

**ENTELLECT LIMITED
and Controlled Entities
ABN 41 009 221 783**

**ASX APPENDIX 4D - FINANCIAL REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

**Lodged with ASX under Listing Rule 4.2A
This information should be read in conjunction with 30 June 2014
Annual Report**

ENTELECT LIMITED AND ITS CONTROLLED ENTITIES FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2014

TABLE OF CONTENTS

	Page
Results for the Half-Year Ended 31 December 2014 – Appendix 4D	3
Directors' Report	4
Auditor's Independence Declaration	7
Financial Report for the Half-Year ended 31 December 2014	
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' Declaration	17
Independent Auditor's Review Report	18

Entellect Limited

Appendix 4D

HALF-YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2014

Name of Entity	Entellect Limited
Australian Business Number	41 009 221 783
Report for Half Year Ended:	31 December 2014
Previous corresponding Financial Year ended:	30 June 2014
And Half Year Ended:	31 December 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		% Change		\$
Revenues from ordinary activities	down	100	to	-
Other income	up	100	to	610,707
Loss from ordinary activities after tax attributable to members	down	38.1	to	580,903
Net loss for the period attributable to members (before non-controlling interest)	down	38.1	to	589,820

DIVIDENDS

Dividends (distributions)	Amount per share	Franked amount per share
Final dividend/Interim dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢
Record date for determining entitlements to the dividends	N/A	

EXPLANATION

As Entellect Limited (Entellect or the Company and its controlled entities) continued its product development for the half-year ended 31 December 2014, no revenue was received, a marginal reduction compared to the previous corresponding 2013 period of \$1,306.

The net loss from ordinary activities after tax attributable to members was \$580,903, a decrease of 38.1% over the previous corresponding period (2013: net loss \$938,508) mainly attributable to a the receipt of other income \$610,707 under the Australian Government's Research and Development Tax Incentive Program and the containment of employee benefits cost and operating cost.

Net tangible asset backing per ordinary share at 31 December 2014 was (0.07) cents (30 June 2014: (0.07) cents). There was no gain or loss of control over any entities during the half-year ended 31 December 2014, although the segment reporting of the Company's dormant vPublisher division was discontinued. The Company does not propose to pay a dividend. No dividend or distribution plans are in operation.

Additional Appendix 4D disclosures can be found in the attached Directors' Report and the 31 December 2014 half-year financial statements.

This report is based on the consolidated 2014 half-year financial statements which have been reviewed by the Company's auditor with the Independent Auditor's Review Report included in the 31 December 2014 half-year financial statements.

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2014.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

The Directors present their report together with the financial statements of the consolidated entity consisting of Entellect Limited (**Entellect**, **ESN** or the **Company**) and its controlled entities (the **Group**), for the half-year ended 31 December 2014.

DIRECTORS

The following persons were Directors who held office during or since the end of the half-year:

Mr Andrew Plympton	Non-Executive Chairman,
Mr James Kellett	Executive Director, Chief Executive Officer
Mr Jeffrey Bennett	Non-Executive Director
Dr Nigel Finch	Non-Executive Director (resigned 13 February 2015)
Mr Franklin Lieberman	Non-Executive Director (appointed 9 February 2015)

Subsequent to the end of the half-year ended 31 December 2014, Dr Nigel Finch resigned as Non-Executive Director of the Company, effective 13 February 2015, and Mr Franklin Lieberman was appointed Non-Executive Director on 9 February 2015. All other Directors were in office from the start of the period to the date of this report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

KNeoWORLD

During the period, Entellect's 80% owned subsidiary KneoWORLD Pty Ltd (**KneoWORLD**) continued the development and enhancement of its game based learning portal KNeoWORLD.com and the upgrade of iOS and Android Apps for iTunes and Google Play stores including a major upgrade to iOS8 to meet the specifications of Apple's new iPhone6 and related products.

In September 2014, the Company reached agreement with SmartTrans Holdings Limited (ASX:SMA) (SmartTrans) under which SmartTrans will distribute KNeoWORLD's products primarily in China under their direct carrier billing payment platform. SmartTrans is an Australian technology and software provider that has developed a mobile and online billing and payment platform for the China market. SmartTrans currently provides payment functionality and content to China's largest state run telecommunications companies including China Mobile, China Unicom and China Telecom, which provide SmartTrans access to almost 1.3 billion mobile subscribers. Under the agreement, KNeoWORLD products will be promoted by SmartTrans on smart phones and tablets and sold via the embedded payment platform which charges the subscribers' phone account, both post or pre-paid. Entellect's 80% owned subsidiary KNeoWORLD, SmartTrans and the relevant telco will share the transactional revenue. The Company is currently in the process of connecting the Mandarin version of the Android App it developed for the Chinese market under the distribution agreement.

During November, successful Phase 1 in-school trials in New York City were completed. The purpose of the trials was to validate both the educational efficacy of ESN's games based learning portal and confirm the compelling and engaging nature of the platform's content. Phase 1 of the pilot program has confirmed students' willingness to engage with KNeoWORLD products and expand their learning experience.

The pilot program has been conducted in elementary schools in New York City with 120 children aged between 7 and 12 years participating to date. The program was implemented under the direction of principals and teachers of the second, fourth and sixth grades. The results of the program indicate the success of the KNeoWORLD games-based learning platform with both students and educators.

The pilot program's success will facilitate access to 500,000 public, private and catholic schools in the greater New York Public area via the Parent Teacher Association (PTA) fund-raising revenue model and also the foundation-funded revenue model. The trials were administered by Mr Franklin Lieberman with the cooperation of principals, teachers and students. The foundation-funded revenue model involves corporate, government and private foundations providing funds for students of less affluent schools to also adopt education programs including KNeoWORLD's game based learning program. This program alone is expected to generate revenue in first quarter of calendar year 2015. Based on the positive outcome of the pilot program conducted in New York City elementary schools, the Company expects to expand these revenue models to other states in the US in the coming months.

Appointment of Director

Mr Lieberman has been subsequently appointed a Non-Executive Director of Entellect. He is a board member of the Council for Unity, a NY borough unification program and has worked closely with the United Federation of Teachers and the American Federation of Teachers for the past six years. Mr Lieberman brings with him a wide network of connections in New York and within the education system, as well as significant industry experience. Entellect expects that Mr Lieberman's presence in New York will provide Entellect with enhanced representation and visibility within US markets. Mr Lieberman and his team are the driving force behind the well announced and promoted PTA marketing initiative and the revenue to be secured from corporate, government and private foundations who provide funds to less affluent schools to adopt education programs, including KNeoWORLD's Game Based Learning Portal.

Unmarketable share sale facility

The Company has concluded its unmarketable parcel (UMP) share sale facility, which was underwritten by Red Hill Capital (Singapore). Shares held by nearly 3,500 UMP Holders were retained under the facility, with the result that the number of shareholders of the Company has been reduced from 4,379 to 891, thereby substantially reducing corporate administrative and registry costs.

Funding

During the reporting period, Entellect continued to raise funds from existing and new shareholders through placements of shares and issues of convertible notes to fund its working capital requirements.

At an extraordinary general meeting held by the Company on 15 July 2014, shareholders approved the issue of 23,200,000 shares under a placement and 11,600,000 free attaching options (each with an exercise price of \$0.002). The Company issued these placement shares on 30 July 2014, and raised \$46,400 from the placement.

The Company continues to receive revenue from the exercise of the options currently on issue by.

The Board is aware that the Company's cash reserves are limited relative to the Company's current operating expenses. During the period, Company's expenses included a number of additional items such as financing expenses in raising additional capital and further market development activities and contract software development. The costs associated with the additional financing, marketing and development activities are expected to diminish going forward.

	Consolidated	Consolidated
	31 Dec 2014	31 Dec 2013
Earnings per share		
Basic earnings/(loss) per share (cents)	(0.02)	(0.06)
Diluted earnings/(loss) per share (cents)	(0.02)	(0.06)

Financial position

The consolidated entity had net liabilities of \$1,898,219 as at 31 December 2014 (30 June 2014: net liabilities \$1,412,868).

Cash flows

During the six months to 31 December 2014, the consolidated entity incurred net operating cash outflows of \$266,889 (2013: \$797,474). The consolidated entity had cash of \$36,579 at 31 December 2014 (30 June 2014: \$312,553) but subsequently raised further funding from existing and new sophisticated investors during January and February 2015 to enable the Company to continue the commercialisation of its products.

OUTLOOK

Operational

The Company continues to expand its product offering within its KNeoWORLD Games Portal in both broader regions and platforms including web, iOS, Android and direct carrier billing in multiple languages. The Board believes it can secure sufficient funding to continue its KNeoWORLD sales initiatives its now far broader markets.

Subsequent to the reporting period, Entellect appointed Mr Franklin Lieberman, its New York Game Based Learning advisor, to the Board of Entellect as a Non-Executive Director. Mr Lieberman is widely recognised as a very experienced and accomplished media and marketing executive. Mr Lieberman and his team are the driving force behind the PTA marketing initiative and the revenue to be secured from corporate, government and private foundations who provide funds to less affluent schools to adopt education programs, including KNeoWORLD's Game Based Learning Portal. For further information on Mr Lieberman, refer to the Company's ASX announcement dated 9 February 2015.

Mr Lieberman will work closely with Ms Marti Miernik, who was appointed Chief Operating Officer in January 2014, and who has over seventeen years in communications and gaming. The Board considers that the addition of Mr Lieberman to the management team will strengthen the capabilities of management to commercialise Entellect's KNeoWORLD Educational Games Portal and iTunes and Android Apps.

Entellect is confident that these initiatives spearheaded by CEO James Kellett, COO Ms Miernik, Director Frank Lieberman and CTO Bill Watters will enable the ramping up of sales to both the USA PTA shared revenue and the foundation funded revenue models, the large consumer base and the international direct carrier billing distribution in China and other new international regions.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 7 for the half-year ended 31 December 2014, which forms part of this report.

This report is signed in accordance with a resolution of the Board of Directors.



Andrew Plympton
Chairman

27 February 2015

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

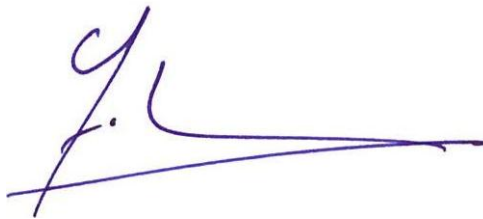
Auditor's Independence Declaration To The Directors of Entellect Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Entellect Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 27 February 2015

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Note	Consolidated 31 Dec 2014 \$	31 Dec 2013 \$
Revenue			
Sales revenue		-	1,306
Other income	3	610,707	171
		610,707	1,477
Employee benefits expense		(260,839)	(281,273)
Corporate & Professional expenses		(249,483)	(186,122)
Depreciation and amortisation expense		(9,666)	(11,892)
Other expenses		(446,476)	(432,880)
Finance costs		(166,642)	(112,455)
Performance rights expense	5	(18,883)	-
Loss on movement in fair value of embedded derivatives option		(139,442)	(4,278)
Loss before income tax		(680,724)	(1,027,423)
Income tax expense		-	-
Loss for the period		(680,724)	(1,027,423)
Other comprehensive (loss) / income			
<i>Items that will be classified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations (net of tax)		(7,709)	(18,830)
Total comprehensive loss for the period		(688,433)	(1,046,253)
Loss attributable to:			
— members of the parent entity		(580,903)	(938,508)
— non-controlling interest		(99,821)	(88,915)
		(680,724)	(1,027,423)
Total comprehensive loss attributable to:			
— members of the parent entity		(589,820)	(953,572)
— non-controlling interest		(98,613)	(92,681)
		(688,433)	(1,046,253)
(Loss)/earnings per share (cents per share)			
— Basic and diluted (loss)/earnings per share		(0.02)	(0.06)

The interim financial statements should be read in conjunction with the accompanying notes.

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Consolidated	
		31 Dec 2014	30 Jun 2014
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		36,579	312,553
Trade and other receivables		26,676	29,598
Other assets		61,734	76,596
Total Current Assets		124,989	418,747
Non-current Assets			
Property, plant and equipment		12,243	20,534
Total Non-current Assets		12,243	20,534
Total Assets		137,232	439,281
Liabilities			
Current Liabilities			
Trade and other payables		320,803	380,100
Other financial liabilities	4	1,714,647	1,472,049
Total Current Liabilities		2,035,450	1,852,149
Total Liabilities		2,035,450	1,852,149
Net Liabilities		(1,898,218)	(1,412,868)
Equity			
Issued capital	6	68,156,375	67,986,375
Reserves		(36,287)	(60,453)
Accumulated losses		(69,174,950)	(68,594,047)
Parent Entity Interest		(1,054,862)	(668,125)
Non-controlling Interest		(843,356)	(744,743)
Total Equity		(1,898,218)	(1,412,868)

The interim financial statements should be read in conjunction with the accompanying notes.

ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Accumulated losses	Foreign Currency Translation Reserve	Options Reserve	Non- controlling Interests	Total
	\$	\$	\$	\$	\$	\$
Balance at 1.7.2014	67,986,375	(68,594,047)	(113,395)	52,942	(744,743)	(1,412,868)
Net loss for the period	-	(580,903)	-	-	(99,821)	(680,724)
Other comprehensive loss for the period	-	-	(8,917)	-	1,208	(7,709)
Total Comprehensive Income	-	(580,903)	(8,917)	-	(98,613)	(688,433)
Transactions with owners in their capacity as owners:						
Share issued in lieu of service rendered	66,400	-	-	-	-	66,400
Conversion of borrowings	25,000	-	-	-	-	25,000
Conversion of Convertible notes to share	25,000	-	-	-	-	25,000
Conversion of Directors fee payable to share	100,000	-	-	-	-	100,000
Performance rights expense	-	-	-	18,883	-	18,883
Transaction costs in lieu of capital raising service	(46,400)	-	-	-	-	(46,400)
Equity component of Convertible notes	-	-	-	14,200	-	14,200
Balance at 31.12.2014	68,156,375	(69,174,950)	(122,312)	86,025	(843,356)	1,898,218
Balance at 1.7.2013	66,563,756	(66,987,081)	(95,063)	-	(582,861)	(1,101,249)
Net loss for the period	-	(938,508)	-	-	(88,915)	(1,027,423)
Other comprehensive loss for the period	-	-	(15,064)	-	(3,766)	(18,830)
Total Comprehensive Income	-	(938,508)	(15,064)	-	(92,681)	(1,046,253)
Transactions with owners in their capacity as owners:						
Shares issued	375,000	-	-	-	-	375,000
Conversion of Convertible notes to share	100,000	-	-	-	-	100,000
Exercise of listed options	150,000	-	-	-	-	150,000
Transaction costs on shares issued	(20,000)	-	-	-	-	(20,000)
Equity component of Convertible notes	-	-	-	51,157	-	51,157
Balance at 31.12.2013	67,168,756	(67,925,589)	(110,127)	51,157	(675,542)	(1,491,345)

The interim financial statements should be read in conjunction with the accompanying notes.

**ENTELLECT LIMITED & CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Consolidated Entity	
	31 Dec 2014	31 Dec 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	1,437
Payments to suppliers and employees	(853,310)	(755,517)
Grants from research and development	607,456	-
Interest received	3,251	171
Finance costs	(24,286)	(43,567)
Net cash used in operating activities	(266,889)	(797,476)
Cash flows from investing activities		
Payment for plant and equipment	(1,526)	(4,833)
Net cash used in investing activities	(1,526)	(4,833)
Cash flows from financing activities		
Proceeds from issue of shares	-	345,000
Payment for share issue costs	-	(20,000)
Exercise of listed options	-	150,000
Proceeds from convertible notes	200,000	500,000
Repayment of convertible notes	(200,000)	-
Net cash provided by financing activities	-	975,000
Net increase/(decrease) in cash held	(268,415)	172,691
Cash at the beginning of the period	312,553	117,037
Effects of exchange rate changes on cash and cash equivalents	(7,559)	(18,741)
Cash at the end of the period	36,579	270,987

The interim financial statements should be read in conjunction with the accompanying notes.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

1. Basis of preparation of the half year financial statements

(a) Basis of preparation

The interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2014 and are presented in Australian dollar (\$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2014 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2015.

(b) Significant accounting policies

The interim consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim consolidated financial statements.

(c) Estimates

When preparing the interim consolidated financial statements, management undertakes a number of judgements, estimate and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim consolidated financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2014.

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

(d) Going concern basis of accounting

Notwithstanding the loss for the period of \$680,724 (31 December 2013: \$1,027,423), net deficit of assets of \$1,898,218 at 31 December 2014 (30 June 2014: \$1,412,868) and net cash outflows used in operations of \$266,889 (31 December 2013: \$797,476), the financial report has been prepared on a going concern basis; the Directors consider that this is appropriate given a number of factors, including that Entellect continues to take steps to contain or reduce its corporate overheads in Australia and its operating costs in San Francisco. The Non-Executive Directors additionally continue not to take any payment on their directors' fees in the interim until such time that Entellect has sufficient funds in excess of its working capital requirements. Further, the Board is encouraged by the number of revenue channels that have been established the likely ramping up of sales to both the USA PTA shared revenue and the foundation funded revenue models, the large consumer base and the international direct carrier billing distribution in China and other new international regions. Further, the Company also anticipates receipt of other income for the 2015 year not dissimilar to that of the 2014 year under the Australian Government's Research and Development Tax Incentive Program. Finally, the Directors are confident that, in accordance with the Company's previous track record of capital-raising, Entellect will be able to continue to raise funds as and when required, in order to finance the ongoing capital requirements of the Group for the foreseeable future, as evidenced by issue of \$50,000 convertible notes on 30 January 2015, and the issue of \$200,000 convertible notes on 17 February 2015.

On the basis of these factors, although there is material uncertainty, the Group's cash flow forecast fully supports the Directors' view that it is appropriate for the accounts to be prepared on a going concern basis and that the Group will be able to meet its debts as and when they become due and payable for a period of at least 12 months from the date of this report.

2. Segment reporting

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Markers (CODM)) in assessing the performance of the Group, and determining investment requirements. The operating segments are based on the manner in which services are provided to the market.

The Group in the past had two operating segments being the Educational Games Distribution business and the vPublisher eBook Content Delivery Software business though neither business achieved revenue yet. Hence, vPublisher eBook Content Delivery Software business has been dormant for FY 2013 and FY 2014. For this financial period, The Group decided to cease this segment leaving the Group with one business segment only that is the Educational Games Distribution business.

Hence, no operating segment is required for disclosure at this financial reporting period.

3. Other income

	31 December 2014	31 December 2013
	\$	\$
Grants for research and development	607,456	-
Interest income	3,251	171
	<u>610,707</u>	<u>171</u>

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4. Other Financial Liabilities (Current)

	31 December 2014 \$	30 June 2014 \$
<i>Financial liabilities measure at amortised cost:</i>		
- Convertible notes – loan component	1,411,736	1,308,580
<i>Financial liabilities designated at FVTPL:</i>		
- Embedded derivatives	302,911	163,469
	1,714,647	1,472,049
<i>Movement of the financial liabilities</i>		
<i>Opening balance: Convertible notes – loan component</i>	1,308,580	829,369
<i>Additions during the period</i>	200,000	600,000
<i>Repayment during the period</i>	(200,000)	-
<i>Increase in unpaid interest</i>	79,189	103,152
<i>Equity component transfer to reserve</i>	(14,200)	(35,809)
<i>Imputed interest charge</i>	63,167	61,868
<i>Conversion to share</i>	(25,000)	(250,000)
<i>Closing balance: Convertible notes – loan component</i>	1,411,736	1,308,580
<i>Opening balance: Embedded derivatives</i>	163,469	186,279
<i>Additions during the period</i>	-	-
<i>(Gain)/Loss on movement in fair value</i>	139,442	(22,810)
<i>Closing balance: Embedded derivatives</i>	302,911	163,469

During the period, an agreement was entered into for the notes issued in May 2013 of \$500,000 on 1 October 2014 to vary the terms. The variations were as follows:-

- Each convertible note would be split into two convertible notes with each of the 10 convertible notes created under the split having a face value of \$50,000;
- Subject to the redemption of four of the convertible notes at the total face value of \$200,000 on the then current maturity date of 30 October 2014, the maturity date of the remaining six convertible notes totalling \$300,000 being extended to 30 April 2015;
- The holder agreeing to such further variations of the four convertible notes to be redeemed as the issuer deems necessary to facilitate their redemption or transfer to another party at full face value on or before the maturity date of 31 October 2015. This may include, but not limited to, variation to the maturity date and conversion price.

On 22 October 2014, 27 October 2014 and 19 November 2014, four convertible notes were issued to four new convertible notes holders with a face value of \$50,000 each with a total of \$200,000. The term of the notes changed, with the key terms being as follows:-

- 12 months from the issue date until maturity on 31 October 2015;
- Interest rate – 10% per annum or 15% per annum if paid in shares at the election of the convertible loan note holder at the time of payment;
- Interest payment is payable on conversion or redemption of the convertible notes;
- Conversion price at \$0.002 per share;

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

4. Other Financial Liabilities (Current) (continued)

- Free attaching options - each ordinary share entitlement under the convertible loan issue has one free attaching unlisted option to acquire a further ordinary share. The option is exercisable at \$0.002 per share and the expiry date is the same date as the convertible loan expires.

5. Performance rights issued to Directors and other key management personnel (KMPs) for the Long Term Incentive Plan (LTIP)

The performance rights were approved by shareholders on 29 November 2013 under the Company's LTIP.

During the year, the Company granted 20,000,000 performance rights under the plan to a Director on 15 December 2014 at nil consideration. The exercise price of the performance rights is nil per right. The performance rights are conditional upon continuation as a director until the revenue hurdle of \$5mil gross revenue is achieved during any given 12 consecutive months. The performance rights will lapse if the performance hurdles are not achieved by 31 December 2016.

The fair value of the performance rights granted to Directors and other key management personnel at grant date was \$0.001 and \$0.003 respectively based on a Black Scholes option pricing model.

In the period, the Company has recognised \$18,883 performance rights expense in the statement of profit or loss and other comprehensive income for Directors and other KMP. The total expense over the life of the performance rights issued is \$143,800.

6. Issued Capital

	31 December 2014 \$	30 June 2014 \$
2,771,322,932 (2014: 2,663,122,932) fully paid ordinary shares	68,156,375	67,986,375
	68,156,375	67,986,375
	No.	No.
a. Ordinary Shares		
At the beginning of reporting period	2,663,122,932	1,426,122,932
Shares issued during the year		
— Conversion of directors fee payable to share	50,000,000	-
— Conversion of borrowing to share	12,500,000	-
— Capital raising fee in lieu	33,200,000	-
— Share issued	-	612,000,000
— Exercise of options	-	375,000,000
— Conversion of convertible notes	12,500,000	250,000,000
At reporting date	2,771,322,932	2,663,122,932

ENTELLECT LIMITED AND CONTROLLED ENTITIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

7. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of the Entellect Limited as the numerator, i.e. no adjustments to loss were necessary during the six (6) month period to 31 December 2014 and 2013.

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31-Dec-2014 No	6 months to 31-Dec-2013 No
Weighted average number of shares used in calculating basic and dilutive earnings per share	2,766,912,606	1,729,641,954

8. Contingent liabilities

There are no outstanding contingent liabilities as at 31 December 2014 (30 June 2014: Nil).

9. Details of entities over which control has been gained or lost during the period

Control gained over entities

During the half-year ended 31 December 2014, the Company did not acquire any subsidiary entities.

Loss of control of entities

There was no disposal of subsidiary entities in the half-year ended 31 December 2014.

10. Subsequent events

On 30 January 2015, the Company issued \$50,000 of convertible note loan with 25,000,000 free attaching options. The Company also issued 41,666,667 and 11,886,433 of shares respectively for nil consideration upon the conversion of two convertible notes and interest accrued at a conversion price of \$0.0012 per share. The total subscription price for the two convertible notes and interest accrued were \$64,263.72.

On 5 February 2015, the Company announced the resignation of Dr Nigel Finch resigned as a Non-Executive Director of the Company. Dr Finch's resignation will take effective from close of business 13 February 2015.

On 9 February 2015, the Company announced the new appointment of Mr Franklin B Lieberman (New York Game Based Advisor) as an Executive Director of the Company.

On 17 February 2015, the Company issued another \$200,000 of convertible note. Each note has a face value of \$50,000. The note has a maturity date of 31 March 2016. Each note entitles its holder with 25,000,000 free attaching options with exercisable price of \$0.012 each.

No other matters, other than noted above, since 31 December 2014 will have a material effect on the financial position and operations of the group.

ENTELLECT LIMITED AND CONTROLLED ENTITIES DIRECTORS' DECLARATION FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

In the opinion of the Directors of Entellect Limited:

1. The consolidated financial statements and notes of Entellect Limited, as set out on pages 8 to 16 are in accordance with the *Corporations Act 2001*, including:
 - Giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the half-year ended on that date;
 - Complying with Accounting Standard AASB 134 Interim Financial Reporting; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



Andrew Plympton
Chairman

27 February 2015

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Entellect Limited

We have reviewed the accompanying half-year financial report of Entellect Limited (“Company”), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors’ declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year’s end or from time to time during the half-year.

Directors’ responsibility for the half-year financial report

The directors of Entellect Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Entellect Limited consolidated entity’s financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

Regulations 2001. As the auditor of Entellect Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Entellect Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 1(d) in the financial report which indicates that the consolidated entity incurred a net loss of \$680,724 and net cash outflows used in operations of \$266,889 during the half-year ended 31 December 2014 and has net deficit of assets of \$1,898,218 at 31 December 2014. These conditions, along with other matters as set forth in Note 1(d), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C F Farley
Partner - Audit & Assurance

Sydney, 27 February 2015