

31 January 2014

ASX/Media Release

Commencement of Parent Subscription Revenue and Appendix 4C

Entellect Limited (**ESN** or the **Company**) is pleased to announce that the Company has commenced receiving revenue from KNeoWORLD subscriptions through the Parent Teacher Association (**PTA**) channel. Although at low initial levels, the subscriptions suggest that a conversion trend has been established in the execution of the PTA sales initiative across the USA.

Individual school PTA registrations increased by 32% from 56 to 74 from 1 December 2013 to date, notwithstanding the virtual continual closure of schools during the Thanksgiving and Winter Term school vacations, further impacted by snow storm safety closures throughout much of the U.S. Importantly, this registration increase was achieved on a significantly scaled-down marketing program during the closure period.

The PTA sales initiative is a collaboration with the USA National PTA organisation which the Company expects will assist access to at least 50,000 elementary and middle schools and 23 million students in the target market. The program is being run as a PTA fund raising initiative with a royalty paid to the individual school PTA for each subscription taken out by parents for their children. On very modest take up levels at the monthly \$5 subscription, or \$50 per annum, the Company expects a significant increase in its net revenue.

In other developments and in response to PTA and parents' feedback, the KNeoWORLD user interface is being updated over the next few days and visitors to www.KNeoWORLD.com will shortly notice substantially updated home and registration pages and much simpler navigation to all parts of KNeoWORLD and games.

The Company also releases its Appendix 4C for the December quarter. As previously announced to the market by Appendix 3B, the Company raised \$575,000 during the quarter and in addition has received option exercise applications totaling \$150,000 from sophisticated investors.

The Board is aware that the Company's cash reserves are limited relative to the Company's current operating expenses. As reflected in the Appendix 4C, during the quarter the Company's expenses included a number of extraordinary items such as financing expenses in raising additional capital and further market development activities and contract software development for the KNeoWORLD Games Portal to expand the KNeoWORLD sales initiative to the USA PTA nationally. The PTA sales initiative began on 15 August 2013 and further refinement and development was undertaken subsequent to its launch; this delay impeded revenue attainment which the Directors are cautiously optimistic will steadily grow. The costs associated with the additional financing, marketing and development activities are expected to diminish in coming quarters.

The Board expects the Company to report an improved but still negative cash flow for the current quarter. The Board continues to receive expressions of financial support for the development and ongoing commercialisation of KNeoWORLD from several sophisticated and professional investors. This includes option conversion applications to the value of \$100,000 for which it expects payment in 2 days.

The Company continues to execute its business plan in relation to the KNeoWORLD Games Portal and the Board believes it can secure sufficient funding to continue its KNeoWORLD sales initiative to the PTA nationally which is now expected to generate revenue at an increasing rate.

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.

For further information please contact:

James Kellett, Chief Executive Officer
Entellect Limited
T: (03) 9286 7500 M: 0439 805 070
E: james.kellett@entellect.com.au

Sophie Karzis, Company Secretary
Entellect Limited
T: (03) 9286 7500
E: sk@ccounsel.com.au

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Entellec Limited

ABN

41 009 221 783

Quarter ended ("current quarter")

31 December 2013

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	1	1
1.2 Payments for		
(a)staff costs	(163)	(305)
(b)marketing development	(6)	(55)
(c)research and development	(100)	(164)
(d)leased assets	-	-
(e)other working capital	(146)	(262)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(26)	(43)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net operating cash flows	(440)	(828)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(440)	(828)
Cash flows related to investing activities		
1.9 Payment for acquisition of:	-	-
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(3)	(5)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(3)	(5)
1.14 Total operating and investing cash flows	(443)	(833)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	200	525
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	459	500
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Capital raising cost	-	(20)
Net financing cash flows	659	1,005
Net increase (decrease) in cash held	216	172
1.21 Cash at beginning of quarter/year to date	65	117
1.22 Exchange rate adjustments to item 1.20	(10)	(18)
1.23 Cash at end of quarter	271	271

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	42
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

-

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

-

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Private equity placement commitments	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	271	65
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)		271	65

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-	-
5.2	Place of incorporation or registration	-	-
5.3	Consideration for acquisition or disposal	-	-
5.4	Total net assets	-	-
5.5	Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Authorised for electronic lodgement by James Kellett, **Chief Executive Officer**, on 31 January 2014

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.