



ENTELLECT LIMITED
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7 August 2012

Andrew Weaver
Adviser, Listings (Sydney)
20 Bridge Street
Sydney NSW 2000

By email only: andrew.weaver@asx.com.au

Dear Andrew

Entellect Solutions Limited (the Company)

We refer to your letter to the Company dated 6 August 2012.

We respond to each of your queries as follows (adopting your numbering):

1. **(Cash to fund future activities)** The Board is aware that the Company's current cash reserves are limited relative to the Company's current operating expenses. As previously announced to the market, the Company is scheduled to launch its educational games portal, KNeo World, by September 2012 and anticipates customer receipts from the commercialisation of its KNeo World games bundle to be reflected in the quarter ending 31 December 2012.

In addition, the Board is well underway in finalising a convertible note issue to raise \$600,000 (of which \$300,000 has already been committed). Subject to finalisation of negotiations, the Company expects to be in a position to formally announce the completion of the issue of the convertible note within the next two (2) weeks.

2. **(Negative operating cash flows)** In the absence of extraordinary items, the Board expects the Company to report an improved but still negative operating cash flow for the current quarter similar to that reported for the quarter ended 30 June 2012. Also we refer to the response given in relation to question 1 above.
3. **(Ability to meet business objectives)** See comments in relation to question 1 above.

4. **(Compliance with Listing Rules)** The Board confirms that the Company is in compliance with the Listing Rules, particularly Listing Rule 3.1. The Board confirms further that should the convertible note issue referred to in response to question 1 progress to a stage which would warrant disclosure under Listing Rule 3.1, it will immediately release such information to the ASX.
5. **(Compliance with Listing Rule 12.2)** The Board confirms that the Company is in compliance with Listing Rule 12.2, and refers once more to the response given in relation to question 1 above.

We trust this information answers your concerns.

Yours sincerely



Sophie Karzis
Company Secretary



ASX Markets Supervision Pty Ltd
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20 Bridge Street
Sydney NSW 2000
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6 August 2012

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Sophie Karzis
Company Secretary
Entellect Limited
Level 3, 1 Collins Street
Melbourne
Victoria 3000

By Email Only

Dear Ms Karzis,

Entellect Solutions Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 June 2012 released to ASX Limited ("ASX") on 26 July 2012 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$598,000.
3. Cash at end of quarter of \$420,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, taking into account future administration costs, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email to **andrew.weaver@asx.com.au** or on **facsimile number (02) 9241 7620**. It should not be sent to the Market Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than close of business **5 p.m. A.E.S.T. on Wednesday, 8 August 2012**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries, please do not hesitate to contact me.

Yours sincerely,

[sent electronically without signature]

Andy Weaver

Adviser, Listings (Sydney)