

6 February 2013

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

By email only: Andrew.Weaver@asx.com.au

Dear Andrew

Entellect Limited (the Company)

We refer to your letter to the Company dated 1 February 2013.

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 has launched its educational games portal, KNeoWORLD; and as foreshadowed the Company has now commenced generating revenue from the commercialisation of the KNeoWORLD games bundle. This revenue (from customer receipts) is reflected in the Appendix 4C ending 31 December 2012. With regard to the trends of general public response to the KNeoWORLD games portal and its successive games bundles, the Board expects that the Company will continue to generate revenue from KNeoWORLD at a steadily increasing rate.

Further, the Board has been consistently reducing the Company's operating expenses. Entellect expects that this reduction in operating expenses, together with the increased revenue generation from the Company's KNeoWORLD educational games portal, will result in its net cash outflows being reduced to below \$400,000 for the quarter ending 31 March 2013. The Company notes that its net operating cash outflows have been steadily decreasing (from \$598,000 and \$480,000 in the previous two quarters respectively to \$450,000 in the quarter ended 31 December 2012).

In addition, as previously announced to the market, the Company is exploring further capital raising initiatives to raise further funds, and is close to finalising the terms of a share placement to raise \$160,000 to \$200,000. The Company intends to apply these funds to its working capital requirements, and to support the Company's broader marketing of KNeoWORLD to expedite revenue and positive cash flow.

The Board continues to receive expressions of financial support for the ongoing development and commercialisation of KNeoWORLD from several sophisticated investors, and believes that this support, together with an increase in revenues, will

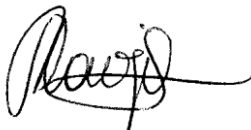


facilitate positive cash flow through profitability. The Company will keep the market informed of any developments on this front.

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. 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 further confirms that any determinations made by the Board in relation to further capital raising will be immediately notified 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



1 February 2013

Ms Sophie Karzis
Company Secretary
Entellect Limited
Level1, 61 Spring Street
Melbourne, Victoria 3000

By Email

Dear Sophie

Entellect Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2012, released to ASX Limited ("ASX") on 31 January 2013 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$9,000.
2. Net negative operating cash flows for the quarter of \$152,992.
3. Cash at end of quarter of \$3,282.

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.

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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.D.T. on Wednesday, 6 February 2013**.

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.

Yours sincerely,

[Sent electronically without signature]

Andy Weaver
Adviser, Listings (Sydney)