

SINGLE TOUCH SYSTEMS INC
Form 10-K/A
March 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

FORM 10-K/A Amendment 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **September 30, 2009**

TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission file number: 000-53744

SINGLE TOUCH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

2235 Encinitas Blvd, Suite 210 Encinitas, California, 92024 Address of Principal Executive Offices

Registrants telephone number, including area code

(760) 438-0100

Delaware 13-4122844 (State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value \$.001 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES NO

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or section 15(d) of the Act.

YES NO

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports, and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the issuer has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation SK (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any

amendment to this Form 10-K. []

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.

[] Large accelerated filer [] Accelerated filer [] Non-accelerated filer [X] Smaller reporting company Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[] YES [X] NO

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of September 30, 2009, computed by reference to the bid/ask price of \$0.52 at September 29, 2009 is \$22,817,930. The number of shares outstanding of the Registrant's common stock as of September 30, 2009 was 64,442,417

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Single Touch Systems, Inc.

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Explanatory Note:

On January 14, 2010, the Registrant filed its Annual Report on Form 10-K for the year ended September 30, 2009 (the []Form 10-K[]). The Registrant is filing this Amendment No. 1 to the Form 10-K ([]Amendment No. 1[]) to

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correct a typographical error on the [Report of Independent Registered Public Accounting Firm] on page 23 where the date of January 13, 2009 should have read January 13, 2010. The Registrant also includes exhibit 23.1 Consent of Certified Public Accountants [Weaver & Martin, LLC

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications of our principal executive officer and principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, are filed as exhibits to Amendment No. 1.

Other than as set forth above, Amendment No. 1 does not modify or update any of the other disclosure contained in the Form 10-K and does not reflect events occurring after the filing of the Form 10-K on January 14, 2010.

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Single Touch Systems Inc.

Item 1. Business

Company Overview

Single Touch Systems Inc. (the Company) was incorporated in Delaware on May 31, 2000, under its original name, Hosting Site Network, Inc. to provide businesses with Internet services. 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.

Immediately following the acquisition, the business of Single Touch Interactive, Inc. became the business of the Company. Single Touch Systems, Inc. is now engaged in the business of wireless application development, publishing and distribution. Single Touch Interactive is a provider of customized easy-to-use wireless solutions. Its patent pending technology simplifies adoption by reaching new data subscribers and generating new revenue streams for carriers and content owners. Single Touch's Abbreviated Dial Code (ADC) programs make mobile easy for brands, consumers and carriers. The simplicity of dialing a # plus 3 to 6 digit branded telephone number has resulted in high response and download conversion rates. A large percentage of ADC consumers are first time data users, demonstrating how simple it is to deliver mobile data and campaigns through these ADC programs while also opening up a new market outside of Short Message Service (SMS). Reaching new consumers is a major initiative for wireless carriers and ADC programs fill that need.

Industry

The data below, which is based on information released by CTIA [The Wireless Association], shows the year over year growth and penetration of the wireless industry and the large volume of minutes and messages being used.

- (1) Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, July-December 2008, National Center for Health Statistics, May 2009.
- (2) BLS Series data, 2008

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Single Touch Systems Inc.

Industry Growth and Potential

Except as otherwise provided, the statistical data below was derived from the March 2008 comScore Wireless Report. Worldwide it is estimated that there are 2.5 times more cell phones than computers (2.5 billion cell phones compared to 1 billion computers). The age at which people are using cell phones continues to decline and overall consumer dependence on cell phones continues to grow. Annual expenditure on mobile advertising is

expected to reach \$11.4 billion by 2012¹. More agencies said they'll spend more money on mobile advertising in 2010 than they did in 2009, with strong increases on big ad spends (>\$1 million). Brands, meanwhile, also plan to spend more in 2010. Only 12.5 percent of respondents said they'd spend \$5 million or more in 2009. For 2010, that number doubles, and 63% of brands find mobile advertising indispensable (<http://www.fiercemobilecontent.com/slideshow/metrics-state-industry-mobile-advertising?img=1#ixzz0cJsJRpJf>).

AT&T Wireless and Verizon Wireless continue to be the dominant wireless providers. Both companies continued to add to their already large subscriber count (AT&T Wireless and Verizon Wireless ended 3Q 2009 with 81.6 million and 89 million subscribers, respectively²). 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.

Cellular phones continue to play an increasingly important role in consumers' lives. For many, they have become more than just a communication tool. Mobile Internet usage continues to rise and many customers report high levels of satisfaction:

- The number of mobile Internet subscribers accessing mobile Internet has increased significantly in the past year
- E-mail dominates the reason these subscribers access the mobile Internet.

Mobile Internet usage is at a tipping point:

- Current mobile Internet users are accessing more types of online content on their mobile devices.
- Non-users report that cost is the biggest deterrent in subscribing to Mobile Internet service,

representing a change from years prior when they said they didn't even have a need for the service.

¹ Derived from the Economist.com "The Next Big Thing," Oct. 4, 2007. ² Derived from their respective periodic Reports

Single Touch Systems Inc.

Principal Products and Services

Lines of Business:

- Abbreviated Dial Code - Abbreviated Dial Code (ADC) would be best understood as dialing 11 for information. This is a good example of an ADC. Single Touch has developed a means for brands to utilize an ADC as an easy to use and remember mobile telephone access point for a brand's customers to interact with a brand's product or service offering. The ADC programs are an easy to use and access distribution channel that supports and facilitates the download of content in many forms. For example, the delivery of an application, a connection to a customer service agent, and a connection to an IVR. In addition, ADC programs can be used to initiate a wap, mms or sms session, to digitally populate a form, to provide lead generation and can also evoke a plurality of other features and products and service to end user mobile devices. ADC programs can also support various branding and marketing campaigns as it is as easy as dialing a phone number. STI was the first to deliver successful ADC programs commercially on multiple carriers in the United States. ADC vanity numbers such as #MTV for Music Television and # BET for Black Entertainment Television, make it easy to remember how to access a brand. Certain ADCs can be representative of a corporate name, such as #SEARS and # HERTZ. Another application of ADCs indicates a particular available service or product. For example, Walmart launched the ADC #MEALS to enable customers to receive simple meal plans and ideas and even receive recipes on their mobile phones. Using a custom voice that everyone in your demographic is familiar with adds personality to a program. Black Entertainment Television, for example, uses their top rated video jockey to be the voice of

#BET. The STI ADC platform is designed to be flexible and our participants have added a variety of programs which include the following: downloading content (#MTV, #BET), redirecting calls to a customer service representative (#SEARS), streaming audio from Fox News (#FOXN), and even listening to live concerts (#323).

A recent review has indicated that, STI ADC programs have had over 14 million calls with over 30% of those callers making a transaction. STI's ADC program received the 2006 Mobile Marketing Association Award for Innovation. In 2008, STI jointly with our partners were also awarded the Mobile Marketing Association Award for Best Direct Response.

By way of example, our ADC program and IVR system may be utilized as follows: Consumer sees TV commercial for #BET

To download [Grillz] by Nelly as your ringtone call # BET, on your wireless phone

Consumer dials # 2-3-8 send from mobile phone

Carrier routes [abbreviated number] to STI

STI's [IVR] (interactive voice recognition) system picks-up call and gathers information needed. Consumer selects and confirms content through IVR prompts Confirms price and authorize charge to bill by pressing keys

Content is delivered to phone

Billing is completed on carriers bill

Marketing [The advertising for each ADC is created and typically paid for by STI's various participants.

Technology [Single Touch owns and operates its ADC programs on Single Touch owned equipment located in carrier grade facilities. Our systems are redundant and carrier grade.

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Single Touch Systems Inc.

- Mobile Machine [Mobile Machine enables consumers to download content from the Internet to a mobile device by a simple drag and drop interface. The user drags any type of content, image, ringtone, video, application, etc, to the Mobile Machine, types in his mobile number and presses send. STI's backend technology then detects carrier, handset type and quickly formats the content. A link of the chosen content is then sent to the customer's phone for download to the device. The Mobile Machine technology is currently available on Univision.com and CoverGirl.com.
- Mobile Idol [Mobile Idol allows the customer to create their own ringtone. The customer simply dials into one of our participating partners ADC numbers, selects Mobile Idol and is prompted to choose a song. Once a song is selected it will begin playing. The customer then sings over the song track through the phone and STI's backend technology records the song. The customer is then able to download the song to their own handset as a ringtone and also send it to the Mobile Idol website, www.mobileidol.net. Once on the website, the customer can share their song with other members of the Mobile Idol community. The Mobile Idol website also incorporates the Mobile Machine in an interactive way by allowing customers to vote and download any other person's song on the website. The Mobile Idol technology is available on #323.
- Mobile Coupon Platform [According to EJM Wireless Research, mobile coupon business is estimated to reach \$1 billion by 2011. Current mobile coupon programs include coupons or bar codes sent to the mobile device. Finding the coupons or bar codes can be a challenge and is time consuming. STI's coupon platform is designed to easily use an ADC platform and web based technology combined with a fully integrated solution at point of sale. The STI solution is designed to use the customer's mobile phone number as his retail loyalty and content card. For example, the customer either enters #SAVE or goes to

a participating online company such as Yahoo.com or a participating retailer's website to register his number and then begins selecting coupons that can be added to his phone. At check-out, he simply enters his phone number in to the credit card terminal or tells the cashier his phone number and receives discounts. The process is quick and easy for both the customer and the retailer.

- Carrier Data and Billing Platform □ Single Touch will provide data services and billing platformsto Nextel Mexico, for both on and off-deck content. On-deck content involves a carriers own content offering. Off-deck content involves any third party selling content to a carrier's consumers. STI will also provide access to ADC programs, will become a billing intermediary for all content sold, and become the conduit for data delivery. Other projects include passing of SMS messages; age verification; adding video/television on to the Nextel Mexico Network; adding alternative content payment options; advertising; search functionality; coupons; content rating/filtering; and keeping the database of record and registration tool for Common Short Codes and ADC's.
- Audiocast □ STI's audiocasting technology allows customers to listen to live, audio events such as concerts and TV programs from around the world. The customer simply dials into an STI event and listens to the show. Fox News is currently using this technology. By pressing #3696 (#FOXN) on his AT&T phone a customer can listen to either the live Fox News Television feed or the Fox News radio feed. Previous concerts have included the Rolling Stones European and North American Tours, Rihanna and Chris Brown.

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Single Touch Systems Inc.

● Campaign Management □ STI has the ability to manage marketing and sales campaigns on a variety of platforms including ADC, SMS, Wireless Application Protocol (□WAP□) and the Web.

STI collects user data for analysis and ongoing consumer dialogue. The STI campaign management tool is flexible and provides real-time media measurement, subscriber profiling and personalized messaging.

▲ Application Development □ STI develops and publishes □value-added□ lifestyle wireless data applications for wireless handsets. STI's strategy is to develop applications that create value and satisfaction to the end-user. For the wireless carrier, these applications make a favorable impact on critical factors of □Average Revenue Per Unit□ (or □ARPU□), penetration, customer satisfaction, and user acquisition costs.

- STI's applications are found on major Binary Runtime for Wireless (□BREW□) carriers and remain a steady source of revenue. STI applications include the following:
 - **My Mobile Mail**□ allows the customer to send and receive e-mail from an existing Post Office Protocol version 3 (□POP3□) (Hotmail, Yahoo, Earthlink, etc.) and Internet Message Access Protocol (□IMAP□) email accounts right from your phone.
 - **Sports Connection**□ provides in-depth access to current scores, news, previews, recaps, injury updates, and more for all major sports.
 - **Movietickets.com** - allows end-users to browse for movies, theaters, and show times by either city and state combination or zip code. End-users can then purchase tickets by entering their credit card information on a per ticket basis or register their credit card for future transactions.

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Single Touch Systems Inc.

Material Contract and 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 client and Single Touch or a fixed fee per transaction. Carrier agreements are infrastructure in nature and establish the connection to the end user that enables Single Touch 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 Single Touch. We do not consider any of our Carrier Agreements material as other carriers and aggregators are available in the event any of our Carrier Agreements are terminated or not renewed.

Material Customer Agreements

On April 11, 2008 we entered into a services agreement with AT&T Services, Inc., a Delaware Corporation (the "AT&T") (the "Agreement") through our wholly owned subsidiary Single Touch Interactive, Inc., a Nevada corporation (the "Supplier"). The agreement was amended on March 20, 2009.

The agreement as amended provides that:

Supplier shall provision, implement and maintain the Abbreviated Dial Code ("ADC") Registry Program (patent pending) to be licensed for use by AT&T for the purpose of marketing and promoting customer retail locations and other programs that the Parties mutually agree to make available to the End Users through the ADC Registry Program through media outlets available to and through AT&T and its customers. AT&T may terminate the Agreement at any time on upon proper written notice as provided in the agreement.

Subsequent to the year ended September 30, 2009, we believe this agreement has become material due to programs that have been in development for an extended period maturing and being deployed over a large retail network.

This agreement is included as an exhibit to this Annual Report.

Research and Development

During the fiscal year ended September 30, 2009 and September 30, 2008 we spent \$784,207 and \$536,778, respectively, on software development which was capitalized. Software development costs amortized and charged to operations in 2009 and 2008 were \$657,055 and \$493,084 respectively which were expensed. In addition, we charged off in 2009 \$301,465 in development costs we deemed impaired. We expect to spend approximately \$750,000 on research and development during the 2010 fiscal year. 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 new mobile 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. We anticipate that additional capital may be required for our research and development efforts in the next 12 months to keep up with our anticipated growth, based on our current commitments and planned product launches.

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Single Touch Systems Inc.

Markets and Competition

Marketing Strategy

Single Touch provides products that are easy to use. Our core products include flexible and scalable platforms for programs for both carriers and content providers. Single Touch programs reach consumers in ways that are intended to simplify things for the consumer. For example, while certain other companies sell ringtones by sending special codes to another code via text messages, Single Touch allows consumers to get ringtones by making a simple phone call to an ADC. We intend to continue our platform evolution by providing solutions in strategic directions that provide core solutions for our partners and consumers and are differentiated in the

market place.

In general we provide competitive pricing based on the value our products bring to the market while ensuring our costs are covered. We attempt to match our revenue streams with our partners, making many of our programs revenue share based with nominal set-up fees.

Single Touch has minimized the cost of advertising while still enjoying strong sales pipelines. We employ several cost effective means of promoting our programs such as including our brand on existing programs such as [powered by Single Touch]. We participate in several industry groups including the Mobile Marketing Association (MMA). One of our most common channels is referrals from our wireless carrier partners. Our existing partners also provide word-of-mouth promotion and references for our programs. Our programs are distributed via our Company owned sales channels. Our internal force addresses any direct inquiries from partner referrals, new opportunities with existing partners, referrals from Websites and other opportunities we uncover.

Competition

Presently, there are very few competitors in the Abbreviated Dial Code arena. Over the last 6 years, STI has worked on creating the ADC space in the U.S. and with its success has made it difficult for competitors to follow. Some natural barriers include the proven carrier relationships that STI has cultivated. STI is one of a few wireless companies that has direct billing across the carriers.

Direct Data SMS WAP Voice Mobile Other

Single Touch			X		X			X
M-Qube/Verisign/ Mobile Messenger			X		X			X
Mobile365			X		X			X
Motricity								X
Zoove								
Cellfire								
Firethorn								
X	X							
X								
X								
X	X							
X	X							
		X						
X								
							X	
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Intellectual Property and Other Proprietary Rights

The following table lists our pending patent applications:

	Country	Title	Application Serial	
			No. (Publication No.)	Filing Date
	USA	Wireless Configuration	10/682,312 (US-2005-0079863-A1)	10/8/2003
	USA	Advertising on Mobile Devices	10/809,922 (US 2005-0215238 A1)	3/24/2004
	Canada	Advertising on Mobile Devices	2508480	3/24/2005
	World Intellectual Property Organization (WIPO)	Advertising on Mobile Devices	PCT/US2005/009885	3/24/2005
	USA	Download Center	11/086,825	3/21/2005
	USA	Wireless Mobile Application Transfer	11/086,894	3/21/2005
	USA	Application Search	11/085,935	3/21/2005
	USA	Content Selection and Delivery of Complementary Information	11/413,241	4/28/2006
	WIPO	Rewards Program	PCT/US2008/050933	1/11/2008
	USA	Mobile Machine	11/752,503	5/23/2007
	WIPO	Mobile Machine	PCT/US2007/072414	6/28/2007
	USA	Automatic Provisioning of Abbreviated Dialing Codes	12/034,518	2/20/2008
	WIPO	Automatic Provisioning of Abbreviated Dialing Codes	PCT/US2008/054439	2/20/2008
	USA	Pushing Coupon Values Using Abbreviated Dialing Codes	60/908,283	3/27/2007

Single Touch Systems Inc.

Additional Applications and Patents

United States Patent Applications and Issued Patents

Patent/App. No.	Title	Filing Date	Issue Date
09/766,278	System and Method for Managing Media		01/19/2001
PCT/US02/01360	System and Method for Managing Media		01/18/2002
09/766,519	System and Method for Streaming Media		01/19/2001
7,054,949	System and Method for Streaming Media	04/20/2001	05/30/2006
11/177,676	System and Method for Streaming Media		07/08/2005
11/177,677	System and Method for Streaming Media		07/08/2005
11/177,843	System and Method for Streaming Media		07/08/2005
PCT/US02/01368	System and Method for Streaming Media		01/18/2002
02 704 163.1	System and Method for Streaming Media		08/18/2003
7,191,244	System and Method for Routing Media	01/18/2002	03/13/2007
11/680,407	System and Method for Routing Media		02/28/2007
11/680,440	System and Method for Routing Media		02/28/2007
11/680,452	System and Method for Routing Media		02/28/2007
PCT/US02/01420	System and Method for Routing Media		01/18/2002
02 702 014.8	System and Method for Routing Media		08/18/2003
60/263,044	Media Routing Algorithm	01/19/2001	

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Single Touch Systems Inc.

Government Regulation

Single Touch provides value added and enabling platforms for carrier based distribution of various software and media content. Applicable regulations are primarily under the Federal Communications Commission (FCC) and related to the operations policies and procedures of the wireless communications carriers. 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 like Single Touch. Management is not currently aware of any pending regulations that would materially impact our operations.

Employees

We currently have 13 full time and no part-time employees including 1 executive officer, 4 persons serving as programmers and technical staff operators, 3 persons in sales and marketing, 1 person in our research and development department, 1 in-house accountant, 1 in-house legal counsel and 1 person administrative assistant. We expect to increase our future employee levels on an as needed basis in connection with our expected growth. None of our employees is represented by a labor union and we consider our employee relations to be good.

Item 1A. RISK FACTORS

As a Smaller Reporting Company, we are not required to provide the information required by this item

Item 2. Properties

Our executive offices are located at 2235 Encinitas Blvd., Suite 210, Encinitas, CA 92024. These offices were leased beginning August 1, 2007 for a term of 36 months at a rate of \$8,700 per month. The facilities comprise approximately 5000 square feet consisting entirely of administrative and software development office space. We believe that our existing facilities are sufficient for our operational needs.

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Single Touch Systems Inc.

Item 3. Legal Proceedings

On April 7, 2009, Teligence (U.S.), Inc. served the Company a complaint arising from an agreement between them as successors in interest and our wholly owned subsidiary Single Touch Interactive. The complaint was filed in the First Judicial District of the State of Nevada in and for Carson City. The case is Teligence v. Single Touch Interactive, Inc., et. al., Case No.: 0900 001271B. The plaintiff is seeking recovery from an alleged Breach of Contract to collect claimed past due amounts payable by Single Touch Interactive, Inc of approximately \$350,000. In December 2009, the parties agreed to settle the dispute. Under the terms of the settlement agreement, the Company is required to pay \$200,000 in four monthly installments of \$50,000 commencing in January 2010. If the \$200,000 is not paid as indicated, the balance increases to \$300,000 plus attorney fees

On May 14, 2009, Lavalife, Inc (Canada), served the Company's wholly owned subsidiary Single Touch Interactive with a complaint. The complaint was filed in the United States District Court for the Southern District of New York. The case is Lavalife, Inc. v. Single Touch Interactive, Inc, Civil Action No.: 09 CIV 4558. The Complaint alleges breach of contract and breach of the covenant of good faith and fair dealing with respect to the amount of reimbursement by AT&T to Lavalife for services administered by Single Touch Interactive. The sum of the alleged damages is approximately \$350,000. In December 2009, the parties settled the complaint for \$35,000, which the Company paid in December 2009.

On December 8, 2009, the Company received notice of Arbitration RE: Fort Ashford Funds, LLC vs. Single Touch Systems & Macaluso through Judicate West case #A157734-24. The matter relates to outstanding balance of Principal and interest on a note due of approximately \$ 850,000. The parties have been negotiating settlement of the matter.

From time to time the Company may be named in claims arising in the ordinary course of business. Currently, no additional legal proceedings or claims are pending against or involve the Company that, in the opinion of management, could reasonably be expected to have a material adverse effect on its business and financial condition.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 2009.

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Single Touch Systems Inc.

Part II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity SecuritiesMarket Information

Our common stock, has been quoted on the Over the Counter Bulletin Board (OTCBB) 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 bid prices per share of our common stock, as derived from quotations provided by Pink Sheets, LLC. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions. When applicable, such prices give retroactive effect to a 2.3:1 reverse stock split effected on May 15, 2008 and to a 3:1 forward stock split effected on June 26, 2008.

<u>Quarter Ended</u>	<u>High Bid</u>	<u>Low Bid</u>
December 31, 2009	0.76	0.65
September 30, 2009	0.55	0.52
June 30, 2009	1.05	1.05
March 31, 2009	2.35	2.20
December 31, 2008	3.50	3.00
September 29, 2008	3.00	2.90
June 30, 2008	0.652	0.25
March 31, 2008	0.587	0.065
December 31, 2007	0.091	0.091
September 30, 2007	0.091	0.091
June 30, 2007	0.091	0.091
March 31, 2007	0.091	0.091

Holders

As of the September 30, 2009, there were approximately 378 record holders of our common stock.

Dividends

We have never declared any cash dividends with respect to our common stock. Future payment of dividends is within the discretion of our board of directors and will depend on our earnings, capital requirements, financial condition and other relevant factors. Although there are no material restrictions limiting, or that are likely to limit, our ability to pay dividends on our common stock, we presently intend to retain future earnings, if any, for use in our business and have no present intention to pay cash dividends on our common stock.

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Single Touch Systems Inc.

Recent Sales of Unregistered Securities

In August 2009, the Company received \$500,000 through the issuance of a convertible note to a single investor. The note bears interest at an annual rate of 12% and principal and accrued interest are convertible into the Company's common stock at a conversion price of \$0.95 per share. On September 21, 2009, the principal and accrued interest totaling \$504,830 was converted into 531,400 shares of the Company's common stock.

In September of 2009 the Company received \$500,000 from the sale of 625,000 common shares at \$0.80 per share to a single investor.

In November of 2009 The Company received \$450,000 from the sale of 1,500,000 common shares at \$0.30 per share to the same investor as the prior sale. The investor also received 1,500,000 warrants expiring November 4, 2011 exercisable at \$1.50 per share. In November of 2009 The Company received \$425,000 from the sale of 1,750,000 common shares at \$0.2429 per share to the same investor as the prior two sales. The investor also received 1,750,000 warrants expiring December 13, 2011 exercisable at \$1.00 per share.

All sales were issued as exempted transactions under Section 4(2) of the Securities Act of 1933 and are subject to Rule 144 of the Securities Act of 1933. The recipient(s) of our securities took them for investment purposes without a view to distribution. Furthermore, they had access to information concerning our Company and our business prospects; there was no general solicitation or advertising for the purchase of our securities; and the securities are restricted pursuant to Rule 144.

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Single Touch Systems Inc.

Item 7. 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 Single Touch's 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," "could," "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 Annual Report on Form 10-K. The Company's actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. The Company does not undertake any obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

Our historical operations prior to July 24, 2008 reflect only the operations of Single Touch Systems Inc. Prior to July 24, 2008, we existed as a "shell company" with nominal assets whose sole business was to identify, evaluate and investigate various companies to acquire or with which to merge. On July 24, 2008, we consummated an exchange transaction in which we acquired all of the shares of Single Touch Interactive, Inc. in exchange for our issuance of an aggregate of 42,967,554 shares of our common stock. Single Touch Interactive, Inc. was incorporated in the state of Nevada on April 2, 2002. Immediately following the acquisition, Single Touch Interactive, Inc. became our wholly-owned subsidiary and comprised the business of the Company. The exchange transaction was accounted for as a reverse merger (recapitalization) with Single Touch Interactive, Inc. deemed to be the accounting acquirer, and Single Touch Systems, Inc. the legal acquirer.

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 of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. In consultation with our Board of Directors, we have identified the following accounting policies that it believes are key to an understanding of its financial statements. These are important accounting policies that require management's most difficult, subjective judgments.

Revenue Recognition.

Under the terms of various service and licensing agreements, the Company receives a fee, net of revenue sharing and other costs, each time its application is utilized by the end user. Revenue is recognized in the month the application is utilized. The Company records its revenue pursuant to Accounting Standards Codification ("ASC") Topic 605-45, formerly EITF 99-19 "Reporting Revenue Gross as a Principal versus Net as an Agent".

Advanced service and licensing fees received with minimum guarantees where it cannot determine the fee earned are recognized in income on the straight line basis over the term of the license in accordance with ASC Topic 928-340, formerly FASB SFAS #50 "Financial Reporting in the Record and Music Industry".

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 is 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

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Single Touch Systems Inc.

services follows the provisions of ASC Topic 505-50, formerly EITF 96-18, "Accounting for Equity Instruments That are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services" and EITF 00-18, Accounting Recognition for Certain Transactions Involving Equity Instruments Granted to Other Than 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 to EITF 00-18, an asset acquired in exchange for the issuance of fully vested, nonforfeitable 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 nonforfeitable 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, this feature is characterized as a beneficial conversion feature (BCF). We record a BCF as a debt discount pursuant to ASC Topic 470-20, formerly EITF Issue No. 98-5 (EITF 98-05), Accounting for Convertible Securities with Beneficial Conversion Features or Contingency Adjustable Conversion Ratio, and EITF Issue No. 00-27, Application of EITF Issue No. 98-5 to Certain Convertible Instrument(s). In those circumstances, the convertible debt will be recorded net of the discount related to the BCF. We amortize the discount to interest expense 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, formerly Statement of Financial Accounting Standard No. 86, "Accounting for the Cost of Computer Software to be Sold, Leased, or Otherwise Marketed." Under SFAS No. 86, 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 its expected useful life of the software, which is generally two years.

Plan of Operation

Single Touch Systems is a provider of customized easy-to-use wireless solutions. Our patent pending technology simplifies adoption by reaching new data subscribers and generating new revenue streams for carriers and content owners. Single Touch's Abbreviated Dial Code ("ADC") programs make mobile easy for brands, consumers and carriers. The simplicity of dialing a "#" plus 3 to 6 digit branded telephone number has resulted in high response and download conversion rates. A large percentage of ADC consumers are first time data users, demonstrating how simple it is to deliver mobile data and campaigns through these ADC programs while also opening up a new market outside of Short Message Service ("SMS").

Our ADC programs are a developing revenue source. We continue to add new ADC clients and believe the ADC campaigns will continue to evolve beyond ringtone and other media content downloads. Recently developed programs involve non-mobile services campaigns providing value added services to traditional retail customers; like notifying pharmacy customers that a prescription is ready for pick up. We are also developing mobile couponing and other services to address a broader market application of mobile data services.

Our focus of operations for the next 12-month period will be to develop our business segments focusing on growing operations in each product category including ringtones, mobile applications and mobile couponing to generate revenues. We intend to use profits from operations to maintain and grow each product category. We will continue our efforts to raise additional capital to maintain existing and generate expanded operations.

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Single Touch Systems Inc.

Results of Operations

Comparison of the Years Ended September 30, 2009 and September 30, 2008

During the fiscal year ending September 30, 2009, we had revenues of \$813,019 and experienced a net operating loss of \$13,560,841.

During the fiscal year ending September 30, 2008, we had revenues of \$1,713,014 and experienced a net operating loss of \$11,123,003.

Although our revenue decreased a total of \$899,995, (52.54 %) in 2009 (\$813.019 total revenue in 2009 as compared to \$1,713,014 in 2008), the major difference in our net operating loss for the fiscal years pertained to the increase in our operating expenses of \$22,996,987 in 2009 as compared to \$11,382,804, net of the decrease in our derivative liability in 2009 of \$9,119,103 and a decrease in interest expense of \$494,950 in 2009 from \$1,450,913 in 2008. A schedule of changes in our operating expenses for the two years follows:

	For the Year Ended		Change	Change
	September 30,			
	2009	2008	2009 v 2008	%
Royalties and application costs	\$ 787,315	\$ 802,262	\$ (14,947)	-1.86%
Research and development	127,355	131,327	(3,972)	-3.02%
Stock based compensation - non employees	12,694,578	2,292,704	10,401,874	453.69%
Advisory and consulting services	336,812	785,895	(449,083)	-57.14%
Professional fees	372,683	397,051	(24,368)	-6.14%
Salaries and wages	1,476,647	2,390,674	(914,027)	-38.23%
Officers' compensation	377,352	2,238,258	(1,860,906)	-83.14%
Travel expenses	149,374	1,377,494	(1,228,120)	-89.16%
Impairment loss	5,667,898	-	5,667,898	nil
Depreciation and amortization	761,716	539,160	222,556	41.28%
General and administrative	411,410	427,979	(16,569)	-3.87%
Net gain on settlement of indebtedness	(166,153)	-	(166,153)	nil
Total operating expenses	\$ 22,996,987	\$ 11,382,804	\$ 11,614,183	

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Single Touch Systems Inc.

Of non-employee stock based compensation in 2009 of \$12,694,578, \$12,678,878 relates to the amortization on the original valuation of warrants issued to a consultant for services. (See Note 14 to the financial statements). The remaining \$15,700 in non-employee compensation expense relates to compensation recognized on the vesting of 1,320,000 options to employees, officers, directors and consultants. Of salaries and wages in 2009 totaling \$1,476,647, \$54,636 pertains to the allocation of the value assigned to the indicated options that vests to employee. Officers' compensation in 2009 of \$377,352 includes \$12,560 of compensation recognized on the vesting of the indicated options to officers (See Note 13 to the financial statements).

In 2009, we recognized an impairment loss of \$5,667,898 of which \$5,366,433 pertains to the impairment on the patents we purchased from Streamworks (See Note 6 to the financial statements) and \$301,465 on the charge off

of certain software development costs assigned to projects we abandoned in 2009 and a reduction in costs on other projects to their expected respective revenue.

In 2008, we incurred non-employee stock based compensation of \$2,292,704 of which \$1,932,204 relates to the compensation we recognized on the granting of 4,322,000 options to certain investors and consultants and \$360,500 was incurred through the issuance of 257,500 shares of the Company's common stock to various consultants that were valued at \$0.70 per share. Of the \$2,390,674 in salaries and wages, \$1,039,500 was incurred through the issuance of 742,500 shares of the Company's common stock. Of the \$2,238,258 in officer's compensation, \$1,575,000 was incurred through the issuance of 1,875,000 shares of the Company's common stock. In addition, the Company also issued an additional 1,125,000 shares of common stock in cancellation of prior year's accrued compensation of \$1,575,000.

Other income (expenses)

In 2009 we recognized a reduction in our derivative liability of \$9,119,103 relating to the warrants issued to a consultant in December 2008. Our derivative liability pertains to our requirement to register the underlying shares associated with this warrant grant pursuant to ASC Topic 815-40, formerly EITF 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock.

Interest expense decreased a total of \$955,963 (65.88% decrease) from \$1,450,913 in 2008 to \$494,950 in 2009. The major difference in interest expense pertains to the amortization of the beneficial conversion feature (BCF) recognized on certain third party convertible debt amounting to \$1,013,443 in 2008 as compared to \$0 BCF amortization in 2009. The Company recognized a BCF relating to the convertible debt due its President and Activate, Inc a Company wholly owned by our President, but we are charging the amortization of the BCF to equity as the underlying debt is due to a related party.

Liquidity and Capital Resources

During the fiscal year ended September 30, 2009 we received \$2,972,298 in net cash provided by financing activities including net borrowings from our Founder/CEO, Anthony Macaluso, and Activate, Inc (an affiliate of Mr. Macaluso), in the amount of \$636,663, borrowings from a Director and companies affiliated with the Director totaling \$234,585 and net borrowing from third parties totaling \$1,550,000, \$550,000 through the issuance 648,810 shares of our common stock and \$1,050 through the exercise of warrants purchasing 90,000 shares of our common stock. Net cash used in operating activities totaled \$2,083,812. Cash used in investing activities was \$803,989. The resultant overall net increase in cash for the period was \$84,497; where the beginning balance for the period was \$175,061, the cash balance at the end of the period was \$259,558.

During the fiscal year ended September 30, 2008 we received \$4,862,896 in net cash provided by financing activities including net borrowings from our Founder/CEO, Anthony Macaluso in the amount of \$1,263,396, borrowings from a Director and an company affiliated with the Director totaling \$299,500 and \$3,300,000 through the issuance of convertible debt through our private offering. Net cash used in operating activities totaled \$4,060,899. Cash used in investing activities was \$688,557. The resultant overall net increase in cash for the period was \$113,440; where the beginning balance for the period was

Single Touch Systems Inc.

\$61,621, the cash balance at the end of the period was \$175,061.

Our operations have been funded through loans from our Founder/CEO Anthony Macaluso, loans from third parties, and proceeds from the issuance of our shares of common stock. We have not generated sufficient revenue to pay for our operations. We expect to experience cash flow difficulties for an indefinite period. Although no assurances can be given, we believe that our cash flow deficit will improve as revenues and sales increase. In addition, although no assurances can be given, we believe that we may be able to secure additional equity and/or debt financing.

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate enough positive internal operating cash flow until such time as we can generate substantial additional revenues and/or improve profit margins on those overall revenues, which may take the next few years to fully realize. In the event we cannot obtain the

necessary capital to pursue our strategic plan, we may have to significantly curtail our operations. This would materially impact our ability to continue operations.

Our near term cash requirements are anticipated to be offset through the receipt of funds from private placement offerings and loans obtained through private sources. Since inception, we have financed cash flow requirements through debt financing and issuance of common stock for cash and services. As we expand operational activities, we may continue to experience net negative cash flows from operations and will be required to obtain additional financing to fund operations through common stock offerings and bank borrowings to the extent necessary to provide working capital.

Over the next twelve months we believe that existing capital and anticipated funds from operations will not be sufficient to sustain operations and planned expansion. Consequently, we will be required to seek additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities. No assurance can be made that such financing would be available, and if available it may take either the form of debt or equity. In either case, the financing could have a negative impact on our financial condition and our Stockholders.

We may continue to incur operating losses over the next twelve months. Our operating history makes predictions of future operating results difficult to ascertain. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of development. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, obtain a 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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Single Touch Systems Inc.

Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Based upon current operating levels, we may require additional capital or significant reconfiguration of our operations to sustain our operations for the foreseeable future. The financial statements do not include any adjustments relating to the recoverability and classification of liabilities that might be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis and ultimately to attain profitability. We have limited capital with which to pursue our business plan. There can be no assurance that our future operations will be significant and profitable, or that we will have sufficient resources to meet our objectives. We are partially dependent upon our officers and other insiders to provide working capital. However, there can be no assurance that these loans and capital advances will continue in the future. We intend to generate sufficient revenues from our line of wireless products and services to fund our business plan. There can be no assurance that we will be successful in raising additional funds.

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Single Touch Systems Inc.

Item 8. Financial Statements

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Report of Independent Registered Public Accounting Firm ☐ Weaver and Martin LLC
Financial Statements

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Single Touch Systems Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Single touch Systems, Inc. and Subsidiaries (the Company) as of September 30, 2009 and 2008 and the related consolidated statements of operations, changes in shareholders' (deficit) and cash flows for the two years ended September 30, 2009. 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 audit.

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 audits 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Single Touch Systems, Inc. and Subsidiaries as of September 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for the two years ended September 30, 2009 in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses and had negative cash flows from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in the Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Weaver & Martin LLC
/S/
Weaver & Martin LLC
Kansas City, Missouri
January 13, 2010
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Single Touch Systems Inc.

Consolidated Balance Sheet

	September 30, 2009	September 30, 2008
	-----	-----
Assets		
Current assets		
Cash and cash equivalents	\$ 259,558	\$ 175,061
Accounts receivable □ trade	104,423	284,985
Accounts receivable □ related party	21,748	66,457
Prepaid consulting expense	1,152,625	-
Prepaid expenses	31,628	65,468
	-----	-----
Total current assets	<u>1,569,982</u>	591,971
	-----	-----
Property and equipment, net	233,718	315,163
	-----	-----
Other assets		
Capitalized software development costs □ net	434,765	609,078
Intangible assets:		
Patents	100,985	-
Deferred offering costs	-	50,988
Deposits and other assets	15,282	15,282
	-----	-----
Total other assets	551,032	675,348
	-----	-----
Total assets	\$ <u>2,354,732</u>	\$ <u>1,582,482</u>
Liabilities and Stockholders □ (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 1,386,548	\$ 1,145,448
Accrued compensation	715,846	112,000
Accrued compensation □ related party	219,468	13,020
Current portion of notes payable - related parties	1,502,073	365,530
Note payable - other	1,015,962	-
Convertible debentures - related parties, including accrued interest, net of discount of \$1,041,709	1,374,104	-
Convertible debentures and accrued interest, net of discount	-	181,887
Deferred income	-	249,329
	-----	-----
Total current liabilities	6,214,001	2,067,214
Long-term liabilities		
Derivative warrant liability	<u>4,712,400</u>	-
	-----	-----
Total liabilities	<u>10,926,401</u>	<u>2,067,214</u>
Stockholders □ (Deficit)		
Preferred stock, \$.0001 par value, 5,000,000 shares authorized, none outstanding	-	-

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Common stock, \$.001 par value; 200,000,000 shares authorized, 64,442,417 issued and outstanding at September 30, 2009, and 59,505,540 issued and outstanding at September 30, 2008	64,442	59,505
Additional paid-in capital	92,568,239	87,099,272
Accumulated deficit	<u>(101,204,350)</u>	<u>(87,643,509)</u>
Total stockholders' (deficit)	<u>(8,571,669)</u>	<u>(484,732)</u>
Total liabilities and stockholders' (deficit)	<u>\$ 2,354,732</u>	<u>\$ 1,582,482</u>

The accompanying notes are an integral part of these financial statements.

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Single Touch Systems Inc.
Consolidated Statements of Operations

	For the Year Ended September 30,	
	2009	2008
Revenue		
Wireless applications	\$ 813,019	<u>\$ 1,713,014</u>
Operating Expenses		
Royalties and application costs	787,315	802,262
Research and development	127,355	131,327
Stock based compensation - non employee	12,694,578	2,292,704
Advisory and consulting services	336,812	785,895
Professional fees	372,683	397,051
Salaries and wages	1,476,647	2,390,674
Officers compensation	377,352	2,238,258
Travel expense	149,374	1,377,494
Impairment loss	5,667,898	-
Depreciation and amortization	761,716	539,160
General and administrative	411,410	427,979
Net gain on settlement of indebtedness	(166,153)	-
Total operating expenses	<u>22,996,987</u>	<u>11,382,804</u>
Loss from operations	(22,183,968)	(9,669,790)
Other Income (Expenses)		
Changes in fair value of derivative liability	9,119,103	-
Interest expense	(494,950)	(1,450,913)
Interest income	-	-

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Net loss before income taxes		(13,559,815)	(11,120,703)
Provision for income taxes		(1,026)	(2,300)
		<u> </u>	<u> </u>
Net loss		<u><u>\$</u>(13,560,841)</u>	<u><u>\$</u>(11,123,003)</u>
Basic and diluted loss per share	\$	<u>(0.22)</u>	<u>\$ (0.24)</u>
Weighted average shares outstanding		<u>60,767,234</u>	<u>47,127,858</u>

The accompanying notes are an integral part of these financial statements.

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Single Touch Systems Inc.
Statements of Cash Flows

	For the Year Ended September 30,	
	2009	2008
	<u> </u>	<u> </u>
Cash Flows from Operating Activities		
Net loss	\$(13,560,841)	\$(11,123,003)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	101,228	60,000
Impairment loss	5,667,898	1,000
Amortization expense □ software development costs	657,055	493,000
Amortization expense □ patents	3,433	1,000
Amortization expense □ discount of convertible debt	26,316	1,124,000
Amortization expense □ financing fees	50,988	39,000
Stock based compensation	12,761,774	5,172,000
(Increase) decrease in assets		
(Increase) decrease in accounts receivable	234,271	(112,000)
(Increase) decrease in prepaid expenses	24,838	208,000
(Increase) decrease in liabilities		
Increase (decrease) in accounts payable	261,665	639,000
Increase (decrease) in accrued compensation	590,825	1,000
Increase (decrease) in accrued compensation due related party	206,448	199,000
Increase (decrease) in accrued expenses	(7,544)	137,000
Increase (decrease) in accrued interest	266,265	125,000
Increase (decrease) in deferred income	(249,328)	(1,031,000)
Decrease (increase) in derivative liability	<u>(9,119,103)</u>	<u> </u>

	Net cash used in operating activities	<u>(2,083,812)</u>	<u>(4,060)</u>
Cash Flows from Investing Activities			
Purchase of property and equipment		(19,782)	(151,)
Capitalized software development costs		(784,207)	(536,)
	Net cash used in investing activities	<u>(803,989)</u>	<u>(688,)</u>
Cash Flows from Financing Activities			
Proceeds from issuance of common stock		551,050	
Proceeds received from related parties		1,981,962	2,444,
Repayments on related party advances		(860,714)	(881,
Proceeds from issuance of debt to others		1,500,000	3,300,
Repayments on other notes payable		(200,000)	
	Net cash provided by financing activities	<u>2,972,298</u>	<u>4,862,</u>
	Net increase (decrease) in cash	84,497	113,
	Beginning balance □ cash	175,061	61,
	Ending balance □ cash	<u>\$ 259,558</u>	<u>\$ 175,</u>
Supplemental Information:			
Interest expense paid		\$ 172,713	\$
Income taxes paid		\$ -	\$

The accompanying notes are an integral part of these financial statements.

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Single Touch Systems Inc.

Statements of Cash Flows - *continuation*

Non-cash investing and financing activities:

In October 2008, the Company granted a warrant to an Advisor for services. The warrant allows the Advisor to purchase the greater of 5,952,362 common shares or 5.2% of the outstanding common shares of the company, calculated on a fully dilutive basis. The terms of the warrant also allow for a cashless exercise. The warrant was originally valued at \$13,831,504 and capitalized as a prepaid expense. It is being charged to operations over the one year term of the consulting agreement. Based upon the terms of the warrant, the Company considers it to be a derivative and is including the fair value of the warrant in its liabilities (see Note 14).

During the year ended September 30, 2009, the Company charged \$1,162,038 to equity relating to the amortization of discounts on related party convertible debt (See Note 10).

During the year ended September 30, 2009, the Company issued 90,000 shares of its common stock through the exercise of warrants. The total exercise price amounted to \$1,050.

In August 2009, the Company borrowed \$500,000 through the issuance of a convertible note. The Company recorded a discount against the principal of \$26,316 which was allocated to the beneficial conversion feature of

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the note. In September 2009, principal and accrued interest totaling \$504,830 was converted into 531,400 shares of the Company's common stock. The discount of \$26,316 was charged to operations and is included in interest expense.

In June 2009, the Company issued 3,666,667 shares of its common stock and granted warrants to purchase 1,833,334 shares of its common stock in consideration for patents and other intellectual property. The property was valued at the fair value of the shares issued and warrants granted totaling \$5,470,851. As of September 30, 2009 it was determined that the fair value of the patents amounted to \$104,418. The remaining balance of \$5,366,433 was deemed impaired and charged to operations.

During 2008, the Company issued 1,500,000 shares of its common stock to its President in exchange for the cancellation of \$2,100,000 of accrued compensation.

During 2008, the Company issued 2,500,000 shares of its common stock to its President in exchange for the cancellation of \$375,000 of indebtedness due him.

During 2008, the Company issued 6,700,000 shares of the Company's common stock in exchange for the cancellation of \$2,920,000 of convertible debt and accrued interest.

During 2008, the Company issued 2,361,219 shares of the Company's common stock in exchange for the cancellation of \$3,395,584 of convertible debt and accrued interest.

During 2008, the Company issued 1,000,000 shares to employees and consultants for services valued at \$1,400,000.

During 2008, the Company issued 1,500,000 shares of its common stock to its President in exchange for the cancellation of \$1,050,000 of accrued compensation.

During 2008, the Company issued 2,211,460 shares of its common stock to the above indicated convertible note holders as additional consideration. The Company valued these shares at par (\$2,211).

During 2008, the Company issued warrants to purchase 2,322,000 shares of its common stock at a price of \$0.88 per share. The warrants were valued at \$190,404, which was charged to operations. During 2008, the Company issued warrants to a Director and a consultant to purchase 2,000,000 shares each of its common stock at a price of \$0.01 per share. These warrants were valued at \$1,741,800, which was charged to operations.

During 2008, the Company granted options to its employees and officer to purchase up to 8,675,000 shares of its common stock at an exercise price of \$1.37 per share. The options vest over a period of three years. As of September 30, 2008, 6,000,000 were fully vested and valued at \$376,800, which was charged to operations.

The accompanying notes are an integral part of these financial statements.

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Single Touch Systems Inc.
Statement of Stockholders' (Deficit)
From October 1, 2007 through September 30, 2009

	Common		Additional	Accumulated Deficit
	Stock Shares	Amount	Paid-In Capital	
Balance □ September 30, 2007	35,986,430	35,987	67,507,896	(76,520,506)
Shares issued in cancellation of convertible debt and accrued interest	6,700,000	6,700	2,913,300	-
Shares issued in cancellation of accrued interest	82,846	83	165,609	-

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Shares issued in cancellation of indebtedness due officer	2,500,000	2,500	372,500	-
Shares issued in cancellation of convertible debt and accrued interest	2,278,373	2,278	3,227,614	-
Shares issued for services	1,000,000	1,000	1,399,000	-
Shares issued in cancellation of accrued compensation due officer	1,500,000	1,500	2,098,500	-
Additional shares issued to convertible debt holders	2,211,460	2,211	(2,211)	-
Return of common shares by former President for cancellation	(3,913,044)	(3,913)	3,913	-
Shares issued in cancellation of accrued compensation due officer	1,500,000	1,500	1,048,500	-
Shares issued in cancellation of convertible debt	2,640,000	2,640	3,297,360	-
Shares issued in cancellation of convertible debt and accrued interest	7,019,475	7,019	554,539	-
Compensation recognized on warrant grants	-	-	2,309,004	-
Gain on modification of debt due related parties	-	-	2,954,515	-
Amortization of beneficial conversion feature on related parties debt	-	-	(750,767)	-
Net loss for the year ended September 30, 2008	-	-	-	(11,123,003)
Balance □ September 30, 2008	59,505,540	\$ 59,505	\$ 87,099,272	\$ (87,643,509)
Shares issued for cash	648,810	649	549,351	-
Shares issued in exercise of warrants	90,000	90	960	-
Shares issued cancellation of debt and accrued interest	531,400	531	504,298	-
Acquisition of intellectual property	3,666,667	3,667	5,467,184	-
Recognition of beneficial conversion feature on issuance of convertible debt	-	-	26,316	-
Compensation recognized on vesting of option grants	-	-	82,896	-
Amortization of beneficial conversion feature on related party debt	-	-	(1,162,038)	-
Net loss for the year ended September 30, 2009	-	-	-	(13,560,841)
Balance □ September 30, 2009	64,442,417	\$ 64,442	\$ 92,568,239	\$ 101,204,350

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The accompanying notes are an integral part of these financial statements.

Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Note 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 develops software applications utilized by end users in downloading images, ringtones, games, and other content into their cell phones and other wireless communication 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 consolidated financial statements are prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America and have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company has accumulated operating losses since its inception (May 31, 2000). In addition, the Company has used ongoing working capital in its operations. At September 30, 2009, its accumulated deficit amounted to \$101,204,350. In view of current matters, the continuation of the Company's operations is dependent on revenue from its licensing of its technologies and related services, advances made by its officers, and the raising capital through the sale of its equity instruments or issuance of debt. Management believes that these sources of funds will allow the Company to continue as a going concern through 2010. However, no assurances can be made that current or anticipated future sources of funds will enable the Company to finance future periods' operations. In light of these circumstances, substantial doubt exists about the Company's ability to continue as a going concern. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that might be necessary should the Company be unable to continue as a going concern.

Note 2. Summary of Significant Accounting Policies

Reclassification

Certain reclassifications have been made to conform the 2008 amounts to 2009 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

The Company recognizes revenue in accordance with Staff Accounting Bulletin (SAB) No. 10 *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 collectibility is probable. Sales are recorded net of sales discounts.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Revenue is derived from licensing of the Company's wireless applications to various telecommunication companies. Under the terms of the various licensing agreements, the Company receives a fee, net of revenue sharing and other costs, each time its application is utilized by the end user. Revenue is recognized in the month the application is utilized. The Company records its revenue pursuant to Accounting Standards Codification (ASC) Topic 605-45-45 *Reporting Revenue Gross as a Principal versus Net as an Agent*. Advanced licensing fees received with minimum guarantees where it cannot determine the fee earned are recognized in income on the

straight line basis over the term of the license in accordance with ASC Topic 928-605-25, *Financial Reporting in the Record and Music Industry*.

In addition, the Company also generates income through the development of software for third parties on a contractual basis. Revenue is recognized upon delivery of the software.

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 collectibility 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:

Software development	2 -3 years
Equipment	5 years
Computer hardware	5 years
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 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. At September 30, 2009, the Company recorded an impairment loss for certain software development costs totaling \$301,465 and an impairment loss on acquired patents totaling \$5,366,433 (See Note 6).

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

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 will abandon.

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 SFAS No. 123R, "Share-based Payment" and SFAS No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure - An amendment to SFAS No. 123." (ASC Topic 505-50) 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. 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, 2009, the Company recognized stock based compensation expense of \$12,678,878 from the granting of a common stock warrant to an advisor (See Note 14) and \$82,896 from the vesting of options granted to certain employees, directors and consultants in 2008. Of the \$12,761,774 in stock-based compensation, a total of \$12,694,578 was attributed to consulting expense, \$12,560 was included in officers' compensation and \$54,636 was included in salaries and wages. During the year ended September 30, 2008, the Company issued 1,500,000 shares of its common stock to its President in exchange for canceling the \$1,050,000 of accrued compensation. Also in 2008, the Company issued 1,500,000 shares of its common stock to its President for \$525,000 in accrued compensation for services rendered during 2008 and \$1,575,000 for services rendered during 2007, \$1,400,000 in stock based compensation from the issuance of 1,000,000 shares of its common stock to employees and consultants and recognized \$376,800 in stock based compensation in the granting of options to purchase 8,675,000 shares of the Company's common stock.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Earnings (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, 2009 that have been excluded from the computation of diluted net loss per share include 29,119,334 warrants, 8,675,000 options, and \$2,415,660 of debt convertible into 30,195,747 shares of the Company's common stock. Potential common shares as of September 30, 2008 were 16,376,000 warrants, 8,675,000 options and \$2,319,512 of debt convertible into 28,993,900 shares of the Company's common stock that have been excluded from the computation of diluted net loss per share. If such shares were included in diluted EPS, they would have resulted in weighted-average common shares of 127,466,447 and 63,114,094 for the year ended September 30, 2009 and 2008, respectively.

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.

During the years ended September 30, 2009 and 2008, significantly all of the Company's revenue was generated from contracts with ten customers.

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 feature of conventional convertible debt provides for a rate of conversion that is below market value, 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 will be recorded net of the discount related to the BCF and the Company will 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.

Income Taxes

The Company accounts for its income taxes under the provisions of Statement of Financial Accounting Standards 109 (ASC Topic 740-10). The method of accounting for income taxes under SFAS 109 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.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Recent Accounting Pronouncements

In May 2009, the FASB adopted Codification Topic 855, "Subsequent Event"s, which requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of its financial statements. The statement established general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 is effective for interim or annual financial periods ending after June 15, 2009, and shall be applied prospectively. The adoption ASC 855 did not have a material impact on the Company's financial statements.

In June 2009, the FASB adopted Codification Topic Statement No. 105 "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles" ASC 105 is the single source of authoritative nongovernmental U.S. generally accepted accounting principles ("GAAP"), superseding existing FASB, American Institute of Certified Public Accounts ("AICPA"), Emerging Issues Task Force ("EITF"), and related accounting literature. ASC 105 reorganized the thousands of GAAP pronouncements into roughly 90 accounting topics and displays them using a consistent structure. Also included is relevant Securities and Exchange Commission guidance organized using the same topical structure in separate sections. ASC 105 will be effective for financial statements issued for reporting periods that end after September 15, 2009. The Company adopted the Codification during the current period ending September 30, 2009. There was no impact upon adoption.

In April 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) Financial Accounting Standard (FAS) 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (Codification Topic 820). Based on the guidance, if an entity determines that the level of activity for an asset or liability has significantly decreased and that a transaction is not orderly, further analysis of transactions or quoted prices is needed, and a significant adjustment to the transaction or quoted prices may be necessary to estimate fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 157 Fair Value Measurements. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The company adopted this FSP for its quarter ending June 30, 2009. There was no impact upon adoption.

FSP FAS 115-2 (ACS Topic 320) and FAS 124-2 - In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (Codification Topic 320). The guidance applies to investments in debt securities for which other-than-temporary impairments may be recorded. If an entity's management asserts that it does not have the intent to sell a debt security and it is more likely than not that it will not have to sell the security before recovery of its cost basis, then an entity may separate other-than-temporary impairments into two components: 1) the amount related to credit losses (recorded in earnings), and 2) all other amounts (recorded in other comprehensive income). This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The company adopted this FSP for its quarter ending June 30, 2009. There was no impact upon adoption.

FSP FAS 107-1 and APB 28-1 - In April 2009, the FASB issued FSP FAS 107-1 and Accounting Principles Board (APB) 28-

1, Interim Disclosures about Fair Value of Financial Instruments ((ACS Topic 825). The FSP amends SFAS No. 107 Disclosures about Fair Value of Financial Instruments to require an entity to provide disclosures about fair value of financial instruments in interim financial information. This FSP is to be applied prospectively and is effective for interim and annual periods ending after June 15, 2009 with early adoption permitted for periods ending after March 15, 2009. The company included the required disclosures in its quarter ending June 30, 2009.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Recent Accounting Pronouncement Issued But Not in Effect

In June 2009, the FASB adopted SFAS 166, "Accounting for Transfers of Financial Assets" (ACS Topic 860) Statement 166 is a revision to FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, and will require more information about transfers of financial assets, including securitization transactions, and where entities have continuing exposure to the risks related to transferred financial assets. It eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures. SFAS 166 enhances information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity's continuing involvement in transferred financial assets.

SFAS 166 will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The Company does not anticipate the adoption of SFAS 166 will have an impact on its consolidated results of operations or consolidated financial position.

In June 2009, the FASB issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (ACS Topic 810). Statement 167 is a revision to FASB Interpretation No. 46 (Revised December 2003), Consolidation of Variable Interest Entities, and changes how a reporting entity determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a reporting entity is required to consolidate another entity is based on, among other things, the other entity's purpose and design and the reporting entity's ability to direct the activities of the other entity that most significantly impact the other entity's economic performance. SFAS 167 will require a reporting entity to provide additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. A reporting entity will be required to disclose how its involvement with a variable interest entity affects the reporting entity's financial statements. SFAS 167 will be effective at the start of a reporting entity's first fiscal year beginning after November 15, 2009. Early application is not permitted. The Company is currently evaluating the impact, if any, of adoption of SFAS 167 on its financial statements.

Note 3. Accounts Receivable

Fees earned but not paid as of September 30, 2009 and 2008, net of any revenue sharing, amounted to \$126,171 and \$351,442, respectively. Of the amounts due, \$21,748 and \$66,457 are due at September 30, 2009 and 2008, respectively, from a related party (see Note 11 - Related Party Transactions).

Note 4. Property and Equipment

The following is a summary of property and equipment:

	2009	September 30, 2008
	<u> </u>	<u> </u>
Computer hardware	\$ 501,791	\$ 482,008
Equipment	46,731	46,731
Office furniture	37,194	37,194
	<u>585,716</u>	<u>565,933</u>
Less accumulated depreciation	(351,998)	(250,770)
	<u>\$ 233,718</u>	<u>\$ 315,163</u>

Depreciation expense for the year ended September 30, 2009 and 2008 was \$101,228 and \$66,542, respectively.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Note 5. Capitalized Software Development Costs

The following is a summary of capitalized software development costs:

	2009	September 30, 2008
	<u> </u>	

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Beginning balance	\$	609,078	\$	565,384
Additions		784,207		536,778
Amortizations		(657,055)		(493,084)
Charge offs		(301,465)		-
		<hr/>		
Ending balance	\$	434,765	\$	609,078
		<hr/>		

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

September 30,		
2010		\$ 349,819
2011		84,946
		<hr/>
		\$ <u>434,765</u>

Note 6. Intangible Assets

On June 2, 2009, the Company entered into an Intellectual Property Rights Purchase and Transfer Agreement (the "Agreement") with Streamworks Technologies, Inc., a Delaware corporation (the "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. In consideration for the portfolio, Streamworks received 3,666,667 common shares of the Company and warrants to purchase 1,833,334 shares of the Company's common stock at an exercise price of \$2.30 per share for a period of two years.

In addition, non-compete agreements were provided to the Company by certain management of Streamworks and the Company provided Streamworks with registration rights covering the common shares issued pursuant to the agreement. The Company valued the intellectual property at the fair value of the common shares and warrants provided totaling \$5,470,851. The property purchased has not reached technological feasibility. Therefore, the Company valued the technology at its estimated fair value of \$104,418 and recognized an impairment loss during the year ended September 30, 2009 of \$5,366,433. The Company is amortizing the technologies estimated fair value of \$104,418 over its seven year estimated life.

Amortization charged to operations for the year ended September 30, 2009 totaled \$3,433. A schedule of amortization expense over the estimated life of the patents is as follows:

Year Ending September 30,		
2010	\$	14,917
2011		14,917
2012		14,917
2013		14,917
2014		14,917
Thereafter		<u>26,400</u>
		\$ <u>100,985</u>

Note 7. Income Taxes

As of September 30, 2009, for income tax purposes, the Company has unused operating loss carryforwards of approximately \$26,000,000, which may provide future federal tax benefits of approximately \$8,800,000 which expire in various years through 2029 and future state benefits of approximately \$2,300,000 which expire in various years through 2020.

An allowance of \$11,100,000 has been provided to reduce the tax benefits accrued by the Company for these operating losses to zero as it cannot be determined when, or if, the tax benefits derived from these losses will materialize. Timing differences between expenses deducted for income tax and deducted for financial reporting purposes are insignificant and have no material impact to the differences in the reporting of income taxes.

The provisions for income tax expense for the year ended September 30, 2009 and 2008 are as follows:

		<u>2008</u>	<u>2007</u>
Current			
Federal	\$	-	-
State		<u>1,026</u>	<u>2,300</u>
Total income tax expense		<u>\$ 1,026</u>	<u>\$ 2,300</u>

Note 8. Convertible Debt

During 2007 and 2006, the Company received a total of \$3,096,000 in exchange for issuing promissory notes that were assessed interest at a rate of 6.5% per annum.

During the year ended September 30, 2008, the total amount of debt and accrued interest totaling \$3,229,892 were converted into 2,278,373 shares of the Company's common stock. In addition, during the year, the Company issued an additional 2,211,460 common shares to the debt holders pursuant to the terms of the anti-dilution provisions of the respective loan agreements. The Company valued the additional shares issued at par value.

Note 9. Related Parties - Loan Activities**Note payable - Officer**

The Company's president has 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 on December 2010. On July 24, 2008, the Company modified the terms of the debt and the balance due him on that date including accrued interest and accrued compensation totaling \$2,319,512 was evidenced by a convertible promissory note bearing interest at an annual rate of 8%. Interest is payable monthly and the principal outstanding balance is payable on demand. If no demand is made, then the principal balance and any accrued interest is fully due and payable on July 15, 2010. Any portion of the outstanding principal loan balance is convertible into shares of the Company's common stock at a price of \$0.08 per share.

The Company accounted for the modification of the debt pursuant to EITF 96-19 [*Debtor's Accounting for a Modification or Exchange of Debt Instruments*] and APB Opinion 26 (ASC Topic 470-50), and recognized a gain on the modification of \$2,319,512 that 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 is amortized to equity over the life of the debt using the effective interest method.

Interest charged to operations relating to these notes for the year ended September 30, 2009 and 2008 amounted to \$180,861 and \$123,156 respectively.

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A summary of the balance due the Company's president as of September 30, 2009 and 2008 is as follows:

	September 30, <u>2009</u>		<u>2008</u>
Principal balance due	\$ 2,319,512	\$	2,207,497
Accrued interest	18,852		104,601
Less: discount	<u>(1,009,737)</u>		<u>(2,136,110)</u>
	\$ <u>1,328,627</u>	\$	<u>175,988</u>

For the year ended September 30, 2009 and 2008, the Company charged \$1,126,373 and \$183,402 to equity on the amortization of the discount.

Note Payable - Activate, Inc.

Activate, Inc. (Activate), a corporation wholly owned by the Company's President, has advanced the Company \$50,000. Under the originally 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 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%. Interest is payable monthly and the principal outstanding balance is payable on demand. If no demand is made, than the principal balance and any accrued interest is fully due and payable on July 15, 2010. Any portion of the outstanding principal loan balance is convertible into shares of the Company's common stock at a price of \$0.08 per share.

The Company accounted for the modification of the debt pursuant to EITF 96-19 *Debtor's Accounting for a Modification or Exchange of Debt Instruments* and APB Opinion 26 (ASC Topic 470-50), and recognized a gain on the modification of \$73,445 that was charged to equity. The convertible debt was recorded net of a discount that includes BCF amounting to \$73,445. The discount is amortized to equity over the life of the debt using the effective interest method.

Interest charged to operations relating to these notes for the year ended September 30, 2009 and 2008 amounted to \$5,875 and \$7,867, respectively.

A summary of the balance due to Activate as of September 30, 2009 and 2008 is as follows:

	<u>2009</u>		September 30, <u>2008</u>
Principal balance due	\$ 73,445	\$	50,000
Accrued interest	4,004		19,994
Less: discount	<u>(31,972)</u>		<u>(67,638)</u>
	\$ <u>45,477</u>	\$	<u>2,356</u>

For the year ended September 30, 2009 and 2008, the Company charged \$35,666 and \$5,807, respectively to equity on the amortization of the discount.

Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

In addition to the above, Activate during 2009 has advanced an additional \$894,500 of which \$99,103 was repaid. The advances bear interest at a rate of 8% and the outstanding balance is fully due and payable on demand. Interest accruing on the advances during the year ended September 30, 2009 totaled \$23,638, which was charged to operations. The balance due at September 30, 2009 including accrued interest amounted to \$ 819,056.

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 matured on June 30, 2009 and the Company is currently in default under its terms. The note bears interest at an annual rate of 10%. Interest accruing in 2009 on the Note was \$9,965, which was charged to operations. The balance due at September 30, 2009 including accrued interest amounted to \$ 259,965.

Note Payable - Activate Sports LLC

Activate Sports LLC (Sports) has also made a \$350,000 advance to the Company. Sports is wholly owned by the Company's President. Under the original terms of the loan, the advance was assessed interest an annual rate of 8% and was fully due and payable along with accrued interest in December 2010. On

July 24, 2008, the Company modified the terms of the debt and the balance due Activate on that date including accrued interest totaling \$561,558 was evidenced by a convertible promissory note bearing interest at an annual rate of 8%. Interest is payable monthly and the principal outstanding balance is payable on demand. If no demand is made, than the principal balance and any accrued interest is fully due and payable on July 15, 2010. Any portion of the outstanding principal loan balance is convertible into shares of the Company's common stock at a price of \$0.08 per share.

The Company accounted for the modification of the debt pursuant to EITF 96-19 [Debtor's Accounting for a Modification or Exchange of Debt Instruments] and APB Opinion 26 (ASC 470-50), and recognized a gain on the modification of \$561,558 that was charged to equity. The convertible debt was recorded net of a discount that includes BCF amounting to \$561,558. The discount is amortized to equity over the life of the debt using the effective interest method.

On September 16, 2008, the principal balance of the loan amounting to \$561,558 was converted in 7,019,475 shares of the Company's common stock. Interest charged to operations for the year ended September 30, 2008, amounted to \$42,917. For the year ended September 30, 2008, the Company charged \$561,558 to equity on the amortization of the discount.

Other Related Party Loans

A Company director and an affiliate of the director advanced funds to the Company. The balance of the advances began accruing interest in December 2008 at an annual rate of 8%. The balance owed as of September 30, 2009 including accrued interest totaled \$423,052. Interest charged to operations during the year ended September 30, 2009 amounted to \$22,967. The principal and accrued interest are due on demand.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Note 10. 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 bears interest at an annual rate of 10% per annum and accrued interest is payable 90 days after the loan proceeds are received. All

related party debt is subordinate to this loan. The loan has been guaranteed by the Company's President, and is secured by the Company's assets. Interest charged to operations on this loan for the year ended September 30, 2009 amounted to \$23,556.

In June 2009, the Parties entered into a Change in Terms Agreement. Under the terms of the agreement, the maturity date of the loan was initially extended to July 31, 2009. In consideration for the extension, the Company paid an interest payment of \$25,000 and agreed to loan extension fee of \$25,000 that increased the amount the principal balance of the note. In addition, the Agreement required the Company to pay \$300,000 by July 5, 2009.

The Agreement allows for further extensions assuming the Company is not in default as of July 31, 2009. To extend the maturity date to August 31, 2009, the Company is required make additional payments to the noteholder of no less than \$300,000 by July 31, 2009, pay an extension fee of \$25,000 due by July 31, 2009, and pay all interest that has accrued to July 31, 2009. A final extension to September 30, 2009 was available providing the Company make additional payments to the noteholder of no less than \$300,000 by August 31, 2009, pay an extension fee of \$25,000 by August 31, 2009, and pay all interest that has accrued through August 31, 2009. The Company reduced principal by \$200,000 and paid loan fees totaling \$75,000 that was charged to operations

Interest charged to operations on this loan for the year ended September 30, 2009 amounted to \$75,222.

As of September 30,

2009, the loan was in default.

A summary of the balance due on this loan as of September 30, 2009 is as follows:

Principal balance due	\$	800,000
Accrued interest		75,222
	<u>\$</u>	<u>875,222</u>

Also in December 2008, the Company borrowed \$250,000 from an unrelated third party. The loan is assessed interest at an annual rate of 10% and principal and interest are fully due and payable in June 2009. As indicated above, Activate, Inc. purchased this note in June 2009. Interest charged to operations on this loan prior to the purchase amounted to \$14,072, which was paid in the purchase of the Note.

During the year ended September 30, 2009, a third party advanced funds to the Company. The balance of the advances began accruing interest in December 2008 at an annual rate of 8%. The balance owed as of September 30, 2009 including accrued interest totaled \$140,740. Interest charged to operations during the year ended September 30, 2009 amounted to \$6,740. The principal and accrued interest are due on demand.

In August 2009, the Company received \$500,000 through the issuance of a convertible note. The note bears interest at an annual rate of 12% and principal and accrued interest are convertible into the Company's common stock at a conversion price of \$0.95 per share. As the conversion price was less the trading price of the Company's common stock on the date the Note, the Company recognized a beneficial conversion feature of \$26,310 pursuant to ASC Topic 470-20 "Debt with conversion and other Options" that was charged to equity On September 21, 2009, the principal and accrued interest totaling \$504,830 was converted into 531,400 shares of the Company's common stock. Interest charged to operations for the year ended September 30, 2009, amounted to \$4,830. For the year ended September 30, 2008, the Company charged \$26,310 to operations on the amortization of the discount.

During 2008, the Company accrued compensation to its President of \$1,050,000. The compensation was valued based upon the estimated fair value of the 750,000 shares of the Company's common stock that were issued in consideration for these services. (See Note 13). Also during 2008, the Company issued 2,500,000 shares of its common stock in consideration for the cancellation of \$375,000 of indebtedness due him.

On July 15, 2008, the Company entered into a new employment agreement with its President. The term of the new agreement is through December 31, 2008. Under the new agreement, the President will receive an annual salary of \$275,000 and will receive 1,500,000 shares of common stock for accrued compensation. The 1,500,000 shares were issued on July 24, 2008. As discussed in Note 13, the Company issued stock warrants to various consultants in 2005 for the purchase of 5,000,000 shares of the Company's common stock at a price of \$.50 per share. In 2007, the Company's President acquired these stock warrants.

The Company entered into an agreement with Activate, Inc., a corporation wholly owned by the Company's President. 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.

In 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 the Company's common stock. Activate Sports, LLC is wholly owned by the Company's President.

Note 12. Fair Value

The Company adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (ASC Topic 820-10), at the beginning of fiscal year 2009 to measure the fair value of certain of its financial assets required to be measured on a recurring basis. The adoption of ASC Topic 820-10 did not impact the Company's consolidated financial position or results of operations. ASC Topic 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). ASC Topic 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 on the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability. The three levels of the fair value hierarchy under ASC Topic 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.

The Company Level 1 assets include cash.

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.

The Company's Level 2 assets consist of accounts receivable, notes and convertible notes payable, and derivative liability. Due to the short term nature of its accounts receivable, notes and convertible notes payable, the Company estimates the fair value of these assets and liabilities at their current basis. The Company determines the fair value of its derivative 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-Sholes Option Model in valuing the fair value of level 2 assets.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

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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The Company has no level 3 assets or liabilities.

The table below presents reconciliation for all assets and liabilities measured at fair value on a recurring basis.

	September 30, 2009				
	Fair Value Measurements				
	Level 1 Quoted Prices in Active Markets Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs		Assets/ Liabilities At Fair Value
Assets:					
Cash	\$ 259,558	-	-		\$ 259,558
Accounts receivable	-	\$ 104,423	-		\$ 104,423
Liabilities					
Accounts payable and accrued expenses	-	\$ 2,321,862	-		\$ 2,321,862
Notes payable - related party	-	\$ 1,502,073	-		\$ 1,502,073
Notes payable - other	-	\$ 1,015,962	-		\$ 1,015,962
Convertible debentures	-	\$ 2,415,813	-		\$ 2,415,813
Derivative and warrant Liability	-	\$ 4,712,400	-		\$ 4,712,400

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Note 13. Deferred Income

In December 2005, the Company received \$2,000,000 in connection with an option agreement and related service agreement. Under the terms of the option agreement, the third party payer had until July 30, 2006 to exercise the option to acquire the Company. The option was not exercised and the \$2,000,000 is treated as an advance against royalties earned by the Company on the use of an application licensed to the third party payer.

Under the service agreement, the Company provides the application for the first four months at no cost, but is entitled to reimbursement for any direct pass through third party costs paid by the Company relating to the use of the licensed technology and related service. Thereafter the Company nets \$.175 per transaction on the delivery of any mobile content to the third Party payer through the utilization of the application for a period of up to three years. As the \$2,000,000 advance is not refundable, the Company is amortizing it into revenue evenly over the remaining 29 months of the license agreement pursuant to SFAS No. 50 (ASC Topic 928-10). Therefore on a monthly basis, the Company is reporting revenue relating to this license agreement the greater of the transaction fee earned or \$68,966 (\$2,000,000/29 months). In addition, during the first four months of the contract, the Company received the revenue generated under the service agreement as a contingency against future costs associated with the first four months of the agreement. The amount received during the four months totaled \$488,952. The Company is also amortizing it into revenue on the straight- line basis pursuant to SFAS No. 50.

Revenue recognized during the year ended September 30, 2009 and 2008 under this agreement amounted to \$249,329 and \$1,029,911, respectively.

Note 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, 2009, the Company issued 648,810 shares of its common stock for \$550,000. During the year ended September 30, 2009, the Company issued 3,666,667 shares of its common stock in consideration for receiving patents and other intellectual properties (see Note 6).

During the year ended September 30, 2009, the Company issued 90,000 shares of its common stock through exercises of warrants. The Company received \$1,050 through the exercises.

During the year ended September 30, 2009, the Company issued 531,400 shares of its common stock in consideration for the cancellation of \$504,829 of convertible debt.

During the year ended September 30, 2008, the Company issued the 6,700,000 shares held in escrow to the note holder in consideration for the cancellation of \$2,920,000 of indebtedness which including accrued interest.

During the year ended September 30, 2008, the Company issued 82,846 shares of its common stock in consideration for the cancellation of \$165,692 of accrued interest due on its convertible debt.

During the year ended September 30, 2008, the Company issued 2,500,000 shares of its common stock in consideration for the cancellation of \$375,000 of indebtedness due its President.

During the year ended September 30, 2008, the Company issued 2,278,373 shares of its common stock in consideration of canceling \$3,229,892 of convertible debt and accrued interest. In June 2008, the Company issued these investors an additional 2,211,460 shares pursuant to the anti-dilution provision of the underlying loan documents. The 2,211,460 were valued at par pursuant to APB Opinion #29 (ASC Topic 845-10).

During the year ended September 30, 2008, the Company issued 1,000,000 shares of its common stock to various employees, consultants, and an attorney for services valued at \$1,400,000.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

During the year ended September 30, 2008, the Company issued 1,500,000 shares of its common stock to its president for accrued compensation valued at \$2,100,000.

During the year ended September 30, 2008, the former president of the Company returned 3,913,044 shares of the Company's common stock to treasury for cancellation.

During the year ended September 30, 2008, the Company issued 1,500,000 shares of its common stock to its president for accrued compensation valued at \$1,050,000.

During the year ended September 30, 2008, the Company issued 2,640,000 shares of its common stock in consideration for the cancellation of \$3,300,000 of convertible debt.

During the year ended September 30, 2008, the Company issued 7,019,475 shares of its common stock in consideration for the cancellation of \$561,558 of convertible debt due Activate Sports, LLC.

Warrants

In 2005, the Company issued stock warrants to various consultants to purchase 5,000,000 shares of the Company's common stock at a price of \$1.00 per share. The warrants expire on July 15, 2015. These warrants were valued at \$27,187,000 using the Black-Sholes Option Model based upon an expected life of 10 years, risk free interest rate of 4.5%, and expected volatility of 50%. At the date of grant, the Company's common stock had an estimated market value based upon the price established in its past private offering of \$6 per share.

As part of the convertible debt issued in 2006 and 2007, as discussed above in Note 8, the Company issued stock warrants to the various note holders to purchase a total of 774,000 shares of its common stock at a current price of \$1.76 per share. The warrants expire on the fifth anniversary date of the respective grant. As the exercise price of \$1.76 per share was greater than the estimated market price of the Company's common stock of \$1.40 at date of grant, no compensation expense was recognized.

In 2007, the Company issued stock warrants to three consultants to purchase 1,000,000 shares of the Company's common stock a price of \$0.02 per share. The warrants expire on July 12, 2012. These warrants were valued at \$1,384,400 using the Black-Sholes Option Model based upon an expected life of 5 years, risk free interest rate of 4.8%, and expected volatility of 65%. At the date of grant, the Company's common stock had an estimated market value based upon the price established in its debt offering of \$1.40 per share.

In 2008, the Company granted the convertible note holders indicated above additional warrants to purchase 2,322,000 shares of the Company's common stock at a price of \$.88 per share. The warrants expire on June 22, 2011. These warrants were valued at \$190,404 using the Black-Sholes Option Model based upon an expected life of 3 years, risk free interest rate of 3.27%, and expected volatility of 50%. At the date of grant, the Company's common stock had an estimated market value based upon the price established in its debt offering of \$.88 per share.

In 2008, the Company issued stock warrants to two consultants to purchase 2,000,000 shares of the Company's common stock a price of \$0.01 per share. The warrants expire on June 22, 2011. These warrants were valued at \$1,741,800 using the Black-Sholes Option Model based upon an expected life of 3 years, risk free interest rate of 3.27%, and expected volatility of 50%. At the date of grant, the Company's common stock had an estimated market value based upon the price established in its debt offering of \$.88 per share.

In a private offering, the Company issued 2,640,000 Class A Warrants and 2,640,000 Class B Warrants Each Class A Warrant entitles the holder to purchase one share of common stock at a price of \$1.60 per share for a period of 36 months from date of grant. Each Class B Warrant entitles the holder to purchase one share of common stock at a price of \$2.05 per share for a period of 18 months from date of grant. As the exercise price of both the Class A and Class B Warrants were greater than the market price of the Company's common stock of \$0.25 at date of grants, no compensation expense was recognized.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

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 ends on September 30, 2009; but will be renewed for up to two additional one-year terms commencing on September 30 of each year unless on or prior to September 20th of such year either party delivers a notice of non-renewal to the other (in which case the Agreement shall terminate on the date set forth in the notice). The agreement is also terminable upon thirty days notice by either party. Inclusive with this Non-exclusive Special Advisory Services Agreement is the Warrant and a Registration Rights Agreement ("Warrant Agreement"). In consideration for the services to be rendered under the terms of the agreement, the Company granted to Peltz a warrant 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. The warrants can be exercised at a price of \$2.10 per share and expire 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. The initial third of the warrants vested upon execution of the agreement and the remaining warrants vest over a two-month period. The initial 5,952,362 warrants were valued at \$13,831,504 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 is charging the \$13,831,504 to operations as compensation expense over the initial twelve months of the agreement. Consulting expense charged to operations during the year ended September 30, 2009 totaled \$ 12,678,878.

The Company has accounted for the terms of the Warrant Agreement pursuant to EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock* (ACS Topic 815-40) and initially recorded the \$13,831,503 as a derivative liability. As September 30, 2009, the Company valued the liability at \$4,712,400 using the Black-Sholes Option Model based upon an expected life of 4.09 years, risk free interest rate of 2.31%, expected volatility of approximately 133%, and a per share market price of the Company's underlying stock of \$0.54. The \$9,119,103 decrease in the derivative liability was credited to operations year ended September 30, 2009.

In February 2009, warrants for 10,000 shares of the Company's common stock were exercised at a total purchase price of \$150.

In June 2009, the Company granted warrants in connection with the purchase of intellectual property to purchase 1,833,334 shares of common stock at purchase price \$2.30 per share. The warrants expire on June 2, 2011. The Company valued the warrants at \$887,517 using the Black-Sholes Option Model based upon an expected life of 2 years, risk free interest rate of .96%, expected volatility of approximately 101%, and a per share market price of the Company's underlying stock of \$1.25. The \$887,517 was included in the cost of the property acquired (See Note 6). In July 2009, warrants for 30,000 shares of the Company's common stock were exercised at a total purchase price of \$300.

In August 2009, warrants for 50,000 shares of the Company's common stock were exercised at a total purchase price of \$500.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

Options

On April 22, 2008, the Company adopted its 2008 Stock Option 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:

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

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The 6,000,000 options that vest on July 28, 2008 were granted to the Company's president. 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 trading price of \$.25 per share. The Company is charging the \$544,200 to operations as compensation expense based upon the vesting of the respective option. Compensation expense for the year ended September 30, 2008, 2009, and 2010 is \$376,800, \$82,896, and \$85,094, respectively.

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

	<u>Number of shares</u>	<u>Weighted average exercise price</u>
Outstanding - September 30, 2007	6,769,000	\$ 0.94
Granted	18,282,000	1.30
Exercised	-	-
Canceled	-	-
Outstanding - September 30, 2008	25,051,000	\$ 1.20
Granted	12,833,334	1.01
Exercised	(90,000)	0.01
Canceled	-	-
Outstanding - September 30, 2009	37,794,334	\$ 1.14

Of the 37,794,334 options and warrants granted at September 30, 2009, a total of 36,419,334 are exercisable.

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Single Touch Systems Inc.

NOTES TO FINANCIAL STATEMENTS September 30, 2009 and 2008

Note 15. Commitments and Contingency Operating Leases

The Company leases office space in Encinitas, California that expires on July 31, 2010. In addition to paying rent, the Company is also required to pay its prorata share of the property's operating expenses.

Rent expense for the year ended September 30 2009 and 2008 was \$108,135 and \$105,010, respectively.

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.

Creditor Settlement

The Company settled lawsuits with two vendors. Under the terms of the settlements, the Company's total original obligation due the two creditors of \$401,153 and was reduced to \$235,000. The \$35,000 owe done vendor is due in December 2009. The \$200,000 due the second vendor is payment in four monthly installments of \$50,000 commencing January 2010. If the \$200,000 is not paid as indicated, the balance increases to \$300,000 plus attorney fees. At September 30, 2009, the Company recognized a gain of \$166,153 on the indicated settlements that was credited to operations.

Note 16. Subsequent Events

The Company has evaluated subsequent events through January 13, 2010, the date these financial statements were issued. In December 2009, the Company's President assigned to the Company all of his patented technology relating to the applications utilized by the Company for consideration that is currently being determined.

In December 2009, the Company issued 50,000 shares for legal services and 30,000 shares for accounting services. The shares were issued through the Company's 2009 Employee and Consultant Stock Plan that was filed with the Securities and Exchange Commission on Form S-8 on December 7, 2009.

Under the terms of the 2009 Plan, 2,000,000 common shares have been registered for issuance to employees and eligible consultants. Grants under the plan are authorized by the Company's Board of Directors or a committee established by the Board. Unissued shares reserved under the plan will be adjusted by stock-splits, stock dividends, recapitalization, merger or similar event.

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Single Touch Systems, Inc.

Item 9. Changes In and Disagreements with Accountants on Accounting/Financial Disclosure

None,

Item 9A(T) Controls and Procedures

Evaluation of Disclosures and Procedures

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of September 30, 2009. This evaluation was carried out under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that, as of September 30, 2009, our disclosure controls and procedures were effective.

We have made the determination that our disclosure controls and procedures were effective, due to the small scale of our operations, we anticipate that when operational activities expand it will be necessary to add additional controls and procedures to ensure effectiveness.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for our company. Our control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Our internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of our assets; provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles; that receipts and expenditures are being made only with proper authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of

company assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of the inherent limitations of internal control, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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Single Touch Systems, Inc.

Management, including our former President acting as both Principal Executive Officer and Principal Financial Officer, assessed the effectiveness of our internal control over financial reporting as of September 30, 2009. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Over Financial Reporting* □ *Guidance for Smaller Public Companies* published in June of 2006 and the PCAOB preliminary staff views published October 17, 2007. Based on our assessment and those criteria, management concluded that during the period covered by this report, our internal control and procedures over financial reporting was effective as of September 30, 2009.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control over Financial Reporting

During the period covered by this report, there was no significant change in our internal controls over financial reporting or in other factors that materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

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Single Touch Systems, Inc.

Part III

Item 10. Directors, Executive Officers and Corporate Governance

The following persons are the executive officers, directors, and key employees of the Company and hold the offices set forth opposite their names.

Name	Age	Position
Anthony Macaluso	47	Chairman, President, Treasurer and Chief Executive and Financial Officer

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Richard Siber	48	Director
Laurence Dunn	48	Director
James Cassina	53	Director
James Darcy	40	Senior Vice President

Directors serve until the next annual meeting of the stockholders; until their successors are elected or appointed and qualified, or until their prior resignation or removal. Officers serve for such terms as determined by our board of directors. Each officer holds office until such officer's successor is elected or appointed and qualified or until such officer's earlier resignation or removal. No family relationships exist between any of our present directors and officers.

The directors of the Company are aware of no petitions or receivership actions having been filed or court appointed as to the business activities, officers, directors, or key personnel of the Company.

There are no familial relationships among the officers and directors, nor are there any arrangements or understanding between any of our directors or officers or any other person pursuant to which any officer or director was or is to be selected as an officer or director.

No non-compete or non-disclosure agreements exist between the management of the Company and any prior or current employer.

The Company has not, nor proposes to do so in the future, make loans to any of its officers, directors, key personnel, 10% stockholders, relatives thereof, or controllable entities.

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

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Single Touch Systems, Inc.

Anthony Macaluso became our President, Chief Executive Officer, Chairman, and principal shareholder upon the closing of the acquisition of Single Touch Interactive, Inc. He founded Single Touch Interactive in 2002 and since that time has had primary responsibilities for developing our products and managing our operations.

Richard Siber became a director of ours upon the closing of the acquisition of Single Touch Interactive, Inc. He has approximately 21 years of experience in the wireless industry. 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. Mr. Siber was involved in all aspects of Accenture's mobile and wireless practice. Throughout his career, Mr. Siber has provided a broad range of marketing, strategic and industry oriented consulting services to mobile operators, equipment vendors and content providers worldwide in the wireless industry. While at Accenture, Mr. Siber worked on Accenture's Service Delivery Platform (SDP). He is also presently involved in a number of government and homeland security initiatives utilizing a variety of wireless technologies. 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 also led a number of CEO workshops for the wireless industry in conjunction with the Cellular Telephone Industry Association. Mr. Siber has a Bachelor of Arts Degree from Boston University (1983) and a Masters of Business Administration from Boston College (1990). He also holds a certificate of special studies from Harvard Extension School. Mr. Siber sits on the Board of Digit Wireless and InCode, as well as a number of Technology Advisory Boards and is involved with several charitable organizations.

James Cassina has served as a Director since February 29, 2008 and also served as our Secretary from February 29, 2008 until July 24th, 2008. Mr. Cassina is a self employed business consultant experienced in many aspects of the business and development of public companies including growth and expansion, mergers and acquisitions, and corporate financing. As Chairman of Assure Energy Inc. (Assure) (OTCBB: ASUR), a Canadian oil and gas company, Mr. Cassina led Assure's merger in September 2005 with Geocan Energy Inc. (TSX: GCA), a Canadian based oil and gas company. Mr. Cassina continues to serve as a Director of Geocan Energy Inc. Mr. Cassina served in various senior capacities, including President, CEO, Director from 1999 to 2002 and then Chairman until March 2007 of EnerNorth Industries Inc. (AMEX: ENY), an international oil and gas, engineering and offshore fabrication, and in India, power development company. From 1999 until 2001, Mr. Cassina served as a Director of Konaseema Gas Power Limited, an Indian corporation which developed a 450 MW power plant in the state of Andhra Pradesh. From June 8, 2005 until February 5, 2008 Mr. Cassina served as President of OSE Corp., a Canadian based oil and gas company (TSX-V: OSE) and he has been a Director of OSE Corp. since June 8, 2005. From October 12, 2000 to the present Mr. Cassina has served as the President, a Director and principal shareholder of Bonanza Blue Corp. a public business development company. Mr. Cassina holds a controlling interest in a number of private investment, holding and development companies including, Core Energy Enterprises Inc.

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Single Touch Systems, Inc.

Laurence Dunn became a director of ours upon the closing of the acquisition of Single Touch Interactive, Inc. Mr. Dunn has spent the last 15 years managing traditional equity long/short hedge funds and structuring funding strategies for private companies. He founded The John Galt Fund, LP, a traditional long/short hedge fund in 1996 which he managed until 2002 at which point he moved into activist investing and became managing director of Pacific Coast Investment Partners, LP, a hedge fund specializing in Activist investing. Prior to running The John Galt Fund, Mr. Dunn served as Director of Research for Barrington Capital, a hedge fund. Mr. Dunn also spent four years as Vice President, Director of Research for Knowledge Exchange, a financial consulting firm, where his primary responsibility was to provide in-depth financial analysis of companies, industries and financial markets. Mr. Dunn was also previously employed as the Research Director for California Business Magazine. There he wrote a monthly investment column analyzing and recommending stocks for long-term investment. Mr. Dunn received a business undergraduate degree from the University of Wisconsin-Madison in 1982, an MBA from California State University in 1988 and his Chartered Financial Analyst (CFA) designation in 1991.

James Darcey became our Senior Vice President of Carrier Relations following the closing of the acquisition of Single Touch Interactive, Inc. Mr. Darcey is primarily responsible for business development. Mr. Darcey has been with Single Touch since November 2003. From August 1994 to October 2003, Mr. Darcey was responsible for data content relationships for ALLTEL Communications. Mr. Darcey graduated from the University of Arkansas at Little Rock with a bachelor's degree in finance in 1991. He also received a master's degree in business administration from the University of Arkansas at Fayetteville in 1994. Mr. Darcey has served on the Cellular Telephone Industry Association Wireless Internet Caucus and on the University of Arkansas at Little Rock's Alumni Business Board of Directors.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the company's directors and officers, and persons who own more than ten-percent (10%) of the company's common stock, to file with the Securities and Exchange Commission reports of ownership on Form 3 and reports of change in ownership on Forms 4 and 5. Such officers, directors and ten-percent stockholders are also required to furnish the company with copies of all Section 16(a) reports they file. Based solely on its review of the copies of such forms received by the company and on written representations from certain reporting persons, the company believes that all Section 16(a) reports applicable to its officers, directors and ten-percent stockholders with respect to the fiscal year ended September 30, 2009 were filed with the exception that the company has not yet received copies of Form 3 ownership reports from our Directors Richard Siber and Laurence Dunn.

Code of Ethics

On December 1, 2004 we adopted a Code of Ethics that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of our Code of Ethics will be provided to any person requesting same without charge. To request a copy of our Code of

Ethics please make written request to our President c/o Single Touch Systems Inc. at 2235 Encinitas Blvd., Suite 210, Encinitas, CA 92024.

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Single Touch Systems, Inc.

Board of Director Meetings and Committees

The Board of Directors has held several meetings during the year ended September 30, 2009 and has acted through unanimous consent resolutions.

Our current Board of Directors consists of four members. Our directors hold office until the earlier of their death, resignation or removal or until their successors have been qualified. None of our directors receive any remuneration for acting as such. Directors may however be reimbursed their expenses, if any, for attendance at meetings of the Board of Directors.

Our Board of Directors may designate from among its members an executive committee and one or more other committees. No such committees have been appointed to date. Accordingly, we do not have an audit committee or an audit committee financial expert. We are presently not required to have an audit committee financial expert but intend to retain one in conjunction with the growth of our business. We have determined that for the purpose of and pursuant to the instructions of item 407(d) of regulation S-K titled Audit Committee Financial Expert, we do not currently have a member that possesses the attributes of an audit committee financial expert.

Similarly we do not have a nominating committee or a committee performing similar functions. Presently, our entire board serves the functions of an audit committee and a nominating committee. We have not implemented procedures by which our security holders may recommend board nominees to us but expect to do so in the future. The Board is expected to appoint an audit committee, nominating committee and compensation committee, and to adopt charters relative to each such committee. Until further determination by the Board, the full Board will undertake the duties of the audit committee, compensation committee and nominating committee.

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Single Touch Systems, Inc.

Item 11. 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, 2009 to:

- all individuals that served as our chief executive officer, chief financial officer or acted in a similar capacity for us at any time during the fiscal year ended September 30, 2009 and
- all individuals that served as executive officers of ours at any time during the fiscal year ended September 30, 2009 that received annual compensation during the fiscal year ended September 30, 2009 in excess of \$100,000.

SUMMARY COMPENSATION TABLE

<u>Position</u>	<u>Year</u>	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)

Current Officers/Directors

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Anthony Macaluso (1)	2009	275,000	0	0		0	0	2
Chief Executive and Financial Officer	2008	275,000	0	3,150,000	376,800	0	0	3,
James S. Darcy (2)	2009	180,000	0	0	12,560	0	0	1
Senior Vice President -Carrier Relations	2008	180,000	0	315,000	0	0	0	4

Notes:

- (1) During 2008, the Company issued Mr. Macaluso 3,000,000 shares of its common stock for accrued compensation of \$3,150,000, of which \$1,525,000 was incurred during 2008 and \$1,575,000 was incurred during 2007. The compensation was valued based upon the estimated fair value of the 3,000,000 shares of the Company's common stock. In 2008, the Company granted Mr. Macaluso 6,000,000 options to purchase the Company's common stock at price per share of \$1.375 per share. Compensation expense for the year ended September 30, 2008 was \$376,800
- (2) Mr. Darcy is currently employed at will and receives an annual salary of \$180,000. Mr. Darcy received a bonus of common stock in March of 2008 of 225,000 shares valued at \$315,000. In 2008, the Company granted Mr. Darcy 400,000 options to purchase the Company's common stock at price per share of \$1.375 per share. 200,000 options vested on July 28, 2009 and 200,000 options vest on July 28, 2010. In 2009, \$12,560 was recognized as compensation on the July 2009 vesting of the 200,000 options.

We had no pension plans or plans or agreements which provide compensation on the event of termination of employment or change in control of us and have therefore eliminated a column specified by Item 402 (c)(2) titled "Change in Pension Value and Nonqualified Deferred Compensation Earnings (h)" in the above Summary Compensation Table

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Single Touch Systems,
Inc.

Director Compensation

<u>Name</u>	<u>Year</u>	Fees Earned Or			Nonqualified Non-Equity Deferred		All Other Compensation	Total
		Paid In Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Incentive Plan Compensation (\$)	Earnings (\$)		
Anthony Macaluso	2009	0	0	3,140 (1)	0	0	0	0
Director	2008	0	0	0	0	0	0	0
James Cassina.	2009	0	0	3,140(1)	0	0	0	0
	2008	0	0	0	0	0	0	0
Laurence Dunn	2009	0	0	3,140(1)	0	0	0	0
Director	2008	0	0	0	0	0	0	0
Richard Siber	2009	0	0	3,140(1)	0	0	0	0
Director	2008	0	0	0	0	0	0	0

(1) Compensation recognized on the vesting of 50,000 options granted to each Director.

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. Similarly, we have no contracts, agreements, plans or arrangements, whether written or unwritten, that provide for payments to the named executive officers or any other persons following, or in connection with the resignation, retirement or other termination of a named executive officer, or a change in control of us or a change in a named executive officer's responsibilities following a change in control.

No family relationships exist among any directors, executive officers, or persons nominated or chosen to become directors or executive officers.

Employment Agreements

None of our employees have written employment agreements. All of our other employees are employees at will and can be terminated upon notice. We pay employees for national holidays and vacation time of one week per year. We provide Medical benefits for the employee only and do not currently provide any other benefit or retirement programs. 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 expect to enter into formal employment agreement with our other executive officers and key employees in the near future.

We have several employees with compensation rates in excess of \$100,000 per year that are not officers or key employees as they could be replaced without significantly impacting our operations. These employees consist primarily of technical staff.

Compensation of Directors

There are currently no compensation arrangements in place for members of the Board of Directors acting as such. We expect to establish these arrangements as new members are appointed to the Board of Directors. Directors may however be reimbursed their expenses, if any, for attendance at meetings of the Board of Directors.

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Single Touch Systems, Inc.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder

Matters

Beneficial Ownership Table

The following table sets forth, as of September 30, 2009; the beneficial ownership of Single Touch Systems, Inc. common stock by each person known to the company to beneficially own more than five percent (5%) of the company's common stock, including options, outstanding as of such date 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 and that person's address is c/o Single Touch Systems Inc., 2235 Encinitas Blvd, Suite 210, Encinitas, CA 92024. Shares of Common Stock subject to options, warrants, or convertible notes currently exercisable or convertible or exercisable or convertible within 60 days of the Closing Date of the Merger 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.

5% Owners

Medial Provider Financial Corporation IV (5)	12,700,000	9.7%
----------------------------------------------	------------	------

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Dan Ayala (6)	3,732,309	2.6%
Streamworks Technology Inc (7)	5,500,001	4.2%
Officers and Directors as a Group	64,876,431	49.6%

*Less than 1%.

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Single Touch Systems, Inc.

- (1) Based on 64,442,417 shares of Common Stock Issued and outstanding on September 30, 2009 and including 36,419,334 exercisable Options/Warrants outstanding and convertible notes exercisable into 29,911,950 shares. All totaling 130,773,701 common shares if all instruments were exercised.
- (2) 18,054,340 shares are beneficially owned. Includes 5,000,000 shares of Common Stock issuable upon exercise of warrants exercisable within 60 days of September 30, 2009 and 29,911,950 shares of Common Stock issuable upon conversion of convertible notes convertible within 60 days of September 30, 2009.

Includes 6,000,000 options to purchase the Company's common stock at price per share of \$1.375 per share the Company granted Mr. Macaluso in 2008.
- (3) Consists of 1,412,500 shares of Common Stock issuable upon exercise of warrants exercisable within 60 days of September 30, 2009 and 50,000 options.
- (4) Includes 1,940,000 shares of Common Stock issuable upon exercise of warrants and options to buy exercisable within 60 days of September 30, 2009 (800,000 warrants are owned by Core Energy Enterprises, Inc., a corporation in which Mr. Cassina is the controlling shareholder.). 1,557,331 shares are beneficially owned by James Cassina. 391,305 shares are beneficially owned by Spring Capital Corp., a corporation in which Mr. Cassina is the controlling shareholder. 458,805 shares are beneficially owned by Core Energy Enterprises, Inc., a corporation in which Mr. Cassina is the controlling shareholder.
- (5) The address for Medial Provider Financial Corporation IV is 2100 South State College Boulevard, Anaheim, CA 92806.
- (6) The address for Dan Ayala is 2221 Plaza Del Robles, Las Vegas, NV 89102.
- (7) Streamworks Technology Inc. includes 1,833,344 warrants

Based on 64,442,417 shares of Common Stock issued and outstanding on September 30, 2009; the officers and directors as a group beneficially own 20,561,781 issued and outstanding shares comprising 32% of the Common Stock issued and outstanding on September 30, 2009.

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Single Touch Systems, Inc.

Equity Compensation Plan Information

Equity Compensation Plan Information

Number of Securities to be	Weighted-average	Number of securities remaining available for future
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	issued upon exercise of outstanding options, warrants and rights (a)	exercise price of outstanding options, warrants and rights (b)	issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
<hr/>			
Equity compensation plans approved by			
<hr/>			
security holders	8,675,000	1.375	125,0
<hr/>			
Equity compensation plans not approved by			
<hr/>			
security holders	N/A	N/A	1,920,0
Total	8,675,000	1.375	125,0

In April 2008 we terminated the Hosting Site Network, Inc. 2002 Non-Statutory Stock Option Plan (the "2002 Plan") and adopted the 2008 Stock Plan (the "2008 Plan"). No options were ever issued under the 2002 Plan. The 2008 Plan is intended to advance our interests by inducing individuals of outstanding ability and potential to join, remain with, or provide consulting or advisory services to us and our affiliates, by encouraging and enabling eligible employees, non-employee directors, consultants and advisors to acquire proprietary interests in us, and by providing the participating employees, non-employee directors, consultants and advisors with an additional incentive to promote our success. This is accomplished by providing for the granting of incentive stock options, non-qualified stock options, stock appreciation rights and restricted stock to eligible persons. The 2008 Plan is presently administered by our board of directors but may be subsequently administered by a compensation committee designated by our board of directors.

The stock subject to options granted under the 2008 Plan is shares of our common stock, par value \$.001 per share, whether authorized but unissued or held in our treasury. The maximum number of shares of common stock which may be issued pursuant to options and awards granted under the 2008 Plan shall not exceed in the aggregate eight million, eight hundred thousand (8,800,000) shares, subject to adjustment in accordance with the provisions of Section 13 of the 2008 Plan. In the event that our outstanding common stock is subsequently changed by reason of combination of shares, reverse split, stock dividend or the like, an appropriate adjustment will be made by the 2008 Plan administrator in the aggregate number and kind of shares to be subject to the 2008 Plan and the awards then outstanding or to be granted, the maximum number of shares which may be granted under the 2008 Plan, the per share exercise price of options and the terms of awards. If we are reorganized, consolidated, or merged with another corporation, the holder of an option or award may be entitled to receive upon the exercise of his option or award the same number and kind of shares of stock or the same amount of property, cash or securities as he would have been entitled to receive upon the happening of any such corporate event as if he has been, immediately prior to such event, the holder of the number of shares covered by his option or award.

No option or award granted under the 2008 Plan is transferable by the individual or entity to whom it was granted otherwise than by will or laws of descent and distribution, and, during the lifetime of such individual, is not exercisable by any other person, but only by him.

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Single Touch Systems, Inc.

In December 2009 the Company adopted the "2009 Employee and Consultant Stock Plan" ("2009 Plan") to provide compensation in the form of common stock ("Common Stock") of Single Touch Systems, Inc. ("Corporation") to employees and eligible consultants.

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The Plan is administered by the Board of Directors of the Corporation who may from time to time (i) issue orders or adopt resolutions not inconsistent with the provisions of this Plan and (ii) interpret the provisions and supervise the administration of the Plan.

The total number of shares of Common Stock subject to this Plan is 2,000,000.

Options

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:

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

The 6,000,000 options that vest on July 28, 2008 were granted to the Company's president.

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

	<u>Number</u>		<u>Weighted</u>
	<u>of shares</u>		<u>average</u>
			<u>exercise</u>
			<u>price</u>
Outstanding - September 30, 2007	6,769,000	\$	0.94
Granted	18,282,000		1.30
Exercised	-		-
Canceled	-		-
Outstanding - September 30, 2008	25,051,000	\$	1.20
Granted	12,833,334		1.01
Exercised	(90,000)		0.01
Canceled	-		-
Outstanding - September 30, 2009	37,794,334	\$	1.14

Of the 37,794,334 options and warrants granted at September 30, 2009, a total of 36,419,334 are exercisable.

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Single Touch Systems, Inc.

Item 13. Certain Relationships and Related Transactions

Our President, Anthony Macaluso, is currently a majority shareholder of Soapbox Mobile, Inc. which is providing the use of server equipment to Single Touch at a monthly rate of \$4000 per month. This is a month to month agreement and is not material to Single Touch revenues at this time. The board has reviewed the terms of this agreement and has determined that the fee is not excessive based on Soapbox Mobile's costs associated with the equipment.

Single Touch entered into an agreement with Activate, Inc., a corporation wholly owned by Single Touch's President. Activate holds a license on certain applications on which Single Touch licensed to a third party. Activate has sublicensed the applications to Single Touch 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 Single Touch.

In June of 2008, Single Touch issued stock warrants to Laurence Dunn, a Director as consideration for consulting services. Mr. Dunn's consulting services were as a strategic advisor performing corporate planning, strategic consulting projects, mergers and acquisition advise, introduction to institutional groups, financial engineering services and related services. The warrants were for the purchase of 1,000,000 shares of Single Touch's common stock at a price of \$0.01 per share.

Single Touch engages Richard Siber, a director, on a cash basis for consulting services through SiberConsulting which provides technical and marketing services to the wireless industry. Mr. Siber received a total of \$80,000 in cash compensation for the year ended September 30, 2008.

During 2008, the Company accrued compensation to its President of \$1,050,000. The compensation was valued based upon the estimated fair value of the 750,000 shares of the Company's common stock that were issued in consideration for these services. Also during 2008, the Company issued 2,500,000 shares of its common stock in consideration for the cancellation of \$375,000 of indebtedness due him.

On July 15, 2008, the Company entered into a new employment agreement with its President. The term of the new agreement is through December 31, 2008. Under the new agreement, the President received an annual salary of \$275,000 and will receive 1,500,000 shares of common stock for accrued compensation. The 1,500,000 shares were issued on July 24, 2008.

As of July 15, 2008 Mr. Macaluso has converted outstanding amounts due him, including accrued salary, loans to Single Touch, amounts owed to him through his companies Activate, Inc. and Activate Sports LLC and any accrued interest into three promissory notes in the aggregate principal amount of \$2,954,514 due on demand which otherwise mature on July 15, 2010. The notes bear interest at the rate of 8% and are convertible on demand at the rate of \$0.08 per share.

In 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 the Company's common stock. Activate Sports, LLC is wholly owned by the Company's President.

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Single Touch Systems, Inc.

Item 15. Principal Accountant Fees and Services

(1) Audit Fees

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of the registrant's annual financial statements and review of financial statements included in the registrant's Form 10-K or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal years ending September 30, 2009 and 2008 were: \$52,250 and \$36,500, respectively.

(2) Audit-Related Fees

No aggregate fees were billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of the registrant's financial statements and are not reported under item (1) for the fiscal years ending September 30, 2009 and 2008.

(3) Tax Fees

No aggregate fees were billed for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning for the fiscal years ending September 30, 2009 and 2008.

(4) All Other Fees

No aggregate fees were billed for professional services provided by the principal accountant, other than the services reported in items (1) through (3) for the fiscal years ending September 30, 2009 and 2008.

(5) Audit Committee

The registrant's Audit Committee, or officers performing such functions of the Audit Committee, have approved the principal accountant's performance of services for the audit of the registrant's annual financial statements and review of financial statements included in the registrant's Form 10-K or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for the fiscal year ending September 30, 2009. Audit-related fees, tax fees, and all other fees, if any, were approved by the Audit Committee or officers performing such functions of the Audit Committee.

(6) Work Performance by others

The percentage of hours expended on the principal accountant's engagement to audit the registrant's financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was less than 50 percent.

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Single Touch Systems, Inc.

Item 15. Exhibits, Financial Statement Schedules

Single Touch Systems, Inc. includes by reference the following exhibits:

- 3.1 Certificate of Incorporation of Hosting Site Network, Inc., (presently known as Single Touch Systems Inc.) filed November 8, 2001, as exhibit 3.1 with the registrant's Registration Statement on Form SB-2 (SEC File No. 333-73004), as amended; which exhibit is incorporated herein by reference.
- 3.2 Certificate of Amendment to Certificate of Incorporation of Hosting Site Network, Inc., (presently known as Single Touch Systems Inc.) filed April 11, 2002, as exhibit 3.2 with the registrant's Registration Statement on Form SB-2 (Post Effective Amendment No. 3) (SEC File No. 333-73004), as amended; which exhibit is incorporated herein by reference.
- 3.3 Certificate of Amendment to Certificate of Incorporation of Hosting Site Network, Inc., (presently known as Single Touch Systems Inc.) filed July 31, 2008, as exhibit 3.3 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.
- 3.4 By-Laws of Hosting Site Network, Inc., (presently known as Single Touch Systems Inc.) filed November 8, 2001, as exhibit 3.2 with the registrant's Registration Statement on Form SB-2 (SEC File No. 333-73004), as amended; which exhibit is incorporated herein by reference.
- 3.5 Amended and Restated By-Laws of Hosting Site Network, Inc., (presently known as Single Touch Systems Inc.) filed February 8, 2002, as exhibit 3.3 with the registrant's Registration Statement on Form SB-2 (Post Effective Amendment No. 2) (SEC File No. 333-73004), as amended; which exhibit is incorporated herein by reference.
- 4.1 Single Touch Interactive, Inc. \$2,319,511.64 Convertible Promissory Note dated July 24, 2008 filed July 31, 2008, as exhibit 4.11 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004), as amended; which exhibit is incorporated herein by reference.
- 4.2 Form of Warrant - filed July 31, 2008, as exhibit 4.10 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.

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- 4.3 Form of Class [A] Warrant - filed July 31, 2008, as exhibit 4.8 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.
- 4.4 Form of Class [B] Warrant - filed July 31, 2008, as exhibit 4.9 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.
- 10.1 Non-exclusive Special Advisory Services Agreement with Peltz Capital Management, LLC [] Warrant and Registration Rights Agreement; Inclusive - October 30, 2008 filed November 5, 2008, as exhibit 10.1 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.
- 10.2 2008 Stock Option Plan for Single Touch Systems, Inc. (formerly Hosting Site Network, Inc.) - filed July 31, 2008, as exhibit 10.10 with the registrant's Current Report on Form 8-K (SEC File No. 333- 73004); which exhibit is incorporated herein by reference.
- 10.3 2009 Employee and Consultant Stock Plan for Single Touch Systems, Inc. - filed December 8, 2009, as exhibit 4 with the registrant's Registration on Form S-8 (SEC File No. 333-163557); which exhibit is incorporated herein by reference.

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Single Touch Systems, Inc.

- 10.4 Loan and Security Agreement by and between Single Touch Systems, Inc. and Fort Ashford Funds, LLC. dated December 5, 2008, filed December 29, 2009, as exhibit 10.2 with the registrant's Report on Form 10-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.
- 10.5 Change in Terms Agreement dated June 24, 2009; RE: Loan and Security Agreement by and between Single Touch Systems, Inc. and Fort Ashford Funds, LLC. dated December 5, 2008; filed August 19, 2009, as exhibit 10.12 with the registrant's Current Report on Form 10-Q (SEC File No. 000-53744); which exhibit is incorporated herein by reference.
- 10.6 Services Agreement 20071210.103.C Between Single Touch Interactive, Inc. and AT&T Services, Inc. dated April 11, 2008; filed January 14, 2010, as exhibit 10.6 with the registrant's Report on Form 10-K (SEC File No. 000-53744); which exhibit is incorporated herein by reference.
- 10.7 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; filed January 14, 2010, as exhibit 10.7 with the registrant's Report on Form 10-K (SEC File No. 000-53744); which exhibit is incorporated herein by reference.
- 14.1 Code of Ethics filed with the Securities and Exchange Commission on December 21, 2004 as an exhibit, numbered as indicated above, to the Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 2004, which exhibit is incorporated herein by reference; which exhibit is incorporated herein by reference.
- 21 List of Subsidiaries - filed July 31, 2008, as exhibit 21 with the registrant's Current Report on Form 8-K (SEC File No. 333-73004); which exhibit is incorporated herein by reference.

Single Touch Systems, Inc. includes herewith the following exhibits:

- 23.1 Consent of Certified Public Accountants [] Weaver & Martin, LLC
- 31.1 Certification of Principal Executive Officer and Principal Accounting Officer (Rule 13a-14(a)/15d-14(a))
- 32.1 Certification of Principal Executive Officer and Principal Accounting Officer (18 U.S.C. 1350)

Single Touch Systems, Inc. includes herein the following financial statements:

Report of Independent Registered Public Accounting Firm □ Weaver and Martin LLC Financial Statements Consolidated Balance Sheets as of September 30, 2009 and September 30, 2008 Consolidated Statements of Operations for the years ended September 30, 2009 and 2008 Consolidated Statements of Cash Flows Statement of Stockholders' Equity from October 1, 2007 through September 30, 2009 Notes to Financial Statements

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Single Touch Systems, Inc.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Single Touch Systems, Inc.

Registrant

Date: March 1, 2010

By: \s\ Anthony Macaluso, President

Anthony Macaluso, President

Principal Executive Officer and Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 1, 2010

By:

\s\ Anthony Macaluso, President

Anthony Macaluso, President

Principal Executive Officer and Principal Accounting Officer

Date: March 1, 2010

By:

\s\ Laurence Dunn, Director

Laurence Dunn, Director

Date: March 1, 2010

By:

\s\ Richard Siber, Director

Richard Siber, Director

Date: March 1, 2010

By:

\s\ James Cassina, Director

James Cassina, Director

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