
Shares issued on exercise of options	1,212,500	1,212	15,388	-	-	16,600
Shares issued in settlement of shareholder	723,684	724	650,591	-	-	651,315

claim						
Amortization of beneficial conversion feature on related party debt	-	-	(575,858 )	-	-	(575,858 )
Cash received on subscription receivable	-	-	-	-	500	500
Net loss for the year ended September 30, 2011	-	-	-	(7,985,163 )	-	(7,985,163 )
Balance - September 30, 2011	130,182,392	\$ 130,182	\$ 123,446,398	\$ (121,394,265)	\$ -	\$ 2,182,315

See accompanying notes.

Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended September 30,	
	2011	2010
<b>Cash Flows from Operating Activities</b>		
Net loss	\$ (7,985,163 )	\$ (12,204,752 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	95,945	99,875
Impairment loss	-	218,776
Bad debts	105,632	-
Loss on settlement of debt	651,316	2,773,437
Amortization expense - software development costs	412,632	438,445
Amortization expense - patents	124,959	73,578
Amortization expense - discount of convertible debt	-	500,000
Stock based compensation	4,592,430	1,237,720
(Increase) decrease in assets		
(Increase) decrease in accounts receivable	(461,818 )	(424,918 )
(Increase) decrease in prepaid expenses	142,015	(180,405 )
(Increase) decrease in deposits and other assets	11,051	-
Increase (decrease) in liabilities		
Increase (decrease) in accounts payable	683,965	(581,332 )
Increase (decrease) in accrued compensation	110,838	(526,825 )
Increase (decrease) in accrued compensation due related party	-	(206,956 )
Increase (decrease) in accrued expenses	(1,344 )	-
Increase (decrease) in accrued interest	12,253	162,553
Decrease (increase) in derivative liability	-	3,946,275
Net cash used in operating activities	(1,505,289 )	(4,674,529 )
<b>Cash Flows from Investing Activities</b>		
Option paid to related party to acquire majority interest in Soapbox Mobile, Inc	(155,000 )	-
Investment in certificate of deposit, pledged	(95,250 )	-
Acquisition of patents and patent applications	(111,177 )	(899,774 )
Purchase of property and equipment	(196,067 )	(69,248 )
Capitalized software development costs	(502,110 )	(528,166 )
Net cash used in investing activities	\$ (1,059,604 )	\$ (1,497,188 )

See accompanying notes.

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Table of ContentsSINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

	For the Year Ended September 30,	
	2011	2010
<b>Cash Flows from Financing Activities</b>		
Proceeds from issuance of common stock	\$ 17,100	\$ 11,612,005
Expenditures relating to private offerings	(30,000 )	(312,770 )
Proceeds received from related parties	17,685	-
Repayments on related party advances	(790,822 )	(521,685 )
Proceeds from issuance of debt to others	-	500,000
Repayments on debt to others	(165,438 )	(875,222 )
Payment relating to modification of terms on warrant agreement	-	(450,000 )
Net cash provided by (used in) financing activities	(951,475 )	9,952,328
Net increase (decrease) in cash	(3,516,368 )	3,780,611
Beginning balance - cash	4,040,169	259,558
Ending balance - cash	\$ 523,801	\$ 4,040,169
<b>Supplemental Information:</b>		
Interest expense paid	\$ 50,705	\$ 313,268
Income taxes paid	\$ -	\$ -

## Non-cash investing and financing activities:

For the year ended September 30, 2011

During the year ended September 30, 2011, the Company issued 944,316 shares of its common stock through the cashless exercise of 1,050,000 warrants.

During the year ended September 30, 2011, the Company issued 723,684 shares of its common stock through a settlement with a former Note holder as to the number of shares he was entitled to in the original conversion of his note. The Company recognized a loss of \$651,315 on the issuance of the 723,684 shares.

During the year ended September 30, 2011, the Company issued a total of 3,525,000 shares of its common stock to three officers and a director as compensation. The shares were valued at \$2,997,000 and charged to operations as compensation expense.

During the year ended September 30, 2011, the Company issued 100,000 shares of its common stock to its legal counsel valued at \$50,000, which was charged to operation.

During the year ended September 30, 2011, the Company charged \$575,858 to equity relating to the amortization of discounts on related party convertible debt (See Note 9).

During the year ended September 30, 2011, the Company granted options to its officers, employees, employees and certain consultants to purchase 32,105,000 shares of the Company's common stock. Of the options granted, 16,655,000 vested during the period and were valued at \$1,545,430, which were charged to operations.

See accompanying notes.



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SINGLE TOUCH SYSTEMS, INC  
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued

Non-cash investing and financing activities - continued:

For the year ended September 30, 2010

During the year ended September 30, 2010, the Company issued 612,500 common shares in cancellation of professional and consulting fees totaling \$373,854. The shares were valued at their respective market value on date of issuance and the Company recognized a loss on the settlement of debt in the amount of \$92,426.

During the year ended September 30, 2010, the Company issued a total of 29,911,959 common shares to the Company's President and his wholly owned company in cancellation of convertible debt totaling \$2,392,957.

During the year ended September 30, 2010,, the Company issued convertible promissory notes to its Chief Executive Officer and his wholly owned company evidencing the remaining balances due for loans, accrued interest and accrued compensation totaling \$789,182. The Company also recorded a discount on these two notes of \$789,182 for the beneficial conversion features of these notes.  
The \$789,182 was credited to equity.

During the year ended September 30, 2010,, the Company issued 1,607,521 shares in cancellation of notes payable and related accrued interest due third to parties totaling \$596,346. The shares were valued at their respective trading price on date of issuance and the Company recognized a loss on the settlement of debt in the amount of \$1,831,011.

During the year ended September 30, 2010, the Company recorded a \$500,000 discount related to the beneficial conversion feature of the underlying convertible note.

During the year ended September 30, 2010,, the Company received \$11,611,005 through various private offerings in consideration for issuing a total of 24,419,927 shares of its common stock and the grant of warrants to purchase 7,367,144 sharers of its common stock (See Note 14).

In connection with the above private offerings, the Company paid \$312,770 in costs and granted warrants to purchase 1,325,342 shares of the Company's common stock at \$1 per share. The Company valued the warrants at their respective market value on the date of the respective grant totaling \$558,200. The total offering costs of \$870,970 were offset against the proceeds received from the offerings.

During the year ended September 30, 2010, the company issued 150,000 shares of its common stock to a Director through the exercise of an option. The shares were issued for \$1,000 in cash and a subscription receivable for \$500.

During the year ended September 30, 2010, the Company charged \$1,255,034 to equity relating to the amortization of discounts on related party convertible debt (See Note 10).

During the year ended September 30, 2010, the Company acquired patents and patent applications from an unrelated third party for a total of \$831,394 including the down payment of \$550,000.

During the year ended September 30, 2010, the Company issued a 1,000,000 shares of stock as part consideration in the settlement with a note holder. The 1,000,000 shares were valued at their respective market value on date of issuing totaling \$850,000, which is included in loss on settlement of indebtedness as reflected on the accompanying Statement of Operations.

During the year ended September 30, 2010, the Company recognize \$85,094 as compensation for the vesting of 1,355,000 options granted to employees and consultants (See Note 14).

During the year ended September 30, 2010, the Company issued 113,198 shares of its common stock through the cashless exercise of 125,000 warrants (See Note 14).

See accompanying notes.

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SINGLE TOUCH SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010

1. Organization, History and Business

Single Touch Systems, Inc. (“the Company”) was incorporated in Delaware on May 31, 2000, under its original name, Hosting Site Network, Inc. On May 12, 2008, the Company changed its name to Single Touch Systems, Inc.

On July 24, 2008, the Company acquired all of the outstanding shares of Single Touch Interactive, Inc. (“Interactive”), a company incorporated in the state of Nevada on April 2, 2002, in exchange for issuing 42,967,554 shares of its common stock. For financial reporting purposes, the acquisition was treated as a reverse acquisition whereby Interactive’s operations continue to be reported as if it had actually been the acquirer. Assets and liabilities continue to be reported at Interactive’s historical cost, as the Company had nominal assets, liabilities and operations before the reverse acquisition.

The Company offers its patented technologies and a modular, adaptable platform, and multi-channel messaging gateway to its customers enabling them to reach consumers on all types of connected devices.

On May 27, 2008, Interactive declared a 1-for-2 reverse split of its common stock. All references in the accompanying financial statements to the number of shares outstanding and per-share amounts have been restated to reflect this stock split.

2. Summary of Significant Accounting Policies

Reclassification

Certain reclassifications have been made to conform the 2010 amounts to 2011 classifications for comparative purposes.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Single Touch Systems, Inc. and its wholly- owned subsidiaries, Single Touch Interactive, Inc., and HSN, Inc. (an inactive company formed in New Jersey on August 21, 2001). Intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Revenue is derived on a per-message/notification basis through the Company’s patented technologies and a modular, adaptable platform, designed to create multi-channel messaging gateways for all types of connected devices. Revenue is recognized in accordance with Staff Accounting Bulletin (“SAB”) No. 101, Revenue Recognition in Financial Statements, as revised by SAB No. 104. As such, the Company recognizes revenue when persuasive evidence of an arrangement exists, title transfer has occurred, the price is fixed or readily determinable and collectability is probable. Sales are recorded net of sales discounts.

Accounts Receivable

Accounts receivable is reported at the customers' outstanding balances, less any allowance for doubtful accounts. Interest is not accrued on overdue accounts receivable.

#### Allowance for Doubtful Accounts

An allowance for doubtful accounts on accounts receivable is charged to operations in amounts sufficient to maintain the allowance for uncollectible accounts at a level management believes is adequate to cover any probable losses. Management determines the adequacy of the allowance based on historical write-off percentages and information collected from individual customers. Accounts receivable are charged off against the allowance when collectability is determined to be permanently impaired.

#### Property and Equipment

Property and equipment are stated at cost. Major renewals and improvements are charged to the asset accounts while replacements, maintenance and repairs that do not improve or extend the lives of the respective assets are expensed. At the time property and equipment are retired or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved of the applicable amounts. Gains or losses from retirements or sales are credited or charged to income.

Depreciation is computed on the straight-line and accelerated methods for financial reporting and income tax reporting purposes based upon the following estimated useful lives:

S o f t w a r e 2- 3 years  
development  
Equipment 5 years  
C o m p u t e r 5 years  
hardware  
Office furniture 7 years

#### Long-Lived Assets

The Company accounts for its long-lived assets in accordance with ASC Topic 360-10-05, "Accounting for the Impairment or Disposal of Long-Lived Assets." ASC Topic 360-10-05 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the historical cost carrying value of an asset may no longer be appropriate. The Company assesses recoverability of the carrying value of an asset by

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SINGLE TOUCH SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010

estimating the future net cash flows expected to result from the asset, including eventual disposition. If the future net cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value or disposable value. The Company determined that none of its long-term assets at September 30, 2011 were impaired. During the year ended September 30, 2010, the Company recognized impairment losses totaling \$218,776 pertaining to certain abandoned software development costs.

Prepaid Royalties

The Company's agreements with licensors and developers generally provide it with exclusive publishing rights and require it to make advance royalty payments that are recouped against royalties due to the licensor or developer based on product sales. Prepaid royalties are amortized on a software application-by-application basis, based on the greater of the proportion of current year sales to total current and estimated future sales or the contractual royalty rate based on actual net product sales. The Company continually evaluates the recoverability of prepaid royalties, and charges to operations the amount that management determines is probable that will not be recouped at the contractual royalty rate in the period in which such determination is made or at the time the Company determines that it will cancel a development project. Prepaid royalties are classified as current and non-current assets based upon estimated net product sales within the next year.

Capitalized Software Development Costs

The Company capitalizes internal software development costs subsequent to establishing technological feasibility of a software application. Capitalized software development costs represent the costs associated with the internal development of the Company's software applications. Amortization of such costs is recorded on a software application-by-application basis, based on the greater of the proportion of current year sales to total of current and estimated future sales for the applications or the straight-line method over the remaining estimated useful life of the software application. The Company continually evaluates the recoverability of capitalized software costs and will charge to operations amounts that are deemed unrecoverable for projects it abandons.

Issuances Involving Non-cash Consideration

All issuances of the Company's stock for non-cash consideration have been assigned a dollar amount equaling the market value of the shares issued on the date the shares were issued for such services. The non-cash consideration received pertains to consulting services.

Stock Based Compensation

The Company accounts for stock-based compensation under ASC Topic 505-50, formerly SFAS No. 123R, "Share-Based Payment" and SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure - An amendment to SFAS No. 123." These standards define a fair-value-based method of accounting for stock-based compensation. In accordance with SFAS Nos. 123R and 148, the cost of stock-based compensation is measured at the grant date based on the value of the award and is recognized over the vesting period. The value of the stock-based award is determined using the Black-Scholes option-pricing model, whereby compensation cost is the excess of the fair value of the award as determined by the pricing model at the grant date or other measurement date over the amount that must be paid to acquire the stock for awards issued prior to October 1, 2010. The resulting amount is

charged to expense on the straight-line basis over the period in which the Company expects to receive the benefit, which is generally the vesting period. During the year ended September 30, 2011, the Company recognized stock-based compensation expense totaling \$4,592,430 from the issuance of a total 3,625,000 shares of its common stock to three officers, a director, and outside legal counsel valued at \$3,047,000 and from the grant of common stock options and warrants valued at \$1,545,430 (See Note 14). During the year September 30, 2010, the Company recognized stock based compensation expense of \$1,152,626 from the granting of a common stock warrant to an advisor and \$85,094 on the vesting of options to purchase 1,355,000 shares of the Company's common stock (See Note 14).

#### Loss Per Share

The Company reports earnings (loss) per share in accordance with ASC Topic 260-10, "Earnings per Share." Basic earnings (loss) per share is computed by dividing income (loss) available to common shareholders by the weighted average number of common shares available. Diluted earnings (loss) per share is computed similar to basic earnings (loss) per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Diluted earnings (loss) per share has not been presented since the effect of the assumed conversion of warrants and debt to purchase common shares would have an anti-dilutive effect. Potential common shares as of September 30, 2011 that have been excluded from the computation of diluted net loss per share include 16,030,986 warrants and 33,780,000 options. Potential common shares as of September 30, 2010 that have been excluded from the computation of diluted net loss per share include 38,736,820 warrants, 8,675,000 options, and \$771,497 of debt convertible into 2,085,126 shares of the Company's common stock.

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SINGLE TOUCH SYSTEMS, INC.  
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Cash and Cash Equivalents

For purpose of the statements of cash flows, the Company considers cash and cash equivalents to include all stable, highly liquid investments with maturities of three months or less.

Concentration of Credit Risk

The Company primarily transacts its business with one financial institution. The amount on deposit in that one institution may from time-to-time exceed the federally-insured limit.

Of the Company's revenue earned during the year ended September 30, 2011, approximately 96% was generated from contracts with nine customers covered under the Company's master services agreement with AT&T. Of the Company's revenue earned during the year ended September 30, 2010, approximately 84% was generated from contracts with five customers covered under the Company's master services agreement with AT&T.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Convertible Debentures

If the conversion features of conventional convertible debt provides for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense or equity (if the debt is due to a related party), over the life of the debt using the effective interest method.

Income Taxes

The Company accounts for its income taxes under the provisions of ASC Topic 740 "Income Taxes." The method of accounting for income taxes under ASC 740 is an asset and liability method. The asset and liability method requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between tax bases and financial reporting bases of other assets and liabilities.

Recent Accounting Pronouncements

The Company's management has evaluated all recent accounting pronouncements since the last audit through the issuance date of these financial statements. In the Company's opinion, none of the recent accounting pronouncements will have a material effect on the financial statements.

## 3. Accounts Receivable

Accounts receivable consist of the following:

	September 30,	
	2011	2010
Due from customers	\$ 987,719	\$ 527,790
Due from related party	-	36,762
Less allowance for bad debts	(80,444 )	(13,463 )
	\$ 907,275	\$ 551,089

The Company established a reserve for bad debts that was charged to operations for the year end September 30, 2011 and 2010 of \$105,632 and \$0, respectively.



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## 4. Property and Equipment

The following is a summary of property and equipment:

	September 30,	
	2011	2010
Computer hardware	\$ 709,891	\$ 571,039
Equipment	46,731	46,731
Office furniture	94,410	37,194
	851,032	654,964
Less accumulated depreciation	(547,818 )	(451,873 )
	\$ 303,214	\$ 203,091

Depreciation expense for the year ended September 30, 2011 and 2010 was \$95,945 and \$99,875, respectively.

## 5. Capitalized Software Development Costs

The following is a summary of capitalized software development costs:

	September 30,	
	2011	2010
Beginning balance	\$ 305,710	\$ 434,765
Additions	502,110	528,166
Amortizations	(412,632 )	(438,445 )
Charge offs	-	(218,776 )
Ending balance	\$ 395,188	\$ 305,710

Amortization expense for the remaining estimated lives of these costs are as follows:

Year Ending September 30,	
2012	\$ 290,997
2013	104,191
	\$ 395,188

## 6. Intangible Assets

On June 2, 2009, the Company entered into an Intellectual Property Rights Purchase and Transfer Agreement (“Agreement”) with Streamworks Technologies, Inc., a Delaware corporation (“Streamworks”). Pursuant to the Agreement, the Company acquired a portfolio of sixteen patents and patent applications related primarily to the management, streaming and routing of electronic media.

The Company is amortizing the technology’s estimated fair value of \$104,418 over its seven year estimated life. The Company incurred additional legal fees associated with the patent applications during the year ended September 30, 2010 of \$37,163. Costs associated with patent applications are not being amortized. Upon the issuance of a patent, its

respective cost will be amortized over the patent's estimated useful life. Costs associated with abandoned applications are charged to operations. On March 30, 2010, the Company was issued US Patent 7,689,706 "System and Method for Streaming Media". The cost associated with this patent of \$3,116 is being amortized over the patent's estimated useful life of 7 years.

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On December 14, 2009, Mr. Anthony Macaluso, the Company's executive chairman and former president, assigned all of his rights in a patent and various patent applications for a total of \$244,840, which represented the total legal fees he incurred relating to the property transferred. Of the \$244,840 total, \$42,638 is allocated to the cost of the patent and \$202,202 is allocated to the various patent applications. The Company incurred additional legal fees associated with the patent applications during the year ended September 30, 2010 of \$64,384. Costs associated with patent applications are not being amortized. Upon the issuance of a patent, its respective cost will be amortized over the patent's estimated useful life. Costs associated with abandoned applications are charged to operations.

On March 15, 2010, the Company purchased six patents and three patent applications from an unrelated third party for \$900,000 of which \$550,000 was paid on the execution of the purchase agreement. \$175,000 was due and paid in March, 2011 and the final installment of \$175,000 is due on or before March 15, 2012. As the agreement did not provide for any stated interest on the payments, the Company was required to impute interest on the payment stream. The Company present valued the payments at \$831,394 using an effective interest rate of 15% in its computation. Of the \$831,394, \$706,685 was allocated to the purchased patents and \$124,709 was allocated to the patent applications. The patents are being amortized over 7 years. The value assigned to the patent applications is not being amortized. Upon the issuance of a patent, its respective cost will be amortized over the patent's estimated useful life. Costs associated with abandoned applications are charged to operations. The Company granted the Seller a license to utilize all acquired patents over their respective lives on a world-wide basis for no consideration. In addition, the Company is required to reserve for the Seller ten abbreviated dialing codes for a five-year period.

In January 2011, the Company was issued US Patent 7,865,181 "Searching for mobile content" and US Patent 7,865,182 "Over the air provisioning of mobile device settings". The costs associated with these patents, totaling \$29,254, are being amortized over the patent's estimated useful life of 7 years.

In September 2011, the Company was issued US Patent 8,015,307 "System and method for streaming media". The costs associated with these patents totaling \$8,115 are being amortized over the patent's estimated useful life of 7 years.

Amortization charged to operations for the year ended September 30, 2011 and 2010 totaled \$124,959 and \$73,578, respectively.

A schedule of amortization expense over the estimated life of the patents at September 30, 2011 is as follows:

Patent costs	\$916,594
Less accumulated amortization	(201,971 )
	\$714,623

A schedule of amortization expense over the estimated life of the patents is as follows:

Year Ending September 30,	
2012	\$ 129,115
2013	129,115
2014	129,115
2015	129,114
2016	125,681

Thereafter	72,483
	\$ 714,623

## 7. Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The effective tax rate on the net loss before income taxes differs from the U.S. statutory rate as follows:

	2011	
U.S. statutory rate	34	%
Valuation allowance	(34)	)%
Effective tax rate	-	

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	September 30,			
	2011		2010	
<b>Current expense - Benefit</b>				
Federal	\$	-	\$	-
State		-		-
Total current expense (benefit)	\$	-	\$	-
<b>Deferred Benefit</b>				
Federal	\$	-	\$	-
State		-		-
Total deferred benefit		-		-
U.S statutory rate	34	%	\$ 34	%
Less valuation allowance	(34	)%	(34	)%
Effective tax rate	00	%	.00	%

The significant components of deferred tax assets and liabilities are as follows:

	September 30,			
	2011		2010	
<b>Deferred tax assets</b>				
Stock based compensation	\$	1,303,779	\$	2,724,979
Net operating losses		12,230,219		11,078,581
Property and equipment		-		663
Intangible assets		-		24,810
Amortization - intangible assets		63,992		116,290
		13,597,990		13,945,323
<b>Deferred tax liability</b>				
Intangible assets	(1,847	)		-
Depreciation expense	(57,436	)	(45,684	)
Net deferred tax assets		13,538,707		13,899,639
Less valuation allowance		(13,538,707)		(13,899,639)
Deferred tax asset - net valuation allowance	\$	-	\$	-

The net change in the valuation allowance for 2011 was \$(360,932).

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The Company has a net operating loss carryover of approximately \$35,971,000 available to offset future income for income tax reporting purposes, which will expire in various years through 2031, if not previously utilized. However, the Company's ability to use the carryover net operating loss may be substantially limited or eliminated pursuant to Internal Revenue Code Section 382.

We adopted the provisions of ASC 740-10-50, formerly FIN 48, "Accounting for Uncertainty in Income Taxes". We had no material unrecognized income tax assets or liabilities for the year ended September 31, 2011 or for the year ended September 30, 2010.

Our policy regarding income tax interest and penalties is to expense those items as general and administrative expense but to identify them for tax purposes. During the year ended September 30, 2011 and 2010, there were no income tax, or related interest and penalty items in the income statement, or liability on the balance sheet. We file income tax returns in the U.S. federal jurisdiction and various state jurisdictions. We are no longer subject to U.S. federal or state income tax examination by tax authorities for years before 2007. We are not currently involved in any income tax examinations.

## 8. Obligation on Patent Acquisitions

As discussed in Note 6, the Company acquired six patents and three patent applications for payments totaling \$900,000 of which \$550,000 was paid at the date of purchase. The patents have been pledged as collateral against the remaining balance due. As the agreement did not provide for any stated interest, the Company imputed interest at an annual rate of 15% and present valued \$350,000 balance owed to \$281,394. The Company paid \$175,000 in March 2011, and the remaining payment of \$175,000 is due in March 2012. Interest accrued and charged to operations for the year ended September 30, 2011 and 2010 totaled \$23,552 and \$33,733, respectively. Following is the maturities of the short-term portion of the obligation at September 30, 2011:

March 15, 2012	\$ 175,000
Less imputed interest	(11,320 )
	\$ 163,680

## 9. Convertible Debt

In March 2010, the Company received \$500,000 in consideration for issuing a convertible note and warrants to purchase 1,000,000 shares of the Company's common stock. The note is assessed interest at a rate of 12% per annum and accrued interest is required to be paid quarterly commencing on June 30, 2010. Principal is convertible into shares of the Company's common stock at a price of \$0.37 per share. On August 10, 2010, the principal and accrued interest totaling \$525,166 was converted into 1,419,370 shares of the Company's common stock.

The warrants became exercisable into common shares commencing March 12, 2010 at a price of \$0.75 per share and expire on September 3, 2013.

As required, the Company valued the warrants and conversion feature of the note. The value of these instruments totaled \$500,000, which was recorded as a discount against the note's outstanding balance. The discount was amortized to interest expense over the life of the debt using the effective interest method. During the year ended September 30,

2010, the full amount of the \$500,000 discount was fully charged to interest expense, as the note was converted during the year.

Interest charged to operations relating to this note for the year ended September 30, 2011 and 2010 was amounted to \$0 and \$25,166, respectively.

#### 10. Related Parties – Loan Activities

##### Note payable - officer

Mr. Macaluso had assisted in funding the operations of the Company through loan advances of which a portion have been repaid. Initially, the outstanding balance, including accrued interest assessed at a rate of 8% per annum, was fully due and payable in December 2010. On July 24, 2008, the Company modified the terms of the debt and the balance due him on that date of \$2,319,512, which included accrued interest of \$24,282 and accrued compensation of \$942,397, and was evidenced by a convertible promissory note bearing interest at an annual rate of 8%. The principal loan balance was convertible into shares of the Company's common stock at a price of \$0.08 per share, and on June 28, 2010, the Company's executive chairman elected to convert the principal balance due of \$2,319,512 into 28,993,896 shares of the Company's common stock.

The Company accounted for the modification of the debt pursuant to ASC Topic 470-50 "Modification and Extinguishments" and recognized a gain on the modification of \$2,319,512, which was charged to equity. The convertible debt was recorded net of a discount that includes a beneficial conversion feature ("BCF") amounting to \$2,319,512. The discount was being amortized to equity over the life of the debt using the effective interest method.

Interest charged to operations relating to this note for the year ended September 30, 2011 and 2010 amounted to \$0 and \$133,867, respectively.

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For the year ended September 30, 2011 and 2010, the Company charged \$0 and \$1,009,373 respectively, to equity on the amortization of the discount.

On June 28, 2010, the Company issued Mr. Macaluso a new convertible promissory note totaling \$155,531, which consisted of the remaining accrued interest due him on the above indicated converted note totaling \$31,950 and accrued compensation due him (net of payroll taxes) totaling \$123,581. The new note accrued interest at an annual rate of 1%, and the principal balance owed was convertible into shares of the Company's common stock at a price of \$0.37 per share. As the conversion price on date of issuance was less than market, the Company recognized a beneficial conversion feature of \$155,531, which was treated as a discount against the face value of the note. During the year ended September 30, 2010, \$14,900 was repaid on the loan. The balance of the promissory note including accrued interest of \$8, net of the unamortized portion of the discount totaling \$104,615, amounted to \$36,024.

The principal outstanding balance and accrued interest of \$156,876 were fully paid off during year ended September 30, 2011. Interest charged to operations relating to this note for the year ended September 30, 2011 and 2010 amounted to \$1,337 and \$8, respectively.

The Company valued the conversion feature of the note at \$155,531 using the Black-Scholes Option Model and was recorded as a discount against the note's outstanding balance. The discount is amortized to equity over the life of the debt using the effective interest method. For the year ended September 30, 2011 and 2010, the Company charged \$104,615 and \$50,916, respectively, to equity on the amortization of the discount.

Note Payable - Activate, Inc.

Activate, Inc. ("Activate"), a corporation wholly owned by Mr. Macaluso, had advanced the Company \$50,000. Under the original terms of the loan, the advance was assessed interest at an annual rate of 8% and was fully due and payable with accrued interest in December 2010. On July 24, 2008, the Company modified the terms of the debt, and the balance due to Activate on that date, including accrued interest, totaling \$73,445 was evidenced by a convertible promissory note bearing interest at an annual rate of 8%. The outstanding principal loan balance was convertible into shares of the Company's common stock at a price of \$0.08 per share and June 28, 2010, Activate converted the principal balance due it of \$73,445 into 918,063 shares of the Company's common stock.

The Company accounted for the modification of the debt pursuant ASC Topic 470-50 "Modification and Extinguishments", and recognized a gain on the modification of \$73,445, which was charged to equity. The convertible debt was recorded net of a discount that included BCF amounting to \$73,445. The discount was amortized to equity over the life of the debt using the effective interest method, until the replacement note explained in the paragraph below was issued.

On June 28, 2010, the accrued interest on the converted note totaling \$8,297 was incorporated into a new convertible promissory note as discussed below. Interest charged to operations relating to this note for the year ended September 30, 2011 and 2010 amounted to \$0 and \$4,292, respectively.

For the year ended September 30, 2011 and 2010, the Company charged \$0 and \$31,972, respectively, to equity on the amortization of the discount.



During the year ended September 30, 2009, Activate advanced the Company approximately \$795,397 of which \$504,000 was repaid during the year ended September 30, 2010. The advances bore interest at a rate of 8% and the outstanding balance was fully due and payable on demand. Interest accruing on the advances and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$30,511, respectively. The balance of the outstanding advances and related accrued interest at June 28, 2010 amounted to \$345,567 and was converted into a new convertible promissory note as discussed below.

In June 2009, Activate purchased a \$250,000 promissory note from a debtor of the Company and assumed all of his rights and interest in the note. The note bore interest at an annual rate of 10%. Interest accruing on this note and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$19,822, respectively. The balance of the Note at June 28, 2010, including accrued interest totaling \$279,787, was incorporated into a new promissory note as discussed below.

As indicated above, on June 28, 2010, the Company issued Activate a new convertible promissory note totaling \$633,651, which accrued interest at an annual rate of 1% and was convertible into shares of the Company common stock at a price of \$0.37 per share. As the conversion price on date of issuance was less than market, the Company recognized a beneficial conversion feature of \$633,651, which was treated as a discount against the face value of the note. During the year ended September 30, 2010, \$2,784 was repaid on the debt. The balance of the promissory note, including accrued interest of \$1,632, net of the unamortized portion of the discount totaling \$471,243, amounted to \$161,256.

Interest charged to operations relating to this note for the year ended September 30, 2011 and 2010 amounted to \$3,084 and \$1,632, respectively. The principal balance and accrued interest totaling \$638,367 was fully paid during the year ended September 30, 2011.

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The Company valued the conversion feature of the note at \$633,651 using the Black-Scholes Option Model and the conversion feature was recorded as a discount against the note's outstanding balance. The discount was being amortized to equity over the life of the debt using the effective interest method until repayment. For the year ended September 30, 2011 and 2010, the Company charged \$471,243 and \$162,408, respectively, to equity on the amortization of the discount.

Other Related Party Loans

A former Company director advanced the Company a total of \$199,500 in December 2008. The balance of the advances began accruing interest in December 2008 at an annual rate of 8%. Interest accrued and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$11,893, respectively. The total balance owed as of June 28, 2010, including accrued interest, of \$224,511 was cancelled in exchange for the issuance of 606,768 shares of the Company's common stock. The shares were valued at \$916,219 based upon the trading price of the shares on the date of cancellation. The Company recognized a loss on the transaction of \$691,708, which was the difference between the amount due and the market value of the shares issued.

11. Notes Payable - Other

On December 5, 2008, the Company entered into a Loan and Security Agreement with a third party for a total loan of \$1,000,000. Proceeds from the loan were net of loan fees incurred by lender. The loan bore interest at an annual rate of 10% per annum and accrued interest was payable 90 days after the loan proceeds were received. All related party debt is subordinate to this loan. The loan had been guaranteed by the Company's Executive chairman, and was secured by the Company's assets.

At September 30, 2009, the outstanding balance due on the loan, including accrued interest, totaled \$850,222. During the year ended September 30, 2010 the Company paid a total of \$875,222 on this obligation, which fully paid off the total amount of principal and accrued interest due. In addition, on September 30, 2010 the Company issued the note holder 1,000,000 shares of its common stock in consideration for a complete settlement and release of this obligation. The shares were valued at the respective market value of \$850,000, which was charged to operations and included in loss on settlement of indebtedness. Interest charged to operations during the year ended September 30, 2011 and 2010 amounted \$0 and \$27,222, respectively.

An unrelated third party advanced a total of \$134,500 to the Company in March 2009. Interest accrued and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$8,018, respectively. The total balance owed as of June 28, 2010, including accrued interest, of \$148,532 was cancelled in exchange for the issuance of 399,356 shares of the Company's common stock. The shares were valued at \$603,027 based upon the trading price of the shares on the date of cancellation. The Company recognized a loss on the transaction of \$454,495, which was the difference between the amount due and the market value of the shares issued.

An unrelated third party advanced a total of \$50,085 to the Company in July 2009. Interest accrued and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$3,886, respectively. The total balance owed as of June 28, 2010, including accrued interest of \$53,971 was cancelled in exchange for the issuance of 145,344 shares of the Company's common stock. The shares were valued at \$219,469 based upon the trading price of the shares on the date of cancellation. The Company recognized a loss on the transaction of \$165,498, which was the

difference between the amount due and the market value of the shares issued.

An unrelated third party advanced a total of \$150,000 to the Company in 2008. Interest accrued and charged to operations during the year ended September 30, 2011 and 2010 amounted to \$0 and \$8,942, respectively. The total balance owed as of June 28, 2010, including accrued interest, of \$169,331 was cancelled in exchange for the issuance of 456,053 shares of the Company's common stock. The shares were valued at \$688,640 based upon the trading price of the shares on the date of cancellation. The Company recognized a loss on the transaction of \$519,309, which was the difference between the amount due and the market value of the shares issued.

## 12. Other Related Party Transactions

The Company entered into an agreement with Activate, Inc., a corporation wholly owned by Mr. Macaluso. Activate holds a license on certain applications, on which the Company licensed to a third party. Activate has sublicensed the applications to the Company and in consideration, receives 3% of all net revenue generated under the license. Activate collects the revenue generated under this license and pays 97% of the amounts collected to the Company. The agreement expired in June 2011, and based upon the fact that no income was derived from the third party, the agreement was not renewed. During the year ended September 30, 2011, the Company charged off \$38,651 against its allowance for bad debts on amounts due under this agreement. The amounts believed due under the third party license were never received by Activate which management believes is due to returns and other costs incurred by the third party.

On December 14, 2009, Mr. Macaluso assigned all of his rights in a patent and various patent applications for a total of \$244,840, which represented the total legal fees he incurred relating to the property transferred.

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In March 2010, a former Company director exercised warrants to purchase 50,000 shares of the Company's common stock for \$1,500. In June 2010, the same individual exercised warrants to purchase 100,000 shares of the Company's common stock for a cash payment of \$1,000. During the year ended September 30, 2011, the Company issued the same individual a total of 1,212,500 shares of its common stock through various exercises of stock warrants for a total of \$16,600. The individual resigned as a director in June, 2011.

Soapbox Mobile, Inc. leased the use of certain equipment and software to the Company from February 2008 through June 2010 at a monthly rate of \$4,000 and has been providing them to the Company from July 1, 2010 to June 30, 2011 at a monthly rate of \$7,500. Mr. Macaluso is a majority shareholder of Soapbox Mobile, Inc. Rent expense pertaining to this lease for the year ended September 30, 2011 and 2010 was \$45,000 and \$58,500, respectively.

On June 30, 2011, the Company entered into an agreement with its executive chairman whereby the Company was granted an option to acquire his majority interest in Soapbox. Under the terms of the option grant, the Company is required to pay a deposit of \$155,000 which will be refunded in the event the acquisition does not close. Under the option agreement as modified, the term is six months in which both parties will perform due diligence necessary to determine the value of his majority interest and perform other actions necessary to complete the acquisition. The option has been extended to March 31, 2012.

On May 16, 2011, James Orsini became the Company's Chief Executive Officer and President. These positions were previously held by Anthony Macaluso. Anthony Macaluso will continue to serve us as our Executive Chairman and Chief Innovations Officer. Mr. Orsini was also appointed a director.

As part of Mr. Orsini's compensation, the Company granted him, effective May 16, 2011, a total of 4,500,000 upfront stock options under the Company's 2010 Stock Plan with 1,500,000 of the options (at an exercise price of \$0.63 per share) vesting after one year of service, 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting after two years of service and 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting after three years of service. The terms of the option grant provide for cashless exercise. In addition, The Company issued Mr. Orsini 400,000 shares of its common stock as additional compensation. The common shares were valued at \$260,000, which was charged to operations as compensation expense.

On June 1, 2011, in full satisfaction to the terms of Mr. Macaluso's new employment agreement requiring the Company to grant stock options to him and after taking account of certain remissions, the Company granted him options to purchase 4,500,000 shares of its common stock under the Company's 2010 Stock Plan with 1,500,000 of the options (at an exercise price of \$0.65 per share) vesting on May 16, 2012, 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting on May 16, 2013, and 1,500,000 of the options (at an exercise price of \$0.90 per share) vesting on May 16, 2014. In addition, on June 1, 2011 the Company granted him 750,000 options to purchase common shares under the Company's 2010 Stock Plan (at an exercise price of \$0.65 per share) vesting on September 30, 2011. The terms of the option grants provide for cashless exercise.

In December 2010, the Company had, in addition, granted Mr. Macaluso 1,200,000 options to acquire shares of the Company at \$0.90 per share at any time up to and including December 8, 2013. The Company also granted Mr. Macaluso 3,000,000 shares. The values of such December 2010 grants were \$134,704 and \$2,700,000, respectively. Both grants vested immediately. All such option and shares are outstanding and held by Mr. Macaluso as of September 30, 2011.

On September 26, 2011, John Quinn became the Company's Chief Financial Officer. Under the terms of his employment he received 100,000 shares of the Company's common stock valued at \$30,000, which was charged to operations and is included in compensation expense. In addition, Mr. Quinn was granted a total of 1,500,000 stock options with 500,000 of the options (at an exercise price of \$0.65 per share) vesting after one year of service, 500,000 of the options (at an exercise price of \$0.90 per share) vesting after two years of service, and 500,000 of the options (at an exercise price of \$0.90 per share) vesting after three years of service.

On August 8, 2011, the Company appointed Stuart R. Levine to serve on its Board of Directors. Pursuant to the appointment letter agreement with him dated August 8, 2011 the Company will pay Mr. Levine an annual cash stipend of \$20,000 (in quarterly increments). The Company also granted Mr. Levine 200,000 stock options exercisable at \$0.331 per share, which fully vest on August 8, 2012, subject to continuation of service. In addition, the Company issued Mr. Levine 25,000 shares of its common stock valued at their respective market value on date of grant totaling \$7,000.

On August 8, 2011, the Company granted Richard Siber, a Company director, 200,000 stock options exercisable at \$0.331 per share, which fully vest on August 8, 2012, subject to continuation of service.

### 13. Fair Value

The Company's financial instruments consist principally of notes payable, convertible debentures and a derivative warrant liability. Notes payable and convertible debentures are financial liabilities with carrying values that approximate fair value. The Company determines the fair value of notes payable and convertible debentures based on the effective yields of similar obligations. The Company determines the fair value of its derivative warrant liability based upon the trading prices of its common stock on the date of issuance and when applicable, on the last day of the quarter. The Company uses the Black-Scholes Option Model in valuing the fair value of its derivative warrant liability.

The Company believes all of the financial instruments' recorded values approximate fair market value because of their nature and respective durations.

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The Company complies with the provisions of ASC No. 820-10 (ASC 820-10), "Fair Value Measurements and Disclosures." ASC 820-10 relates to financial assets and financial liabilities. ASC 820-10 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820-10 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions, about market participant assumptions, which are developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1. Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.

Level 2. Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company utilizes the best available information in measuring fair value. The following table summarizes, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as follows:

September 30, 2011:

	Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	
<b>Liabilities</b>				
Obligation on patent acquisitions	-	\$ 163,680	-	\$ 163,680

September 30, 2010:

	Fair Value Measurements			Total Fair Value
	Level 1	Level 2	Level 3	

<b>Liabilities</b>				
Obligation on patent acquisitions	-	\$ 316,865	-	\$ 316,865
<b>Convertible debentures -</b>				
Related parties	-	\$ 199,899	-	\$ 199,899
Derivative liability	-	\$ 8,648,888	-	\$ 8,648,888

#### 14. Stockholders' Equity

##### Common Stock

The holders of the Company's common stock are entitled to one vote per share of common stock held.

During the year ended September 30, 2011, the Company issued a total of 6,505,500 shares of its common stock of which 944,316 shares were issued through the cashless exercise of 1,050,000 warrants previously granted to Peltz as discussed below, 3,625,000 shares were issued to three officers, a director and outside legal counsel for services rendered valued at \$3,047,000, 1,212,500 shares were issued to a former director of the Company through various warrant exercises in consideration of \$16,600 in cash, and 723,684 shares to a shareholder in full settlement of a dispute. The 723,684 shares were valued at \$651,315, which was charged to operations and included in net loss from settlement of indebtedness.

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During the year ended September 30, 2010, the Company issued a total of 59,234,475 shares of its common stock of which 24,419,927 shares were issued for \$11,611,005 in cash, 150,000 shares were issued to a director of the Company for \$1,500, 612,500 shares were issued to professional and consultants in exchange for the cancellation of \$373,304 due them for past services, 3,026,891 shares were issued in cancellation of notes payable and accrued interest totaling \$1,121,513, 29,911,959 shares were issued on the conversion of debt due the Company's executive chairman and his wholly owned company totaling \$2,392,957 and 113,198 shares were issued to an advisor in a cashless exercise of 125,000 warrants ,and 1,000,000 shares were issued to a note holder under the terms of a settlement and release agreement. The 612,500 shares issued to professional and consultants were valued at the trading price of the shares on their respective date of issuance and the Company recognized a loss on the issuances totaling \$57,975 during year. The 1,607,520 shares issued in cancellation of notes payable and accrued interest were valued at the trading price of the shares on their respective date of issuance and the Company recognized a loss on the issuances totaling \$1,831,011 during year. The 1,000,000 shares issued under the settlement agreement were valued at the trading price of the shares on their respective date of issuance and the Company recognized a loss on the issuances totaling \$850,000 during year.

Warrants

On September 30, 2011, the Company modified the terms of certain warrants previously granted to a shareholder. Under the modified terms, the expiration date for warrants to purchase 2,750,000 shares of the Company's common stock at a price of \$1.00 per share was extended one year to December 13, 2012, the expiration date for warrants to purchase 1,750,000 shares of the Company's common stock at a price of \$1.00 per share was extended one year to January 7, 2013, the expiration date for warrants to purchase 1,000,000 shares of its common stock at \$0.75 per share was extended to September 3, 2013. As the fair value of these warrants based upon their modified term were less than their respective fair value when originally granted, the Company did not recognize any additional compensation. In consideration for the modification, the shareholder agreed to cancel 2,750,000 stock options previously granted with an exercise price of \$1.50 per share.

In connection with the above-indicated Company's 2010 private offering of 24,419,927 shares of its common stock during the year ended September 30, 2010, the Company issued warrants to purchase 7,367,145 shares of the Company's common stock at exercise prices ranging from \$0.75 to \$1.50 per share that expire in various dates commencing in November 2011 through July 2013. In connection with certain private placements, the Company granted warrants to purchase a total of 1,325,342 shares of the Company's common stock at a price of \$1 per share. As discussed in Note 9, the Company received \$500,000 in March 2010 in consideration for issuing a convertible note and warrants to purchase 1,000,000 shares of the Company's common stock at \$0.75 per share. Such warrants expire on March 12, 2012.

On October 30, 2008, the Company entered into a Non-exclusive Special Advisory Services Agreement with Peltz Capital Management, LLC, a Delaware limited liability company ("Peltz"). The Agreement ended on October 31, 2009. In consideration for the services rendered, the Company granted Peltz a warrant pursuant to the Warrant and a Registration Rights Agreement ("Warrant Agreement") for the purchase of the greater of Five Million Nine Hundred Fifty Two Thousand Three Hundred Sixty Two (5,952,362) shares of common stock of the Company or 5.2% of the total outstanding common stock of the Company, computed on a fully dilutive basis. Initially, the warrant exercise price was \$2.10 per share and expires five years from the date of grant. The Warrant Agreement contains various penalty and non-dilution clauses which if triggered could reduce the exercise price of the warrants and/or require the



company to issue additional warrants. The Warrant Agreement contains cashless exercise provisions and the Registration Rights Agreement provides some contingent registration rights as described in the agreement. As of September 30, 2009, the number of common shares to be issued under the Warrant Agreement totaled 11,000,000 with an adjusted exercise price of \$0.80 per share.

The initial 5,952,362 warrants were valued at \$13,831,503 using the Black-Sholes Option Model based upon an expected life of 5 years, risk free interest rate of 2.84%, and expected volatility of 94%. At the date of grant, the Company's common stock had a trading price of \$3.00 per share. The Company charged the \$13,831,503 to operations as compensation expense over the initial twelve months of the agreement. Consulting expense charged to operations during the year ended September 30, 2011 and 2010 totaled \$0 and \$1,152,626, respectively.

The Company has accounted for the terms of the Warrant Agreement pursuant to ASC Topic 815-40 "Contracts in Entity's Own Equity" and initially recorded the \$13,831,503 as a derivative liability.

During the year ended September 30, 2010, the Company issued 113,198 shares of its common stock to Peltz through a cashless exercise of 125,000 warrants. On September 29, 2010, the terms of the Warrant Agreement were modified. Under the terms of the modified agreement, the conversion price was reduced to \$0.08 per share and the Company paid Peltz \$450,000 and was required to and did reimburse Peltz \$30,000 for legal fees it incurred in modification agreement. The Company accrued the \$30,000 as of September 30, 2010 and the obligation is included in accrued expenses. The modified terms required the Company to file a registration statement with the Securities Exchange Commission registering 3,875,000 shares. Once the registration statement becomes effective, 7,000,000 of the remaining 10,875,000 warrants were assigned back to the Company. The Registration statement was to be effective no

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later than March 23, 2011. The modified terms also include significant penalties if the registration ceases to remain effective until all 3,875,000 shares are sold or if the Company or its officers impact Peltz' ability to exercise and sell the 3,875,000 shares. Due to the modified terms of the warrant, the Company no longer considers the warrant to be a derivative instrument and the liability at September 29, 2010 of \$8,658,675 was reclassified as permanent equity to additional paid-in capital. The 7,000,000 warrants were assigned to the Company and canceled in September 2011. During the year ended September 30, 2011, the Company issued a total of 944,316 shares to Peltz through the cashless exercise of 1,050,000 warrants.

During the year ended September 30, 2011, the Company issued 1,212,500 shares of its common stock to a former director of the Company through various warrant exercises in consideration of \$16,600 in cash.

## Options

On April 22, 2008, the Company adopted its 2008 Stock Option Plan (the "Plan"). Under the Plan, the Company reserved 8,800,000 shares of its common stock to be issued to employees, directors, consultants, and advisors. The exercise price under the Plan cannot be less than the fair market value of the shares on date of grant. In 2008, the Company granted options to employees and consultants to purchase a total of 8,675,000 shares of the Company's common stock at price per share of \$1.375 per share. The options expire three years from date of vesting, which is as follows:

Vesting Date	Number of Options
July 28, 2008	6,000,000
July 28, 2009	1,320,000
July 28, 2010	1,355,000
	8,675,000

The 6,000,000 options that vest on July 28, 2008 were granted to the Company's executive chairman. These 8,675,000 options were valued at \$544,790 using the Black-Sholes Option Model based upon an expected life of 3 years, risk free interest rate of 2.90%, and expected volatility of 94%. At the date of grant, the Company's common stock had a market value of \$.25 per share. The Company is charged the \$544,790 to operations as compensation expense based upon the vesting of the respective options. For the year ended September 30, 2011 and 2010, compensation charged to operations totaled \$0 and \$85,094, respectively. In June 2011, 3,000,000 options granted to the Company's executive chairman were returned and canceled. The remaining 3,000,000 options granted to him expired in July 2011.

In December 2010 our Board of Directors adopted the 2010 Stock Plan ("2010 Plan") to provide common stock option grants to selected employees, non-employee directors, consultants and advisors. The total number of shares subject to the 2010 Plan is 25,000,000. The 2010 Plan is administered by our Board of Directors; pursuant to the 2010 Plan the Board granted 9,655,000 options to employees at an exercise price of \$0.90 per share expiring three years from the date of the grant. The 9,655,000 options were valued at \$1,078,705 under a Binomial Option Model using a trading price of \$0.90 per share, risk free interest rate of 1.03%, volatility of 106%, and assumptions of how many options would vest, based on our experience.

In May and June 2011, the Company granted options to its Chief Executive Officer and its Executive Chairman to purchase a total of 9,750,000 shares of the Company's common stock at prices ranging from \$0.63 per share to \$0.90 per share expiring five years from the date of grant (see Note 12). The 9,750,000 options were valued at \$928,931 under a Binomial Option Model using trading prices ranging from \$0.63 to \$0.65 per share, a risk free interest rates ranging from 1.64% to 1.83%, volatility of 100%, and assumptions of how many options would vest, based on our experience. The \$928,931 will be charged to operations over the respective options' vesting schedule which commenced in September 2011.

On June 28, 2011, the Company granted options to its outside legal counsel to purchase 750,000 shares of the Company common stock at a purchase price of \$0.65 expiring five years from date of grant. The 750,000 options were valued at \$45,019 under a Binomial Option Model using a trading price of \$0.50 per share, a risk free interest rate of 1.59%, volatility of 100%, and assumptions of how many options would vest, based on our experience. The options vest over a nine month period commencing July 1, 2011.

On June 28, 2011, the Company granted options to a consultant to purchase 1,000,000 shares of the Company common stock at a purchase price of \$0.80 expiring three years from date of grant. The 1,000,000 options were valued at \$60,100 under a Binomial Option Model using a trading price of \$0.50 per share, a risk free interest rate of .72%, volatility of 100%, and assumptions of how many options would vest, based on our experience. The options were immediately vested on date of grant and the Company charged the \$60,100 to operations.

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On July 13, 2011, the Company granted options to two consultants to purchase a total of 5,000,000 shares of the Company common stock at a purchase price of \$0.55 expiring one year from date of grant. The 5,000,000 options were valued at \$320,500 under a Binomial Option Model using a trading price of \$0.48 per share, a risk free interest rate of .59%, volatility of 103%, and assumptions of how many options would vest, based on our experience. The options were immediately vested on date of grant and the Company charged the \$320,500 to operations.

On July 13, 2011, the Company granted options to two employees to purchase a total of 1,750,000 shares of the Company common stock at purchase prices ranging from \$0.65 to \$0.90 per share expiring five years from date of grant. The 1,750,000 options were valued at \$106,761 under a Binomial Option Model using a trading price of \$0.48 per share, a risk free interest rate of 1.39%, volatility of 103%, and assumptions of how many options would vest, based on our experience. The \$106,761 will be charged to operations over the respective options' vesting schedule which commences in July 2012.

On August 8, 2011, the Company granted options to two directors to each purchase 200,000 shares of the Company common stock at a purchase price of \$0.331 per share expiring five years from date of grant. The 400,000 options were valued at \$20,430 under a Binomial Option Model using a trading price of \$0.34 per share, a risk free interest rate of 1.13%, volatility of 102%, and assumptions of how many options would vest, based on our experience. The \$10,215 will be charged to operations when the option grant vests on August 8, 2012.

On September 22, 2011, the Company granted options to an employee to purchase a total of 1,000,000 shares of the Company common stock at purchase prices ranging from of \$0.65 to \$0.90 per share expiring five years from date of grant. The 1,000,000 options were valued at \$33,616 under a Binomial Option Model using a trading price of \$0.27 per share, a risk free interest rate of .82%, volatility of 103%, and assumptions of how many options would vest, based on our experience. The \$33,616 will be charged to operations over the respective options' vesting schedule which commences in July 2012.

On September 22, 2011, the Company granted options to a consultant to purchase a total of 300,000 shares of the Company common stock at \$0.50 per share expiring three years from date of grant. The 300,000 options were valued at \$9,690 under a Binomial Option Model using a trading price of \$0.27 per share, a risk free interest rate of .32%, volatility of 103%, and assumptions of how many options would vest, based on our experience. The \$9,690 will be charged to operations when the option grant vests in December 2011.

On September 26, 2011, the Company granted options to its chief financial officer to purchase a total of 1,500,000 shares of the Company common stock at prices ranging from \$0.65 to \$0.90 per share expiring five years from date of grant. The 1,500,000 options were valued at \$53,500 under a Binomial Option Model using a trading price of \$0.30 per share, a risk free interest rate of .96%, volatility of 103%, and assumptions of how many options would vest, based on our experience. The \$53,500 will be charged to operations over the respective options' vesting schedule which commences in September 2012.

A summary of outstanding stock warrants and options is as follows:

Number of Shares	Weighted Average Exercise Price
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Outstanding – September 30, 2009	37,794,334	\$	1.08
Granted	9,892,486		0.93
Exercised	(275,000 )		(0.04 )
Cancelled	-		-
Outstanding – September 30, 2010	47,411,820	\$	0.97
Granted	31,105,000		0.78
Exercised	(2,262,500 )		(0.04 )
Cancelled	(26,443,334 )		(1.11 )
Outstanding – September 30, 2011	49,810,986	\$	0.82

Of the 49,810,986 options and warrants outstanding exercisable, 35,360,986 are fully vested and currently available for exercise. For the year ended September 30, 2011, the Company changed its methodology for valuing option and warrants from the Black-Scholes Option Model to a Binomial Option Model, as the Company believed the Binomial Option Model allows for a more realistic approach in valuing the Company's options and warrants.

Table of ContentsSINGLE TOUCH SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010

## 16. Commitments and Contingency

## Operating Leases

The Company leases office space in Encinitas, California, and Jersey City, New Jersey. The Encinitas lease expires on May 31, 2012. The Jersey City lease expires on June 30, 2016, and the Company has the option to lease the Jersey City offices for an additional five years. In addition to paying rent, the Company is also required to pay its pro rata share of the property's operating expenses. Rent expense for the year ended September 30 2011 and 2010 was \$121,681 and \$101,472, respectively.

Minimum future rental payments under non-cancellable operating leases with terms in excess of one year as of September 30, 2011 for the next five years and in the aggregate are:

Year Ended September 30,	
2012	\$ 121,995
2013	109,350
2014	111,150
2015	112,050
2016	83,025
	\$ 537,570

The Company leases from Soapbox Mobile, Inc. the use of servers, certain other equipment, fixtures and furniture, an analytic platform and other software, and certain service accounts to us from February 2008 through June 2010 at a monthly rate of \$4,000 and has been providing them to us since July 1, 2010 at a monthly rate of \$7,500. The lease terminated on June 30, 2011. Rent expense for the year ended September 30, 2011 and 2010 was \$48,000 and \$58,000, respectively. During the three months ended September 30, 2010, the Company prepaid \$45,000 towards the lease. The \$45,000 was included in prepaid expense on the Company's balance sheet. The Company's executive chairman is a majority shareholder of Soapbox Mobile, Inc.

## Licensing Fee Obligations

The Company has entered into various licensing agreements that require the Company to pay fees to the licensors on revenues earned by the Company utilizing the related license. The amounts paid on each license vary depending on the terms of the related license.

## 17. Subsequent Events

In August 2011, the Company entered into an agreement to lease office space in Rogers Arkansas for a term of five years. The lease commences on the earlier of when the Company moves into the premises or three days after the certificate of occupancy has been issued. As of September 30, 2011, the office space was still under construction. Under the terms of the lease, a security deposit of \$3,645 is required to be paid. Provided the Company is not in default under any of the terms and condition of the lease, it has the option to renew the lease for an additional five years. The following is the required monthly rent over the initial term of the lease: 1/1/12

Months	
1 -24	\$3,645 per month
25-36	\$3,718 per month
37-48	\$3,793 per month
49-60	\$3,869 per month

While the Roger's office space is under construction, the Company leased additional offices in Rogers, Arkansas in October 2011 on a month-to-month basis. Monthly rent on these leased premises is \$1,154.

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SINGLE TOUCH SYSTEMS, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011 and 2010

In November 2011, the Company approved borrowing of up to \$2,000,000 against 1-year promissory notes, which term can be extended by mutual agreement of the holder and the Company, in minimum \$100,000 units bearing 10% interest per annum payable annually. The notes can be prepaid without penalty at the option of the Company upon ten days written notice to the Holder. The principal and interest for 12 months is convertible, at the option of the holder, into common stock of the company at \$0.50 per share. Each \$100,000 note includes a warrant exercisable within three years entitling the holder to purchase as many as 200,000 shares of common stock of the Company at \$0.25 shares; the warrants do not allow for cashless exercise. The terms of the Notes include standard default terms for acceleration, which include non-payment and insolvency. The Notes allow for the Company to obtain debt financing from a financial institution or other financial sponsor on typical terms and for such debt to be senior to the notes.

On November 14, 2011, the Company accepted a total of \$1,000,000 in financing on the above-indicated terms. One of our Directors, Stephen Baksa, invested \$500,000 in the units, and another shareholder invested \$500,000. Each received 1,000,000 warrants to purchase common shares exercisable at \$0.25 expiring in three years as a result of the investment.

On December 15, 2011, the Company approved the acceptance of minimum \$100,000 (previously \$250,000) units and on that date accepted an additional \$400,000 in financing. One of our shareholders invested an additional \$200,000 in the units, and two other shareholders invested \$100,000. As a result of the additional investments a total of 800,000 warrants to purchase common shares exercisable at \$0.25 expiring in three years were issued.

On December 20, 2011 the Company accepted an additional \$100,000 in financing from one investor, resulting in the issuance of 200,000 additional warrants. On December 22, 2011 the Company accepted an additional \$100,000 in financing from one investor, resulting in the issuance of another 200,000 warrants. On December 28, 2011 the Company accepted an additional \$200,000 in financing from one investor, resulting in the issuance of 400,000 additional warrants. As a result of these three investments, the Company received \$400,000 of financing and issued 800,000 additional warrants, leaving \$200,000 of financing approved by the Board and still available.



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Single Touch Systems Inc.  
PROSPECTUS

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## PART II

## INFORMATION NOT REQUIRED IN PROSPECTUS

## Item 13. Other Expenses of Issuance and Distribution

The following table sets forth expenses in connection with the issuance and distribution of the securities being registered. All amounts shown are estimated, except the SEC registration fee.

SEC registration fee	\$ 525
Legal fees and expenses	\$ 87,000
Accountants' fees and expenses	\$ 17,000
Miscellaneous fees	\$ 475
Total	\$ 100,000

## Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law ("DGCL") empowers a Delaware corporation to indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer or director of such corporation, or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such officer or director acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation's best interests, and, for criminal proceedings, had no reasonable cause to believe his conduct was illegal. A Delaware corporation may indemnify officers and directors in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation in the performance of his duty. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director actually and reasonably incurred.

Our Certificate of Incorporation, as amended, and our Amended and Restated Bylaws provide that we will indemnify our directors and officers to the fullest extent permitted by Delaware law, except that no indemnification will be provided to a director, officer, employee or agent if the indemnification sought is in connection with a proceeding initiated by such person without the authorization of the board of directors. The bylaws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any statute, provision of our certificate of incorporation, bylaws, agreements, vote of stockholders or disinterested directors or otherwise. The bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity.

We have entered into indemnification agreements with our (outside) directors and our Chief Financial Officer.

In accordance with Section 102(b)(7) of the DGCL, our Certificate of Incorporation, as amended, provides that directors shall not be personally liable for monetary damages for breaches of their fiduciary duty as directors. The effect of this provision is to eliminate the personal liability of directors for monetary damages for actions involving a breach of their fiduciary duty of care, including any actions involving gross negligence. Notwithstanding this provision the DGCL does not permit us to eliminate personal liability for (i) breaches of their duty of loyalty to us or

our stockholders, (ii) acts or omissions not in good faith or which involve intentional misconduct or knowing violations of law, (iii) certain transactions under Section 174 of the DGCL (unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) transactions from which a director derives an improper personal benefit.

We have directors' and officers' liability insurance which provides, subject to certain policy limits, deductible amounts and exclusions, coverage for all persons who have been, are or may in the future be, our directors or officers, against amounts which such persons may pay resulting from claims against them by reason of their being such directors or officers during the policy period for certain breaches of duty, omissions or other acts done or wrongfully attempted or alleged. Such policies provide coverage to certain situations where we cannot directly provide indemnification under the DGCL.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described above, or otherwise, the registrant has been advised that, although the validity and scope of the governing statutes have not been tested in court in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable.

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Item 15. Recent Sales of Unregistered Securities

The securities that we issued or sold within the past three years and were not registered with the Securities and Exchange Commission are described below.

1. On October 30, 2008, in connection with a Non-Exclusive Special Advisory Services Agreement, we issued to Peltz Capital Management, LLC warrants initially exercisable for the purchase of 5,952,362 shares of common stock at an exercise price of \$2.10 per share. These warrants have a net-exercise provision and expire on October 30, 2013. The number of underlying shares and the exercise price of these warrants have subsequently been adjusted to 11,000,000 and \$0.08, respectively. 7,000,000 of these warrants were returned to us in 2011 and were canceled.
2. On June 2, 2009, we issued 3,666,667 shares of common stock and 1,833,334 common stock warrants (exercisable through June 8, 2011 at \$2.30 per share) to StreamWorks Technologies, Inc. in exchange for a portfolio of 2 patents and 14 patent applications related primarily to the management, storage and routing of electronic media.
3. On June 30, 2009, we issued 23,810 shares of common stock for \$50,000 to one individual.
4. On August 17, 2009, we issued a \$500,000 convertible promissory note to Ted Cooper in exchange for \$500,000 cash. On January 25, 2010, Ted Cooper converted the principal of and accrued interest on the note into 531,400 shares of common stock at the stated conversion price of \$0.95 per share.
5. On September 24, 2009, we issued to Mike Robert 625,000 shares of common stock for \$500,000 in cash. In connection with this private offering, we issued to Mike Robert warrants to purchase 1,250,000 shares at an exercise price of \$1.50 that expired on September 23, 2011.
6. On November 5, 2009, we issued to Mike Robert 1,500,000 shares of common stock for \$450,000 in cash. In connection with this private offering, we issued to Mike Robert warrants to purchase 1,500,000 shares at an exercise price of \$1.50 per share that were to expire on November 4, 2011. These warrants were canceled on September 30, 2011 pursuant to the terms of a Settlement Agreement with Mr. Robert.
7. From December 13, 2009 through January 7, 2010, we issued to Mike Robert 3,500,000 shares of common stock for \$825,000 in cash. In connection with this private offering, we issued to Mike Robert warrants to purchase 3,500,000 shares at an exercise price of \$1.00 per share, half expiring on December 13, 2011 and half expiring on January 7, 2012. These warrants were extended on September 30, 2011 pursuant to the terms of a Settlement, Mutual Release & Discharge with Mr. Robert; half expiring on December 13, 2012 and half expiring on January 7, 2013.
8. On January 1, 2010, in connection with the initiation of a placement agent/financial advisor engagement, we issued to Gar Wood Securities, LLC and its affiliates warrants to purchase 1,000,000 shares at an exercise price of \$1.00 per share, expiring on December 31, 2012.
9. On January 8, 2010, we issued to Zanett Opportunity Fund Ltd. and its affiliates 1,459,459 shares of common stock for \$540,000 in cash. In connection with this private offering, we issued to Zanett Opportunity Fund Ltd. and its affiliates warrants to purchase 510,811 shares at an exercise price of \$1.50 per share that expire on January 11, 2012.
10. From January 10, 2010 to May 28, 2010, we issued to 38 investors 9,735,132 shares of common stock for \$3,602,000 in cash. Also, in connection therewith, the compensation we paid to our placement agent Gar Wood Securities, LLC included issuing to it and its affiliates 100,273 common stock warrants at an exercise price of \$1.00 per share, expiring on May 10, 2010. Also, in connection therewith, the compensation we paid to our placement agent

Financial West Investment Group, Inc. included issuing to it and its affiliates 55,541 common stock warrants at an exercise price of \$1.00 per share, expiring on May 28, 2013.

11. On March 12, 2010, we issued a \$500,000 convertible note to Mike Robert for \$500,000 cash. In connection with this private offering, we issued to Mike Robert warrants to purchase 1,000,000 shares at an exercise price of \$0.75 per share, expiring on March 21, 2012. On August 11, 2010, Mike Robert converted the principal of and accrued interest on the note into 1,419,370 shares of common stock at the stated conversion price of \$0.37 per share. The warrants were extended on September 30, 2011, pursuant to the terms of a Settlement, Mutual Release & Discharge with Mr. Robert, to expire on September 3, 2013.

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12. On June 28, 2010, Anthony Macaluso converted \$1,101,919 of the principal balance of a \$2,319,512 promissory note (which Single Touch Interactive, Inc. had issued to him on July 24, 2008) into 13,773,992 shares of our common stock, at the stated conversion rate \$0.08 per share.

13. In connection with the conversion described in Paragraph 12, on June 28, 2010 Single Touch Interactive, Inc. issued a new \$155,531 convertible promissory note to Anthony Macaluso in lieu of \$123,581 of accrued compensation (net of payroll taxes) plus the \$31,950 of accrued but unpaid interest on the \$2,319,512 convertible promissory note. The new note was convertible into our common stock at \$0.37 per share and was subsequently paid with no portion converted to common stock.

14. On June 28, 2010, Activate, Inc. converted the principal balance of its \$73,445 promissory note into 918,063 shares of our common stock, at the stated conversion rate of \$0.08 per share.

15. In connection with the conversion described in Paragraph 14, on June 28, 2010 Single Touch Interactive, Inc. issued a new \$633,651 convertible promissory note to Activate, Inc. in lieu of \$345,567 of principal and accrued interest on prior loan advances, \$279,787 of principal and accrued interest on a purchased promissory note, and the \$8,297 of accrued but unpaid interest on the converted \$73,445 convertible promissory note. The new note was convertible into our common stock at \$0.37 per share and was subsequently paid with no portion converted to common stock.

16. On June 29, 2010, we issued 1,607,521 shares of common stock to four persons in exchange for cancellation of indebtedness (including accrued interest) of \$596,345, representing an effective conversion rate of \$0.37 per share. One of the persons was our director James Cassina, to whom we issued 606,768 shares in exchange for cancellation of indebtedness (including accrued interest) of \$224,511.

17. On July 7, 2010, Nicole Macaluso converted \$1,217,592 of the principal balance of a promissory note (which we had issued to Anthony Macaluso on July 24, 2008) into 15,219,904 shares of our common stock, at the stated conversion rate \$0.08 per share.

18. On July 16, 2010, we issued 8,225,339 shares of common stock and 2,056,334 common stock warrants (exercisable for \$1.00 per share cash and expiring on July 15, 2013), to 29 accredited investors for an aggregate of \$6,169,005. Each detachable unit consisting of four shares and one warrant was sold for \$3.00. In connection therewith, the compensation we paid to our placement agent Gar Wood Securities, LLC included issuing to it and its affiliates 169,528 of such common stock warrants.

19. On August 19, 2010, we issued Peltz Capital Management, LLC 22,500 shares of our common stock upon a net-exercise of 25,000 warrants.

20. On September 7, 2010, we issued Peltz Capital Management, LLC 90,698 shares of our common stock upon a net-exercise of 100,000 warrants.

21. On September 30, 2010, we issued 1,000,000 shares of common stock to Fort Ashford Funds, LLC in connection with a settlement agreement.

22. On October 29, 2010, we issued Peltz Capital Management, LLC 91,753 shares of our common stock upon a net-exercise of 100,000 warrants.

23. On November 9, 2010, we issued Peltz Capital Management, LLC 92,000 shares of our common stock upon a net-exercise of 100,000 warrants.

24. On December 1, 2010, we issued Peltz Capital Management, LLC 182,222 shares of our common stock upon a net-exercise of 200,000 warrants.

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25. On December 6, 2010, we issued 3,000,000 shares of our common stock to Anthony Macaluso. The shares cannot be resold or transferred before June 23, 2012.
26. In December 2010 our Board of Directors adopted the 2010 Stock Plan (“2010 Plan”) to provide common stock option grants to selected employees, non-employee directors, consultants and advisors. The total number of shares subject to the 2010 Plan was 15,000,000 (and has been increased, on June 1, 2011, to 25,000,000). The 2010 Plan is administered by our Board of Directors; pursuant to the 2010 Plan the Board granted 9,655,000 options to employees, non-employee directors and consultants at an exercise price of \$0.90 per share expiring three years from the date of the grant.
27. On December 9, 2010, we issued 723,684 shares of our common stock to Ted Cooper as a consideration for a mutual general release of claims.
28. On January 11, 2011, we issued Peltz Capital Management, LLC 180,000 shares of our common stock upon a net-exercise of 200,000 warrants.
29. On February 17, 2011, we issued Peltz Capital Management, LLC 176,119 shares of our common stock upon a net-exercise of 200,000 warrants.
30. On April 12, 2011, we issued Peltz Capital Management, LLC 222,222 shares of our common stock upon a net-exercise of 250,000 warrants.
31. On May 16, 2011, the Board granted 4,500,000 options under the 2010 Plan to James Orsini.
32. On June 1, 2011, the Board granted 5,250,000 options under the 2010 Plan to Anthony Macaluso.
33. On June 7, 2011, we issued 665,000 shares of our common stock to Laurence Dunn upon his exercise of warrants and payment of the \$6,650 aggregate exercise price.
34. On June 28, 2011, the Board granted 750,000 options under the 2010 Stock Plan to a service provider.
35. On June 28, 2011, the Board granted 1,000,000 options to a consultant.
36. On July 13, 2011, the Board granted 1,000,000 options under the 2010 Stock Plan to an employee.
37. On July 13, 2011, the Board granted 750,000 options under the 2010 Stock Plan to an employee.
38. On July 13, 2011, the Board granted 3,000,000 options under the 2008 Stock Option Plan to a consultant.
39. On July 13, 2011, the Board granted 2,000,000 options under the 2010 Plan to a consultant.
40. From November 14, 2011 through February 28, 2012, we issued convertible promissory notes with an aggregate principal amount of \$2,000,000, and warrants to purchase an aggregate of 4,000,000 shares of common stock, to private investors (including Stephen Baksa) for an aggregate of \$2,000,000 cash. The notes bear interest at 10% per annum and mature one year after issuance, and are convertible into our common stock at \$0.50 per share at the option of the holder. We have the right to prepay the notes on 10 days' written notice.



The warrants expire three years after issuance; the exercise price of the warrants is \$0.25 per share. The warrants do not allow for cashless exercise.

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41. On January 5, 2012, we issued Peltz Capital Management, LLC 100,000 shares of our common stock upon a cash exercise of 100,000 warrants at \$0.08 per share.

42. On February 9, 2012, we issued Peltz Capital Management, LLC 200,000 shares of our common stock upon a cash exercise of 200,000 warrants at \$0.08 per share.

43. On February 29, 2012, we issued Peltz Capital Management, LLC 200,000 shares of our common stock upon a cash exercise of 200,000 warrants at \$0.08 per share.

The offerings of the securities described in Paragraphs 1 through 43 above were exempt from registration under Section 3(a)(9) (in the case of conversions and net-exercises) or Section 4(2) of the Securities Act of 1933.

Item 16. Exhibits and Financial Statement Schedules

(a)

- 2.1 Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K, filed March 21, 2008.
- 2.2 Addendum dated May 29, 2008 to Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed June 3, 2008.
- 2.3 Second Addendum dated June 10, 2008 to Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed June 20, 2008.
- 2.4 Third Addendum dated June 27, 2008 to Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed July 14, 2008.
- 2.5 Fourth Addendum dated July 22, 2008 to Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 2.5 to the registrant's Current Report on Form 8-K, filed July 31, 2008.
- 2.6 Fifth Addendum dated July 24, 2008 to Agreement and Plan of Merger and Reorganization dated March 20, 2008 among Single Touch Systems Inc., Single Touch Acquisition Corp. and Single Touch Interactive, Inc. Incorporated by reference to Exhibit 2.6 to the registrant's Current Report on Form 8-K, filed July 31, 2008.
- 3.1 Certificate of Incorporation of Hosting Site Network, Inc. (currently known as Single Touch Systems Inc.). Incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form SB-2, filed November 8, 2001.
- 3.2 Certificate of Amendment to Certificate of Incorporation of Hosting Site Network, Inc. (currently known as Single Touch Systems Inc.). Incorporated by reference to Exhibit 3.2 to Post-Effective Amendment No. 3 to the registrant's Registration Statement on Form SB-2, filed April 11, 2002.

- 3.3 Certificate of Amendment to Certificate of Incorporation of Hosting Site Network, Inc. (currently known as Single Touch Systems Inc.). Incorporated by reference to Exhibit 3.3 to the registrant's Current Report on Form 8-K, filed July 31, 2008.
- 3.4 Amended and Restated Bylaws of Hosting Site Network, Inc. (currently known as Single Touch Systems Inc.). Incorporated by reference to Exhibit 3.3 to Post-Effective Amendment No. 2 to the registrant's Registration Statement on Form SB-2, filed February 8, 2002.

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5.1	Opinion of Stradling Yocca Carlson & Rauth. Previously filed as Exhibit 5.1 to the registrant’s Registration Statement on Form S-1, filed March 18, 2011.
10.1	Revenue Sharing and Software License Agreement between Single Touch Interactive, Inc. and Activate, Inc., dated 2004. Incorporated by reference to Exhibit 10.1 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.2	Form of Single Touch Interactive, Inc. Warrant (\$1.00 exercise price (post-adjustment), expires July 11, 2015). A total of 5,000,000 Warrants (post-adjustment) on this form were issued to two persons in 2005. Incorporated by reference to Exhibit 10.2 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.2.1	Single Touch Interactive, Inc. Warrant, as amended and re-issued (\$0.70 exercise price (post-adjustment), subject to Board resetting; expires July 11, 2015). 1,250,000 Warrants (post-adjustment) on this form were re-issued to Jordan Schur on June 12, 2007. Incorporated by reference to Exhibit 10.2.1 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.3	Form of Single Touch Interactive, Inc. Warrant (\$1.76 exercise price (post-adjustment), expires 5 years from issuance). A total of 774,000 Warrants (post-adjustment) were issued on this form to 20 persons in 2006 and 2007. Incorporated by reference to Exhibit 10.3 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.4	Form of Single Touch Interactive, Inc. Warrant (\$0.02 exercise price (post-adjustment), expires July 2012). A total of 2,000,000 Warrants (post-adjustment) were issued on this form to 2 persons in 2007. Incorporated by reference to Exhibit 10.4 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.5	Services Agreement 20071210.103.C between Single Touch Interactive, Inc. and AT&T Services, Inc. dated April 11, 2008. Incorporated by reference to Exhibit 10.6 to the registrant’s Annual Report on Form 10-K, filed January 14, 2010.
10.5.1	Amendment 20071210.103.A.001 to the Services Agreement 20071210.103.C between Single Touch Interactive, Inc. and AT&T Services, Inc., dated March 20, 2009. Incorporated by reference to Exhibit 10.7 to the registrant’s Annual Report on Form 10-K, filed January 14, 2010.
10.5.2	Amendment 20071210.103.A.002 to Services Agreement 20071210.103.C between Single Touch Interactive, Inc. and AT&T Services, Inc., dated October 25, 2010. Incorporated by reference to Exhibit 10.6.2 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.
10.6	2008 Stock Option Plan for Single Touch Systems Inc. (formerly Hosting Site Network, Inc.). Incorporated by reference to Exhibit 10.10 to the registrant’s Current Report on Form 8-K, filed July 31, 2008.
10.6.1	Form of Notice of Stock Option Grant/Stock Option Agreement under 2008 Stock Option Plan. Incorporated by reference to Exhibit 10.7.1 to the registrant’s Registration Statement on Form S-1, filed November 12, 2010.

10.7 Non-Exclusive Special Advisory Services Agreement between Peltz Capital Management, LLC and us, dated October 30, 2008. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed November 5, 2008. The form of Warrant is attached thereto as Exhibit A and the form of Registration Rights Agreement is attached thereto as Exhibit B. Both the warrant and the Registration Rights Agreement were executed on October 30, 2008.

10.7.1 (Form of) Warrant issued by us in favor of Peltz Capital Management, LLC, dated October 30, 2008. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed November 5, 2008. The form of Warrant is attached thereto as Exhibit A. The Warrant was executed on October 30, 2008.

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- 10.7.2 (Form of) Registration Rights Agreement between Peltz Capital Management, LLC and us, dated October 30, 2008. Incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K, filed November 5, 2008. The form of Registration Rights Agreement is attached thereto as Exhibit B. The Registration Rights Agreement was executed on October 30, 2008.
- 10.7.3 Settlement and Release Agreement, among Peltz Capital Management, LLC, Anthony Macaluso and us, effective September 29, 2010. Incorporated by reference to Exhibit 10.33 to the registrant's Annual Report on Form 10-K, filed December 29, 2010.
- 10.8 Form of Non-Compete Agreement in favor of us. Charles Jennings and Floyd Bowen entered into agreements with us on this form on June 22, 2009. Incorporated by reference to Exhibit 10.12.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.9 2009 Employee and Consultant Stock Plan. Incorporated by reference to Exhibit 4 to the registrant's Registration Statement on Form S-8 (SEC File No. 333-163557), filed December 8, 2009.
- 10.9.1 Form of stock grant acknowledgement letter under 2009 Employee and Consultant Stock Plan. Incorporated by reference to Exhibit 10.16.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.10 Common Stock Purchase Agreement, between Mike Robert and us, dated December 13, 2009. Incorporated by reference to Exhibit 10.18 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.10.1 Form of Warrant (\$1.00 exercise price, expires December 13, 2011). 1,750,000 Warrants on this form were issued to Mike Robert on December 13, 2009. Incorporated by reference to Exhibit 10.18.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.11 Form of Warrant to Purchase Common Stock (\$1.00 exercise price, expires December 31, 2012). A total of 1,000,000 Warrants on this form were issued in favor of Gar Wood Securities, LLC and its affiliates on January 1, 2010. Incorporated by reference to Exhibit 10.19.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.12 Common Stock Purchase Agreement, between Mike Robert and us, dated January 7, 2010. Incorporated by reference to Exhibit 10.20 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.12.1 Form of Warrant (\$1.00 exercise price, expires January 7, 2012). 1,750,000 Warrants on this form were issued to Mike Robert on January 7, 2010. Incorporated by reference to Exhibit 10.20.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.13 Form of Common Stock Purchase Agreement. We entered into respective agreements on this form with 38 persons between January and May 2010 calling for the issuance of 9,735,132 shares of common stock. Incorporated by reference to Exhibit 10.22 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.

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- 10.13.1 Form of Warrant to Purchase Common Stock (\$1.00 exercise price, expires 3 years from issuance). A total of 100,273 Warrants were issued to our placement agent Gar Wood Securities, LLC and its affiliates on this form on May 10, 2010. Incorporated by reference to Exhibit 10.22.1 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.13.2 Form of Warrant to Purchase Common Stock (\$1.00 exercise price, expires 3 years from issuance). A total of 55,541 Warrants were issued to our placement agent Financial West Investment Group, Inc. and its affiliates on this form on May 28, 2010. Incorporated by reference to Exhibit 10.22.2 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.14 Convertible Promissory Note (\$500,000) issued by us in favor of Mike Robert, dated March 12, 2010. Incorporated by reference to Exhibit 10.23 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.15 Warrant to purchase 1,000,000 shares (\$0.75 exercise price, expires March 21, 2012), issued by us to Mike Robert, dated March 12, 2010. Incorporated by reference to Exhibit 10.24 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.16 Confidential Patent Purchase Agreement among Microsoft Corporation, Microsoft Licensing, GP and Single Touch Interactive, Inc., dated March 15, 2010. Incorporated by reference to Exhibit 10.8 to the registrant's Quarterly Report on Form 10-Q, filed May 14, 2010.
- 10.17 Single Touch Interactive, Inc. Convertible Promissory Note for \$151,367 in favor of Anthony Macaluso, dated June 28, 2010. Incorporated by reference to Exhibit 10.26 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.18 Single Touch Interactive, Inc. Convertible Promissory Note for \$632,035 in favor of Activate, Inc., dated June 28, 2010. Incorporated by reference to Exhibit 10.27 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.19 Form of Settlement, Release and Discharge. We entered into respective agreements on this form with 4 persons on June 29, 2010 calling for the issuance of a total 1,607,521 shares of common stock. One of persons was James Cassina (606,768 shares). Incorporated by reference to Exhibit 10.28 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.20 Form of Common Stock Purchase Agreement. We entered into respective agreements on this form with 29 persons in July 2010 calling for the issuance of units comprising a total of 8,225,339 shares of common stock and 2,056,334 Warrants. Incorporated by reference to Exhibit 10.29 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.
- 10.20.1 Form of Warrant to Purchase Common Stock (\$1.00 exercise price, expires July 15, 2013). A total of 2,056,334 Warrants on this form were issued to 29 persons on July 16, 2010. Also, in connection therewith, the compensation we paid to our placement agent Gar Wood Securities, LLC included issuing to it and its affiliates 169,528 Warrants on this form. Incorporated by reference to Exhibit 4.1 to the registrant's Current Report on Form 8-K, filed July 21, 2010.
- 10.21 Settlement Agreement and Mutual General Release, among Fort Ashford Funds, LLC, Frank Kavanaugh, Single Touch Interactive, Inc., Anthony Macaluso and us, dated September 30, 2010. Incorporated by

reference to Exhibit 10.30 to the registrant's Registration Statement on Form S-1, filed November 12, 2010.

10.22 Settlement Agreement and Mutual General Release, between Ted Cooper and us, dated December 14, 2010. Incorporated by reference to Exhibit 10.31 to the registrant's Annual Report on Form 10-K, filed December 29, 2010.

10.23 2010 Stock Plan. Incorporated by reference to Exhibit 10.32 to the registrant's Annual Report on Form 10-K, filed December 29, 2010.



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- 10.23.1 Certificate regarding amendment of 2010 Stock Plan. Incorporated by reference to Exhibit 10.32.1 to the registrant's Registration Statement on Form S-1, filed June 24, 2011.
- 10.23.2 Form of Notice of Stock Option Grant/Stock Option Agreement under 2010 Stock Plan. Incorporated by reference to Exhibit 10.32.2 to the registrant's Registration Statement on Form S-1, filed June 24, 2011.
- 10.24 Employment letter agreement, between James Orsini and us, dated March 10, 2011. Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed May 16, 2011.
- 10.24.1 Amendment of employment letter agreement, between James Orsini and us, dated May 16, 2011. Incorporated by reference to Exhibit 10.33.1 to the registrant's Registration Statement on Form S-1, filed June 24, 2011.
- 10.25 Employment letter agreement, between Anthony Macaluso and us, dated June 3, 2011, as of June 1, 2011. Incorporated by reference to Exhibit 10.34 to the registrant's Registration Statement on Form S-1, filed June 24, 2011.
- 10.26 Board of Directors Service Letter Agreement between Richard S. Siber and us dated August 8, 2011. Incorporated by reference to Exhibit 10.1 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.27 Board of Directors Service Letter Agreement between Stuart R. Levine and us dated August 8, 2011. Incorporated by reference to Exhibit 10.2 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.28 Form of Indemnification Agreement. Incorporated by reference to Exhibit 10.3 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.29 Employment letter agreement and Restricted Stock Issuance Agreement, between John Quinn and us, dated September 26, 2011. Incorporated by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.30 Board of Directors Service Letter Agreement between Stephen D. Baksa and us dated November 1, 2011. Incorporated by reference to Exhibit 10.5 to the registrant's Quarterly Report on Form 10-Q, filed February 13, 2012.
- 10.31 Stock Option in favor of Pharmacy Management Strategies LLC, dated June 28, 2011. Incorporated by reference to Exhibit 10.31 to the registrant's Registration Statement on Form S-1, filed February 28, 2012.
- 10.32 Option Agreement between Anthony Macaluso and us dated June 30, 2011, together with amendments dated September 30, 2011 and December 28, 2011. Incorporated by reference to Exhibit 10.32 to the registrant's Registration Statement on Form S-1, filed February 28, 2012.
- 10.33 Settlement, Mutual Release and Discharge between Mike Robert and us, dated September 30, 2011. Incorporated by reference to Exhibit 10.33 to the registrant's Registration Statement on Form S-1, filed February 28, 2012.
- 10.34 Form of Convertible Promissory Note. We entered into respective agreements on this form of note with 8 persons in November 2011 through February 2012 for an aggregate principal amount of \$2,000,000. In each

case the maturity date is one year after the issuance date. Incorporated by reference to Exhibit 10.34 to the registrant's Registration Statement on Form S-1, filed February 28, 2012.

10.34.1 Form of Warrant to Purchase Common Stock (\$0.25 exercise price). We issued a total of 4,000,000 Warrants on this form to 8 persons in November 2011 through February 2012. Incorporated by reference to Exhibit 10.34.1 to the registrant's Registration Statement on Form S-1, filed February 28, 2012.

21 List of Subsidiaries. Incorporated by reference to Exhibit 21 to the registrant's Current Report on Form 8-K, filed July 31, 2008.

23.1\* Consent of Weaver, Martin & Samyn LLC, independent registered public accounting firm.

23.2\* Consent of Stradling Yocca Carlson & Rauth.

24.1 Power of Attorney (included in the signature pages hereof).

\* Filed herewith

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(b) Financial Statement Schedules.

The financial statement schedules have been omitted because they are not applicable, not required, or the information is included in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

i. To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement; and

iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

2. That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

4. That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser,

(ii) each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness.

Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale before such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately before such date of first use.

Insofar as indemnification by the registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for

indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Post-Effective Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Jersey City, State of New Jersey, on March 26, 2012.

SINGLE TOUCH SYSTEMS INC.

By: /s/ James Orsini  
Name: James Orsini  
Title: Chief Executive Officer and  
President

POWER OF ATTORNEY

We, the undersigned directors of Single Touch Systems Inc. (the "Registrant"), hereby severally constitute and appoint James Orsini, with full powers of substitution and resubstitution, our true and lawful attorney, with full powers to him to sign for us, in our names and in the capacities indicated below, the Registration Statement on Form S-1 filed with the Securities and Exchange Commission, and any and all amendments to said Registration Statement (including post-effective amendments), and any registration statement filed pursuant to Rule 462(b) under the Securities Act of 1933 in connection with the registration under the Securities Act of 1933 of the Registrant's equity securities, and to file or cause to be filed the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as each of them might or could do in person, and hereby ratifying and confirming all that said attorney, or his substitute or substitutes, shall do or cause to be done by virtue of this Power of Attorney.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement on Form S-1 has been signed below by the following persons in the capacities and on the dates indicated.

Date: March 26, 2012 /s/ Anthony Macaluso  
Anthony Macaluso, Chairman and  
Director

Date: March 26, 2012 /s/ James Orsini  
James Orsini, Director and  
Principal Executive Officer

Date: March 26, 2012 /s/ Richard Siber  
Richard Siber, Director

Date: March 26, 2012 /s/ Stuart R. Levine  
Stuart R. Levine, Director

Date: March 26, 2012 /s/ Stephen D. Baksa  
Stephen D. Baksa, Director

Date: March 26, 2012

/s/ John Quinn  
John Quinn, Principal Financial  
Officer and Principal Accounting  
Officer

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