



Chief Executives Officer's Presentation

2013 Annual General Meeting

29 November 2013

James Kellett, Chief Executive Officer
Entellec Limited

Today's Presentation

- Recent Milestones
- KNeoWORLD – our product
- All roads lead to mobile Games Based Learning
- Rapidly changing face of games monetization
- KNeoWORLD's monetisation advantage

Recent Milestones

- October 2013 KNeoWORLD iTunes App approved for child market after satisfying Child Online Privacy Protection Act (COPPA)
- November 2013 KNeoWORLD awarded the prestigious Parent Tested Parent Approved Award in US validating the games portal in the child market
- November 2013 \$475,000 Convertible loan capital raising completed
- Initial 56 school registrations received under the US Parent Teacher Association (PTA) collaborative sales initiative; we look forward to reporting the quarterly revenue
- Currently pricing ADR program to enable US investors to participate in Entellect and provide greater liquidity
- Yesterday we commenced our first non-deal roadshow in Melbourne to institutional and professional investors

KNeoWORLD – our product

- KneoWORLD is a publishing house that sells engaging educational games through its epic futuristic KNeoWORLD.com Games Portal in the exciting education by entertainment games sector.*
- Games are licenced from independent developers, subtly infused with educational content and sold via micro subscriptions for broader access including added services, play levels and activities in KNeoWORLD.
- Player achievement is measured via proprietary educational metrics with games efficacy and validation provided by teachers, educators and universities.
- Our market is parents of 5-12 year who seek safe and engaging games with educational content. Equally important are the children themselves who want engaging games and more recently, young adults seeking new and interesting games and content

**Numerous studies are available that confirm the acceleration of learning by the use of compelling games with educational content played electively as an adjunct to home and school work.*

KNeoWORLD – our product in the USA

Marketing is primarily via US school Parent Teacher Associations as a fund raising initiative and direct to online consumers via social media.

KNeoWORLD has established a sales and marketing initiative with the USA Parent Teacher Association (PTA) as a fund raising sales initiative, PTA.KNeoWORLD.com.

This collaboration assists our access to at least 60,000 elementary and middle schools and 23 million students in our target market. Under the fund raising initiative a 50% royalty is paid to the individual school PTA for each subscription taken out by parents.

- US schools heavily reliant on PTA fund raising
- Alternative products now limited due to health and safety and other restrictions.
- Originally market tested in California and Texas and since the approval of our iTunes App we are proceeding to roll out to all US states with 56 school registrations received and we look forward to reporting the quarterly revenue

KNeoWORLD – our product worldwide

- KNeoWORLD is being marketed initially in the US however there is no restriction to other regional access and substantial traffic is already being received from China, South America and Europe
- A parallel strategy will focus on countries with large populations in the suitable demographic and therefore compelling revenue potential. These countries will include South America, Europe and certain regions in Asia. Entellect has established tactical partners for all these jurisdictions.
- Our Apps are now available globally



KNeoWORLD – our product worldwide

2012-2017 Worldwide Game-based Learning Market

The Worldwide Game-based Learning market reached \$1.5 billion in 2012. The global growth rate is 8.3% and **revenues will reach \$2.3 billion by 2017.**

Game-based Learning by Region***	2012 Revenues in \$US Millions	2017 Revenues in \$US Millions	Five Year CAGR 2012-2017
North America	\$359.18	\$582.00	10.1%
Latin America	\$26.94	\$71.59	21.6%
Western Europe	\$96.98	\$113.49	3.2%
Eastern Europe	\$13.65	\$29.10	16.3%
Asia	\$1,029.43	\$1,475.01	7.5%
The Middle East	\$4.31	\$9.89	18.1%
Africa	\$17.96	\$28.52	9.7%
Total	\$1,548.44	\$2,309.60	8.3%

*** Includes custom content development services revenue

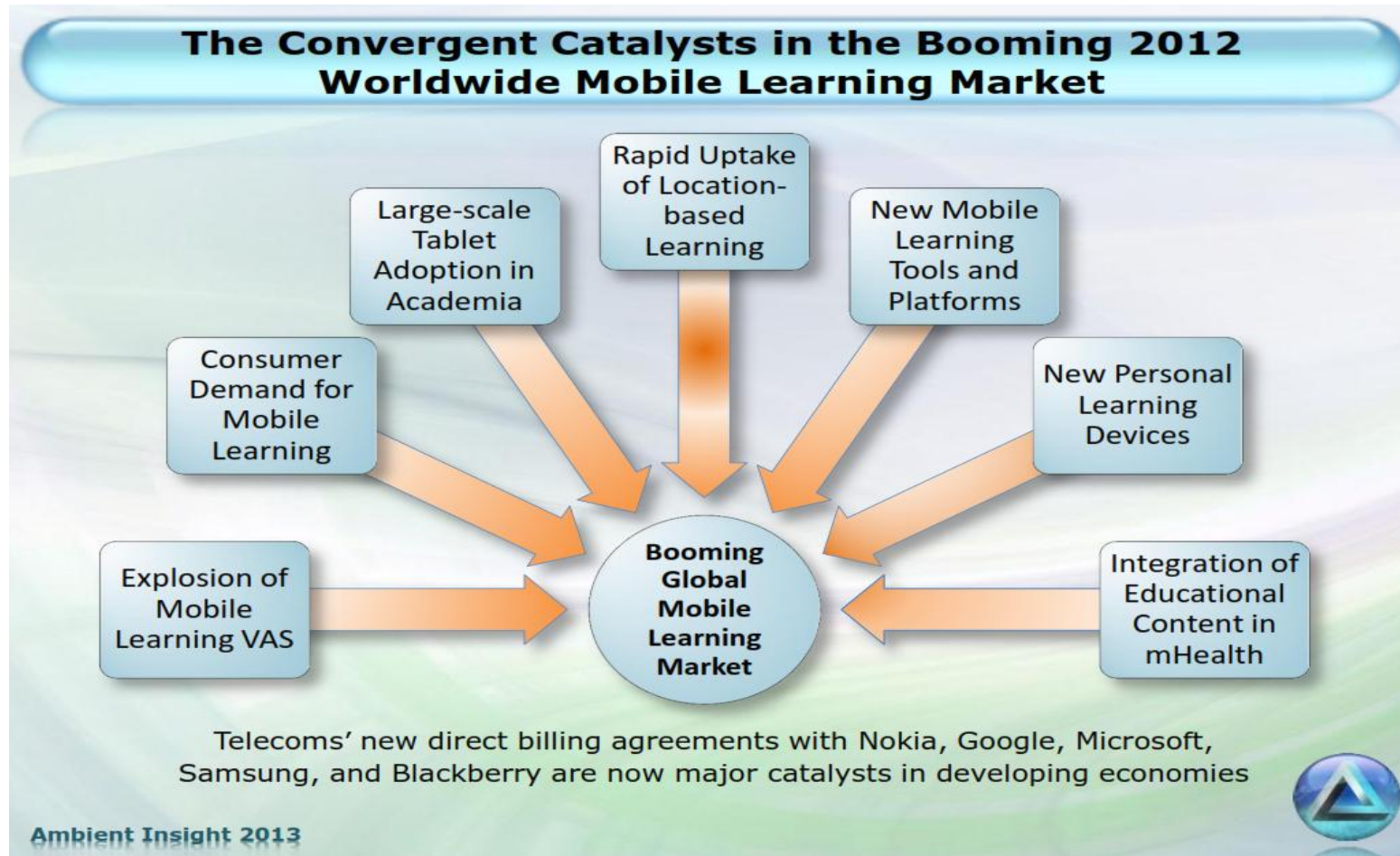


KNeoWORLD – our product worldwide



All Roads Lead to Mobile – global GBL

KNeoWORLD has developed its mobile strategy with iTunes and Android Apps to meet the mobile market drivers explained below:



All Roads Lead to Mobile - US GBL

2012-2017 North America Edugame Forecast: All Roads Lead to Mobile

- Revenues for mobile edugames reached \$190.5 million in 2012. The growth rate (CAGR) is 15.3% and revenues will **more than double to** \$388.2 million by 2017
- In contrast, revenues for PC/Web/Console edugames are in relatively steep decline

North America Edugame Delivery Platform*	2012 Revenues in \$US Millions	2017 Revenues in \$US Millions	Five Year CAGR 2011-2016
Mobile Edugames	\$190.56	\$388.02	15.3%
Non-mobile Edugames	\$117.02	\$71.93	-9.3%
Total	\$307.58	\$459.95	8.4%

*Does not include custom content development services revenue

Ambient Insight 2013



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Rapidly changing games monetization

- For many a great problem, for KNeoWORLD a great opportunity
- Past revenue models for children and adults alike have principally been **free to play** then monetized with:
 - Pop-up advertising, breach of privacy and abuse personal data
 - In App purchases with added contextual links to increase spending



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Mother's horror after her ten-year-old son racks up £600 bill in just three hours on a FREE iPhone game

- Lee Walters paid £19 a go for virtual diamonds and gold coins on 'Hay day'
- His angry mother Katharyne claims that her old iPhone saved a password
- Apple has agreed to refund the cash but says users should be careful

By MARTIN ROBINSON
PUBLISHED: 10:00 EST, 17 June 2013 | UPDATED: 11:40 EST, 17 June 2013

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A ten-year-old schoolboy racked up a £600 bill in three hours by playing an iPhone game downloaded for free.

Lee Walters from Streetly in the West Midlands downloaded the 'Hay Day' app on his mother's old iPhone - and paid £19 a time to buy virtual diamonds and gold coins.

OFT to look into smartphone games with costly in-app add-ons

Reports of children running up bills for hundreds of pounds by clicking through to paid-for content sparks investigation

Hilary Osborne

The Guardian, Thursday 11 April 2013

 Jump to comments (173)

Rapidly changing games monetization

The abuse has been rife:

Child Racks Up \$6,000 Bill for In-App Purchases, Apple Refunds the Amount

by István Fekete on Monday, July 22nd, 2013 - 7:36am PDT

Leaving a child without supervision — and especially without parental control — to play a game on an iPad could have disastrous consequences, as it did for the British dad who had to sell his car and two motorcycles to pay the bill for in-app purchases. Although the games are free, the 8-year-old girl spent £4,000 while playing them, *The Sun reports* (via CNET). Fortunately for the iDad, Apple refunded the amount.



Free to play but with a gambling algorithm more addictive than Shopping?

Women Spend Over \$600,000 Per Day On Candy Crush



Rapidly changing games monetization

The Apps world is changing very quickly:

Apps firm fined £250k for 'misleading' subscriptions in children's apps

UK regulator PhonepayPlus says one parent charged more than £100 after child signed up through battery-life upgrade app

Stuart Dredge

guardian.co.uk, Thursday 25 July 2013 10.33 BST

 [Jump to comments \(4\)](#)

This was an Australian App provider and as with the US Child Online Privacy Protection Act (COPPA), regulatory enforcement is now borderless.

KNeoWORLD's monetisation advantage

- COPPA has restricted the content, external promotional links, use of personal data and any identifying data of children under 13 years
- Offices of Fair Trading in many jurisdictions are applying heavy penalties for misleading advertising and conduct
- iTunes' new curated store for children is not only applying the strictest application of COPPA but also stringent parent gates (approval) and bans on; in App purchases, pop-up advertising and external links
- **Effectively the 2 most common forms to monetize children's games are being shut down**
- **In this rapidly changing environment [KNeoWORLD's](#) Apps are fully compliant and our parent approved simple subscription model provides us with a great opportunity to quickly deploy in a product vacuum and become a market leader**

Thank you for attending



James Kellett
Chief Executive Officer
29 November 2013

