

ENTELLECT LTD (ESN)

Approaching Commercial Product Launch in Highly Lucrative US Games Market



SPECULATIVE

31 July 2012

Share Trading Info

ASX Code	ESN
Current Share Price (Aust. cps)	0.1
Trading Low /High (Rolling Year) (cps)	0.1 - 0.4
Mkt Capitalisation (undiluted) (\$m)	1.0
Cash as at 30 June 2012 (\$m)	0.4

Capital Structure (m)

Current Shares on Issue	985.3
Unlisted Options	8.2
Total Securities on Issue	993.6

Board of Directors

Andrew Plympton	Non Executive Chairman
James Kellett	Chief Executive Officer
Jeffrey Bennett	Non Executive Director

* Further details on Page 18

Major Shareholders

Dentost P/L	10.1%
Citicorp Nominees P/L	5.3%
Suburban Holdings P/L	3.7%
Miss Angelica Patrizia Longo	3.6%
Lotus Eng P/L	3.5%

Important Disclosure

Investors should be aware that Entellect Ltd is a corporate client of Alpha and that Alpha will receive a consultancy fee from Entellect Ltd for compiling this research report

EXECUTIVE SUMMARY

Approximately 12 months since its re-listing on the ASX, Entellect Ltd ('ESN' or 'Company') is close to the commercial launch of an educational-based games product, which positions ESN to capitalise on the exponential growth of pad, tablet, portable and smart-phone platforms in the unmet market of educational entertainment.

Core Asset - Knowledge Nation JV (ESN: 60%)

ESN holds a 60% interest in the Knowledge Nation JV. Knowledge Nation integrates a licensed curriculum-based content for interactive games and learning. The content can be delivered via a variety of methods, such as computer, web, mobile devices or consoles.

Knowledge Nation's core market is the 'after homework' education market and using the medium of video games to teach core curriculum objectives to primary and secondary school children globally, with an initial focus on the US games market.

ESN's Exposure to the Burgeoning US Games Market

KNeoWORLD is the first product for ESN's KNeo brand and will be packaged by Knowledge Nation as games and apps as 'KNeoPACKS'; targeting children aged 6-16, as well as parents and educators.

The launch of KNeoWORLD offers ESN the opportunity of tapping into an educational games sector which is growing at a rapid pace.

According to the GSV Education Factbook 2012, the overall educational games sector is poised for massive growth from US\$2 billion in 2012 to US\$4.4 billion in 2015 and US\$7.4 billion by 2017.

Beta testing in the US market is nearing completion, with a commercial launch scheduled to commence in September 2012.

The KNeoPACKS will initially be distributed in the US games market which is valued in excess of US\$65 billion, out of which educational technology for 5-17 year olds accounts for US\$7.5 billion.

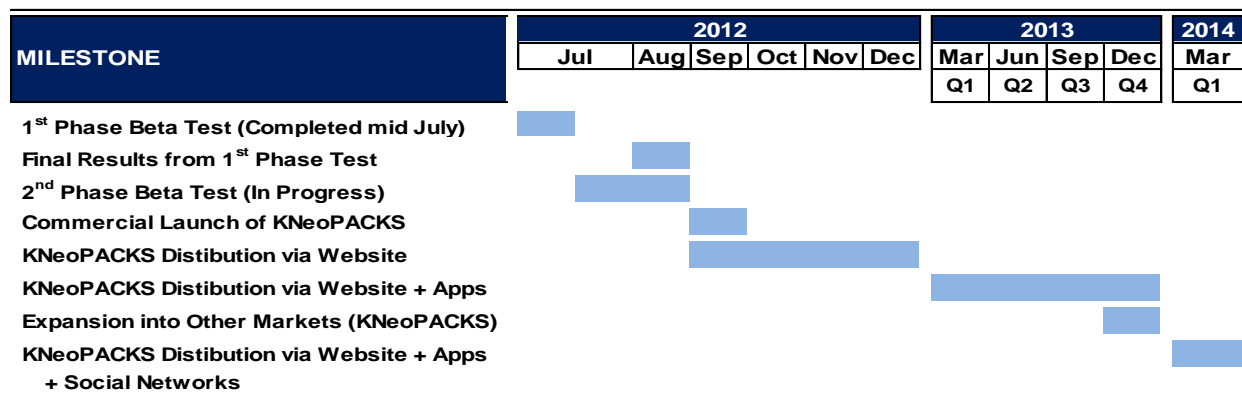
Commercial Opportunities for Knowledge Nation

While the initial revenue model for Knowledge Nation will be based on parent subscription for access to the KNeoPACKs via a single channel (i.e. KNeoWORLD portal website), Knowledge Nation aims to deliver content via the more lucrative mobile applications and social games channels.

The commercial launch of KNeoPACKs via the website channel is scheduled to commence in September 2012 and is expected to run for several months. Knowledge Nation aim to follow up this initial launch with KNeoPACKs content via mobile apps, to run in conjunction with the web channel.

In addition to the KNeoPACKs, Knowledge Nation are diversifying its revenue potential by also developing substantial cross-over opportunities for all popular platforms including Apple and Android Apps, ESL (English as a Second Language), Home Schooling, Distance Learning, Community College targeted games-based learning, commercial gamification (using game design and approaches in other fields) and branded 'advergams', which are designed to specifically achieve additional advertising revenue.

Figure 1: Key Milestones for Commercial Launch of KNeoPACKs – Indicative Timetable



Commercial Launch in September to Contribute to Immediate Improvement in Cashflows

As parent subscriptions for the KNeoPACKs are paid monthly, the commercial launch of the first batch of KNeoPACKs¹ via the website channel in September 2012 is expected to immediately contribute to cashflows, with a strong ramp-up in cashflows expected in the first 12 months following the initial commercial launch (assuming website channel only and no additional contribution from any potential revenue from the launch of KNeoPACKs on mobile applications).

Strong Knowledge Nation Executive Team Supported by Strategic and Tactical Partners

Knowledge Nation has assembled a strong management and technical team, with has substantial in-house operational experience in game design, curriculum correlation, teaching and instructive strategies, and the marketing and distribution of games-based learning products.

Aside from the Executive team, Knowledge Nation has strong strategic and tactical partnerships with leading universities for academic endorsement and legitimacy.

¹ The KNeoPACKs are refreshed approximately every two months

1. COMPANY OVERVIEW

1.1 Background

The Company currently operates two business arms: Educational Games Distribution and the *vPublisher* Content Delivery Software business. The origins of the Company's current operational structure can be traced back to late 2009/early 2010 when the company sought capital in order to expand its operations globally.

In March 2010, ESN sought shareholder consent for a \$25 million capital raising to fund the proposed acquisition of software products from CSG Education, as well as the acquisition of Ontario Ltd, the North American developer of the software. That capital raising was not completed and as a consequence, the then wholly-owned subsidiary of the Company, MXL Consolidated P/L (MXL) was placed into administration in April 2010 and the Company's shares were suspended from ASX trading in the same month.

A subsequent deed of company arrangement was entered into with MXL's creditors, with proceeds from the sale of MXL's assets distributed to creditors.

In August 2010, the Company received a takeover offer from Mooter Media Ltd which was subsequently recommended by the Company's Board on the basis that a successful takeover by Mooter would allow ESN to seek re-instatement of ESN shares on the ASX and to enable the Company to raise capital in order to fund further development of its proprietary education-based software and applications. To this end, the Company entered into a loan agreement with Furneaux Equity Ltd on 18 October 2010 for a 180-day loan facility of up to \$4.15 million.

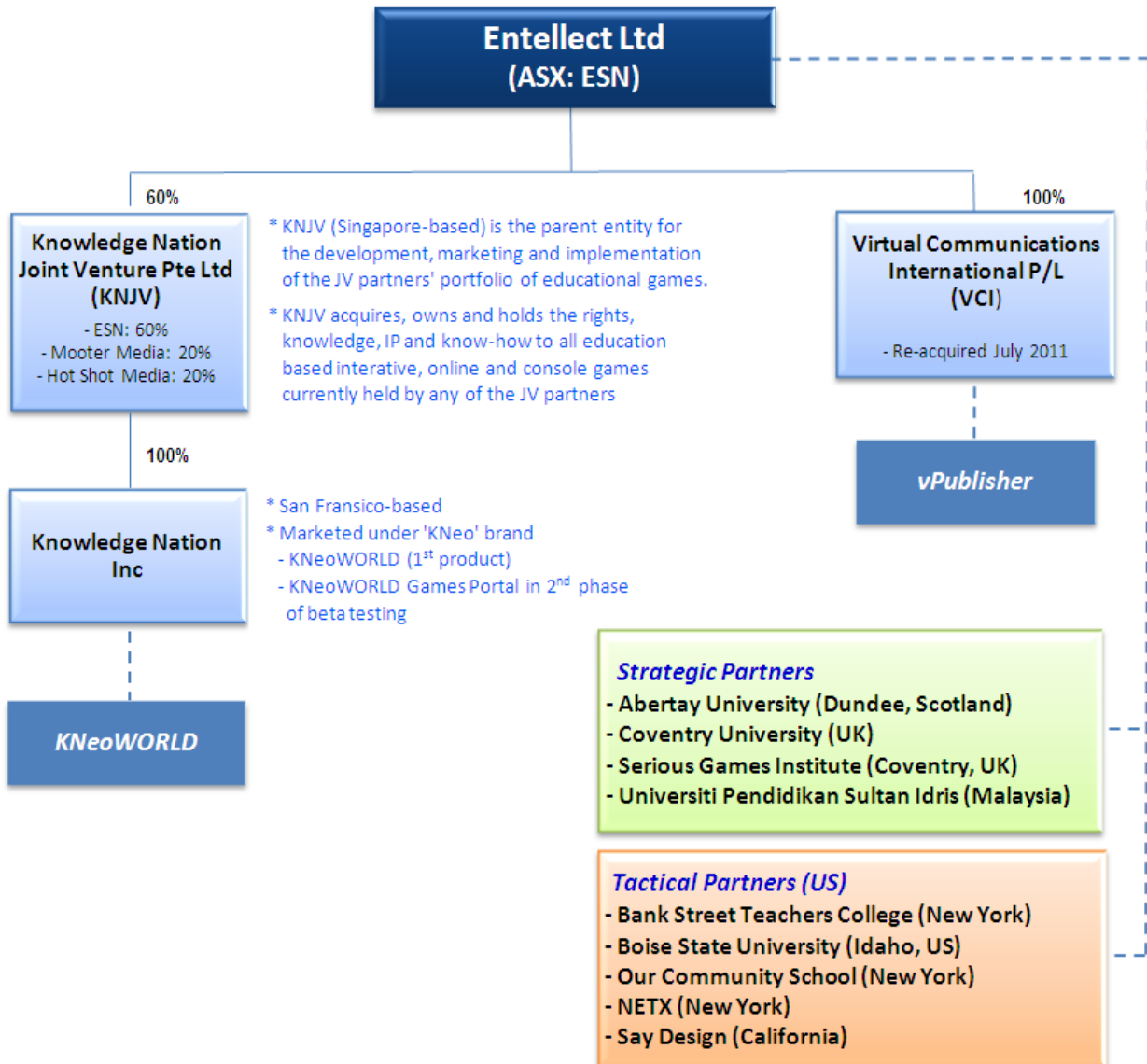
Following acceptance of the Mooter takeover offer, the Company undertook a consolidation of its capital on the basis of every 20 fully paid ordinary shares being consolidated into 1 fully paid ordinary share.

In January 2011, the Company announced a collaboration with Mooter and Hot Shot Media (Singapore) Ltd through a Singapore-registered entity, Knowledge Nation Joint Venture Pte Ltd (KNJV) to develop a suite of educational games. KNJV acquired 100% of Knowledge Nation Inc, a US incorporated and San Francisco-based educational games and learning initiator. Knowledge Nation is the major development arm of the JV.

In April 2011, ESN re-acquired the *vPublisher* business (which was previously in liquidation). *vPublisher* was relaunched in July 2011; the same month that ESN successfully completed its recapitalisation via a rights issue and placement that raised in excess of \$4 million. The company's shares later resumed trading on the ASX on 25 July 2011.

The current corporate structure of the Company is outlined in Chart 1.

Chart 1: ESN Corporate Structure



1.2 Funding

The cash balance as at 30 June 2012 was \$0.4 million. The balance sheet is debt free, with the Company, in July 2011, having repaid in full the \$1.95 million loan obtained from Furneaux Equity Ltd.

Table 1: ESN Balance Sheet

Consolidated Statement	31 Dec 2011 (\$)	30 June 2011 (\$)	Comments
Current Assets			
Cash & Cash Equivalents	1,329,794	275,122	* Reported cash balance as at 30 June 2012 was \$0.42m compared with \$0.92m as at 31 March 2012
Trade & Other Receivables	33,367	135,220	
Prepayments	30,865	344,674	
Other Current Financial Assets	100,000	-	
Total Current Assets	1,494,026	755,016	
Non Current Assets			
Property Plant & Equipment	140,628	119,085	
Intangible Assets	21,167	33,187	
Total Non Current Assets	161,795	152,272	
TOTAL ASSETS	1,655,821	907,288	
Current Liabilities			
Trade and Other Receivables	70,427	228,266	* Outstanding balance from Furneaux Equity Ltd Loan (\$1.95m) repaid in full July 2011, as well as other loans (also repaid in 1H 2012)
Interest Bearing Liabilities	-	2,327,017	
Total Current Liabilities	70,427	2,555,283	
TOTAL LIABILITIES	70,427	2,555,283	
NET ASSETS	1,585,394	(1,647,995)	

1.3 Capital Structure

ESN has a tightly-held share register, with the top 10 shareholders holding ~40% of the total shares on issue and the top 50 shareholders holding ~82%. The share register is comprised of a mix of sophisticated and retail investors.

There are currently 985.3 million ordinary shares on issue, with a further ~8.2 million unlisted options on issue in two tranches, and all exercisable at 1c per share. At present, the unlisted options on issue are all out-of-the-money.

Table 2: ESN Capital Structure

Shares/Options on Issue	Million	Expiry Date
Listed Ordinary Shares	985.3	
Unlisted Options		
- Exercise Price 1c	5.0	30-Sep-12
- Exercise Price 1c	3.2	30-Sep-12
Securities Currently on Issue	993.6	

2. KNOWLEDGE NATION JV

2.1 Overview

Knowledge Nation holds significant IP within the educational games space and is located in San Francisco, which is considered to be a major participant in educational games software and business innovation.

The Knowledge Nation product offering is based around the concept of children learning by means of play, with well-balanced video games considered extremely effective learning tools. Educational games have been shown to produce dramatic increases in educational achievement and learning skills.

The key target market is 'after homework', and as such providing Knowledge Nation with the potential to achieve higher rates of market penetration in comparison to games-based products already in use within the school environment.

2.2 Business Model

The Knowledge Nation model is completely flexible and can be seamlessly updated and adapted to varying languages, cultures, subjects and special learning needs in territories throughout the world. In particular, Knowledge Nation's close collaboration with curriculum designers and educators allows it to obtain commitments on a definitive clarification of national curriculum goals for each country and specific regions within a country.

Knowledge Nation licenses (as opposed to itself developing) popular entertainment games in each territory and inserts curriculum-aligned educational content, which is designed to be fully appropriate for the relevant demographic.

The content is capable of being delivered on a variety of media, dependent on the target market using various connected mobile devices such as pads, portable games units and via mobile Internet or Wi-Fi. Flexible cloud-based delivery technologies facilitate easy updates and allows for a variety of revenue models and extensive customisation capabilities for international markets.

2.3 First Major Product: *KNeoWORLD*

On 28 May 2012, ESN announced the launch of KNeoWORLD, a social games and educational portal developed by the Company's 60% owned JV, Knowledge Nation Inc. KNeoWORLD is the first product for ESN's KNeo brand and will be packaged by Knowledge Nation as games and apps in KNeoPACKS, targeting children aged 6-16, as well as parents and educators.

2.3.1 Role of US Tactical Partners in Development and Validation of KNeoWORLD

Knowledge Nation works closely with local, regional and international curriculum administrative bodies, educators, government, parents and other stakeholders involved in children's education to ensure that products are fully contextualised for use in the relevant market. This

process also facilitates the political buy-in and approval necessary for introduction into certain 'closed' markets.

Curriculum-approved and proven homework-adjunct products can be deployed directly to students, via a number of different revenue models, including one-off bundles and parental monthly subscription.

To this end, Knowledge Nation has formed strong alliances with a number of tactical partners, as illustrated in Table 3:

Table 3: Knowledge Nation's Tactical Partners in the US

Partner	Location	Nature of Relationship
Our Community School	New York	Supervised games portfolio and portal testing - qualitative and quantitative analysis in onsite specialist student computer lab.
Bank Street Teachers College	New York	Independent efficacy evaluation plus content and curriculum review of alignment to latest teaching methods of educational games embracement.
Boise State University Educational Games Faculty	Idaho	Validation of KNeoWORLD content and learning efficacy in student education from a teachers view point.
NETX	New York	Marketing and online distribution of KNeoWORLD in the US market.
Say Design	California	KNeoWORLD portal design and content management.

Source: ESN

2.3.2 Overview of KNeoWORLD Product Offering

The KNeoPACKS will be available through direct digital distribution via the KNeoWORLD portal website on a user micro subscription revenue model using specialist digital distribution optimisation channels.

The initial pack of games and apps covers several educational areas, including:

- Traditional core skills - numeracy, language, science and the arts, and
- Higher order & soft skills - creativity, critical thinking, decision making, planning and resource management, collaboration & communication and problem solving.

Figure 2: Current KNeoWORLD Product Portfolio – ‘Core Skills’

	Art & Design	Social & Language	Science	Numeracy
 Candy Shot				
 Drawscape				
 Nano Spin				
 Oarsome				
 Knockout Botz				
 Sudoku				
 Pair-It				
 Bridge Builder				
 Save the Paintings				
 Little Rocketman				
 Learn 2 Fly				

Source: ESN

Subsequent KNeoPACKs will be designed to cover broader curriculum areas, and can be tailored to a variety of specialist subjects and topics, as well as skills that are both difficult to teach and assess, such as communication and collaboration.

An important feature of the KNeoPACKS is the innovative feedback mechanisms, which can allow the student, parents and educators to track specific achievements across a wider spectrum of learning outcomes, enabling the identification of areas of weakness or areas which require improvement. These two feedback mechanisms include:

1. KNeoBADGES - These are earned by players as a mark of achievement from the individual games and apps, will be collated into a meta profile of the gamer’s activities and experience and are used to construct both a play history and an educational profile. The KNeoBADGES for each of the core skills is outlined in Figure 2 above.
2. The KNeoMETER – Measures the player’s progress in each of the core skills. It provides instant and continuous feedback throughout the learning process by tracking these essential

skills in real-time during gameplay. The data is presented via a graphical dashboard.

Figure 3: KNeoWORLD Product Overview



Source: ESN

2.3.3 Beta and Market Testing: 1st Phase Completed Successfully

The 1st phase of beta testing - focussing on the KNeoWORLD portal - was completed at a New York City School over a period of several weeks.

The 1st phase involved more than 100 students aged between six and 16 and generated a significant amount of play and educational data. This phase of testing centred on the games content and access portal (i.e. the access to games and the players' responses to the games content). The significance amount of play and educational data generated from the 1st phase of testing is currently being analysed by Knowledge Nation's team of experts.

Knowledge Nation is currently undertaking 2nd phase testing, which is effectively a small market test in San Francisco. This phase is due to conclude in mid-late August 2012, prior to the commercial launch in September 2012.

NETX: Key Tactical Partner for Marketing and Online Distribution of KNeoWORLD in the US

ESN have engaged NETX to undertake marketing and digital distribution of KNeoWORLD portal to the parent/student target market online.

Based in New York, NETX is a leading performance services marketing agency, whose services include affiliate marketing, performance display, market intelligence and mobile advertising. NETX works with leading brands including Nickelodeon, Audible.com, Dick's Sporting Goods, Condé Nast and Red Roof Inn among others to acquire new customers online.

2.4 Initial Target Market for KNeoPACKS: US Games Market

There are a number of trends in the games industry supporting ESN's strategy to i) Develop and distribute games-based products and ii) Target the US market as the initial entry market. This section focuses on the US games market and the expected growth rates in mobile applications market.

2.4.1 US Games Market Overview

The US games market is estimated to be worth in excess of US\$65 billion², of which over US\$20 billion is derived from digital delivery, subscriptions and social games. Further, educational technology for 5-17 year olds accounts for US\$7.5 billion of this figure.

According to the GSV Education Factbook 2012, the educational gaming sector will grow from US\$2 billion in 2012 to US\$7.4 billion by 2017. A separate survey conducted by The Education Division of the Software & Information Industry Association (SIIA) in late 2010 values the overall pre K-12 non-hardware educational technology market at US\$7.5 billion, with content-related products representing 42% of that revenue.

2.4.2 Key Trends

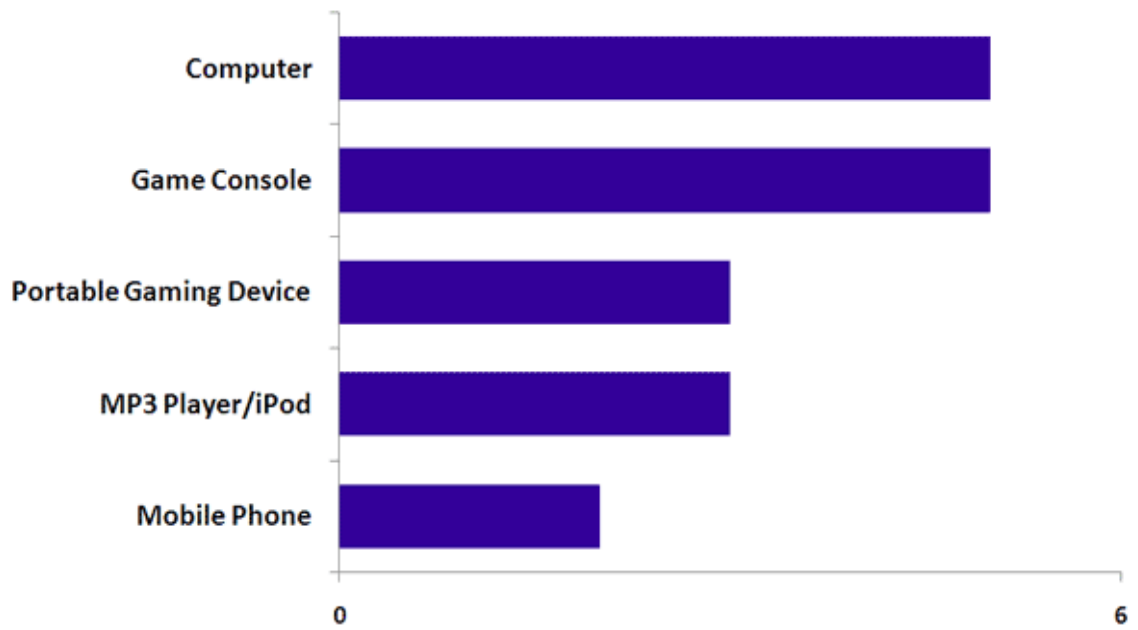
As a result of increasing average internet speeds and advances in technology, a large number of game genres are now playable online and as a result, consumers are spending a larger share of their online time playing games.

At present, it is estimated that playing video games currently amounts to 10% of the time spent online by US consumers. In addition, a significant share of the US population listing playing computer and console games as the top source of entertainment.

Consumers have become increasingly used to portability for all types of media, especially games. The recent launch of a number of high-quality devices, such as tablets, smartphones, and portable consoles (the Nintendo 3DS and Sony's NGP), as well as services such as Apple's App Store, the Amazon Android App store and Sony PlayStation Suite are increasingly facilitating digital distribution of games on all these devices.

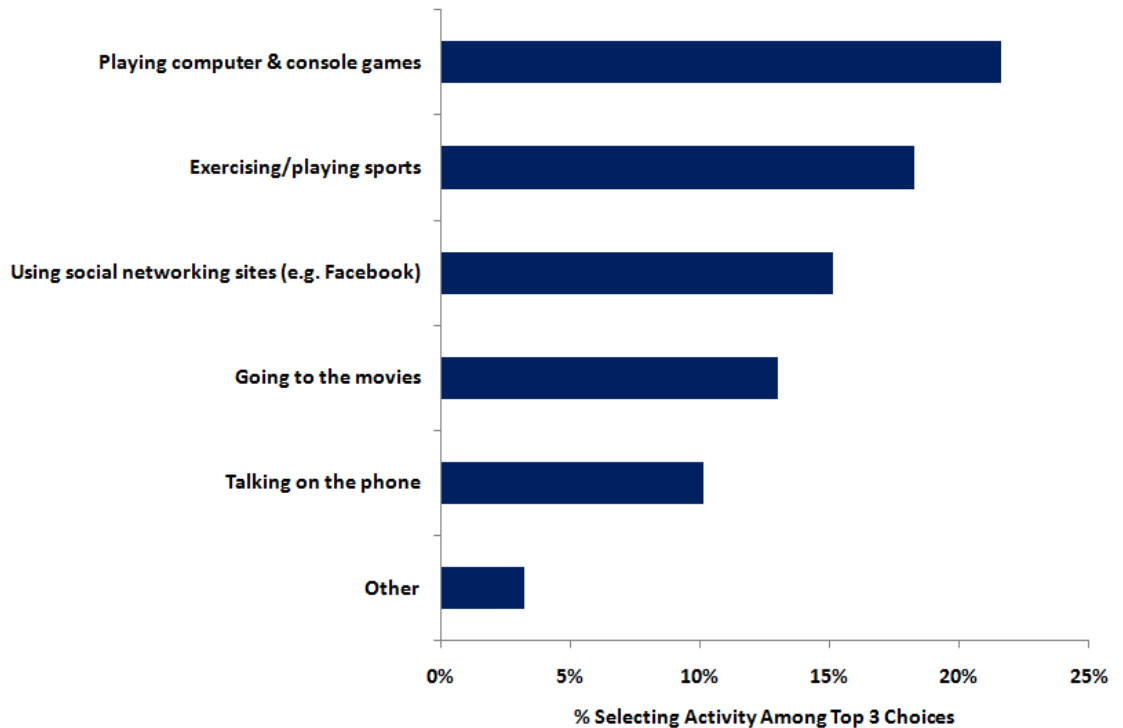
² Compared to US\$62.7 billion in 2010. Source: Reuters

Figure 4: Weekly Times Spent Playing Games (Median number of hours per week)



Source: Parks Associates

Figure 5: Top Sources of Entertainment in the US (4th Quarter 2010)



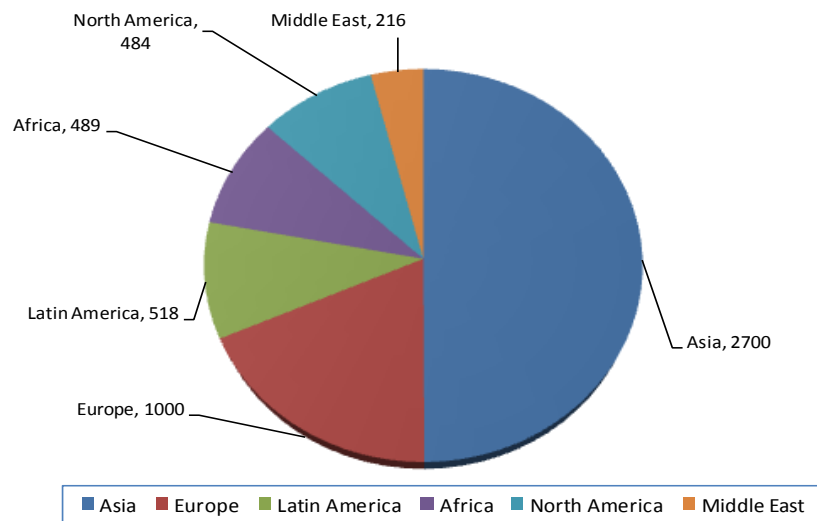
Source: Parks Associates

2.4.3 Mobile Applications

Market estimates indicate that there are over five billion global mobile subscribers, compared to two billion internet users, one billion telephone lines, 600 million TV subscriptions and over 500 million newspaper subscriptions³.

Further, the number of mobile device users is growing at an exponential rate, as new technologies, devices, and mobile content (especially through applications) are increasingly being made available.

Figure 6: Global Scale of Mobile Subscribers (Figures in Millions).



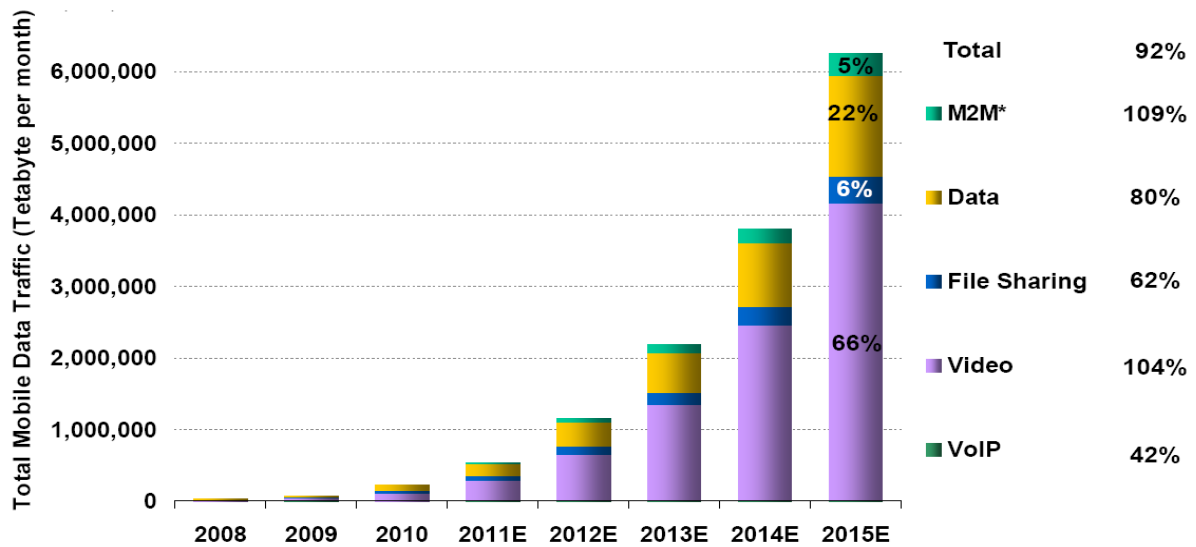
Source: inMobi Global Media Kit (June 2011)

IDC and Infometrics estimate that there will be nearly six billion mobile subscribers globally by 2013, with the number of people accessing the internet through a mobile device to increase from 450 million at present to one billion in 2013.

Further, global mobile data traffic is expected to grow very rapidly 26 times over the next four years, as illustrated in Figure 7.

³ Source: RBC Capital Markets, March 2011

Figure 7: Global Mobile Traffic Data by Type (2008 – 2015e) (% figures are CAGR for 2010 to 2015)

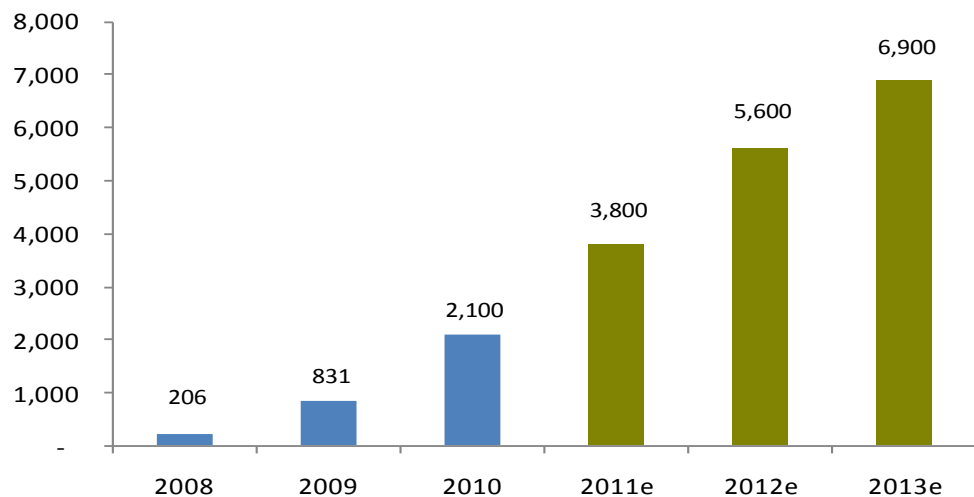


Source: Cisco Visual Networking Index, Global Traffic Data Forecast, 2010 - 2015

According to IHS Screen Digest Research, projected mobile app sales are expected to reach US\$6.9 billion in 2013, underpinned by strong consumer interest in downloading games and other applications to devices such as smartphones.

In addition, IHS Screen Digest Research forecast that the total number of downloaded applications will grow from 9.5 billion in 2010 to 33 billion in 2014.

Figure 8: Projected Mobile App Sales (Figures in US\$m)



Source: IHS Screen Digest Research

2.4.4 Social Gaming

Gaming on social networks has quickly become the most visible category of online games. According to international research firm Parks Associates, revenues in the social gaming market will increase by five times from over US\$1 billion in 2010 to US\$5 billion in 2015, due in large part to advertising revenues and sales of virtual items.

Social gaming developers have a key advantage in being able to measure the efficacy of different gameplay mechanisms, alter game design in near-real time, and to test new models. A good example is the huge market share obtained by Zynga (the largest developer of social games) for its FarmVille game. FarmVille demonstrates the huge market potential of social gaming – in just nine weeks after its launch in June 2009, it became the largest and fastest growing social game in history.

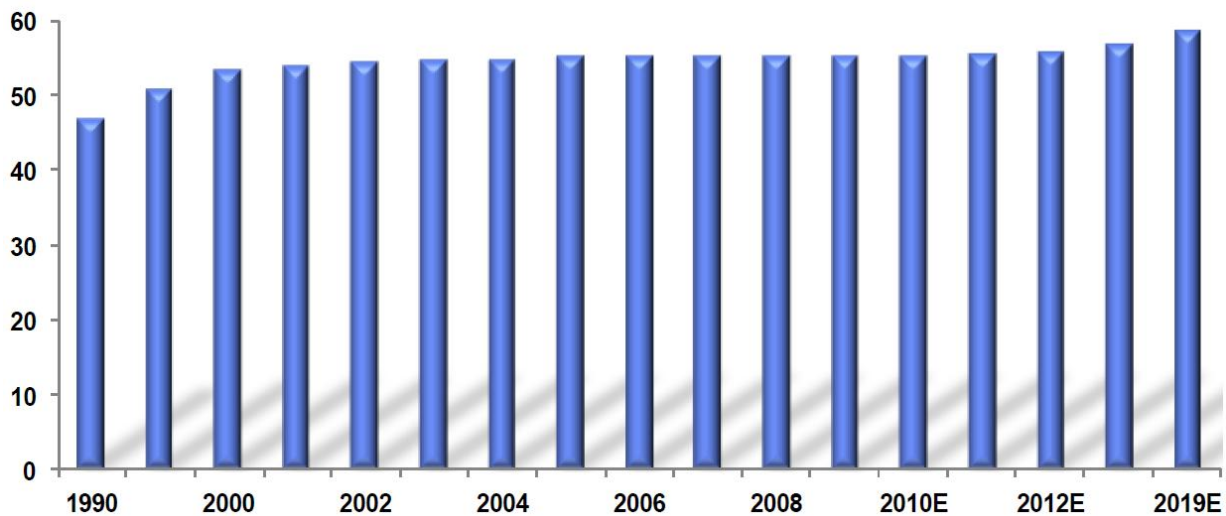
Parks Associates estimate that at present, over 250 million people play Zynga's CityVille and FarmVille on Facebook every month, which is attracting large-brand companies (such as McDonald's and 7-Eleven) to carry out cross-promotions with existing social games.

Advertising innovations such as branded games, sponsored items, communities, and 'advertainment' that enhance, rather than interrupt, a gamer's experience will also generate new sources of revenues for game publishers.

2.4.5 Attractive Fundamentals of US Education Market

The total number of K-12 enrollments (i.e. public and private students) is forecast to increase by ~5% from 2012 to 2019.

Figure 9: K-12 Enrollment Trend in the US (Figures in US millions)

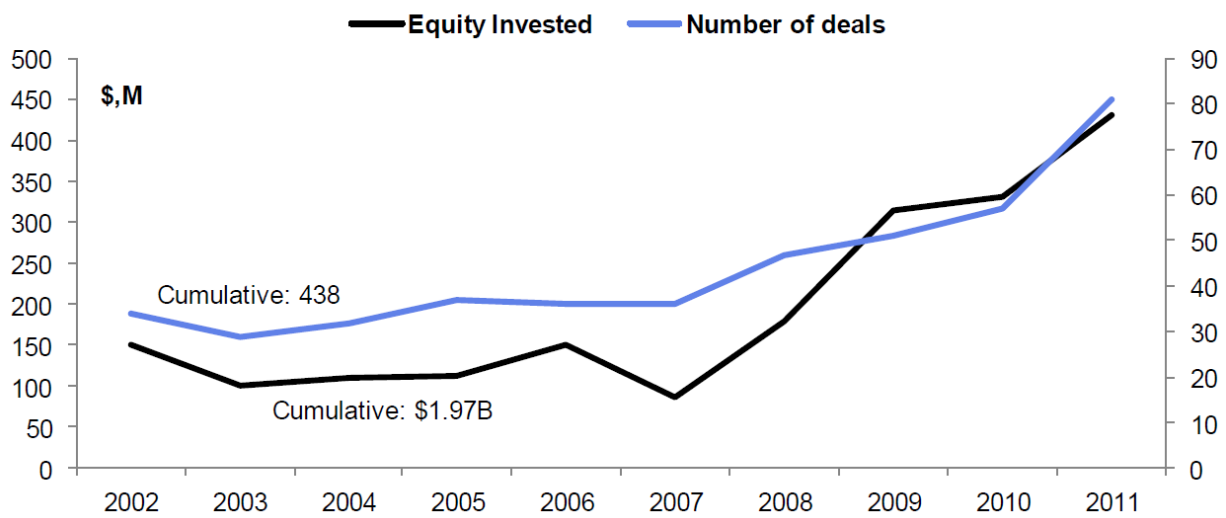


Source: National Center for Education Statistics, 2010

There has also been an upward trend over the last several years in venture capital investments (in terms of both the value of equity invested and the number of deals).

Home schooling grew by an estimated 2% to 8% over three years to 2010, with between 1.73 million and 2.35 million K-12 home school enrollments in the US in the spring of 2010. An underlying trend in the growth of home school enrollments is the higher representation of minority groups.

Figure 10: Venture Capital Investments in Education-Technology Companies (Figures in US\$m)



Source: National Venture Capital Association, Thomson Reuters

2.5 Highly Experienced Management and Technology Team

The Knowledge Nation Management and Technical team has substantial in-house operational experience in the fields of game design, curriculum correlation, teaching and instructive strategies, and the marketing and distribution of games-based learning products.

Aside from the Executive team, ESN has affiliated leading universities for academic endorsement and legitimacy.

KNOWLEDGE NATION EXECUTIVE	BACKGROUND
Robin Matthews CEO - Knowledge Nation	Mr Matthews is a veteran of the video games industry and has over 21 years experience in games development. A lawyer and former Studio Head at Microprose in the US, Mr Matthews has held senior positions at Electronic Arts, Disney/Walker Digital, Hasbro Interactive, EAI, Sirtech and most recently, Namco Bandai Games as Director of Development and Head of their San Diego studio. He also founded a hi-tech company, pioneering innovative concepts within the teaching and training arenas in the NFL/NCAA and in other sporting and social games fields.
Matt Seeney Senior Vice President, Business Development and Gameology	Mr Seeney is a leading UK expert on the games-based learning. He holds a BSc in Computer Games Technology and founded Team Play Learning Dynamics, which became the most successful Games-based learning company in the UK.
Bradley Baker Vice President, Business Development	Mr Baker, a Masters graduate in Software Engineering from Seattle University, began his career in technology as a Software Test Engineer at Microsoft.
Professor Laurie O'Donnell Senior Vice President of Pedagogy and Curriculum Development	Professor O'Donnell was the Director of Learning and Technology at Learning and Teaching Scotland until 2009.

3. vPUBLISHER

3.1 Outline

In July 2011, ESN re-acquired all of the assets of Virtual Communications International P/L (VCI), which was previously in liquidation. VCI was a business originally acquired by ESN in July 2008. VCI's core product is *vPublisher*, a conversion tool that transfers standard PDF files into interactive, intelligent e-book applications.

vPublisher is a market-ready internationally deployable product, capable of working in all languages, including Asian languages and is deployable on all standard operating systems. ESN exclusively holds the intellectual property in *vPublisher*.

The market opportunity for *vPublisher* is underpinned by the rapid adoption of new mobile-media devices, in particular eReaders, and new tablet computing devices (E.g. Apple iPad, Blackberry Playbook and Samsung Galaxy). ESN believe there is now a mature market and increasing demand for e-book content capable of being delivered by its *vPublisher* product.

Wholesale market opportunities also exist that would enable larger application providers to incorporate *vPublisher* with their own product via licensing agreements. *vPublisher* is also used as an online procurement tool embedded in online e-catalogues with interactive e-commerce features allowing customers to readily order from large product ranges online.

3.2 Revenue Potential

vPublisher has the potential to rapidly generate revenue as an interactive education application, an e-publishing application and a platform for the creation of interactive rich-media content across a broad range of market sectors. The revenue model is based around enterprise-level license sales which has the potential of creating a recurring revenue stream.

To this end, ESN is seeking partnerships with large re-sellers and end-users who are interested in developing the *vPublisher* products for their specific application and distribution. A partnership would also minimise further development and distribution costs.

In addition, specific purpose versions of *vPublisher* will also be marketed as retail application subscriptions sales.

Other revenue opportunities include the creation of derivative applications, such as student assignment assembly and presentation, self-publishing of books and online video gaming.

3.3 Principal Author of *vPublisher* Re-appointed

A significant step in the re-acquisition of *vPublisher* is the re-appointment of Mr Craig Sinclair, Head of Product and principal author of the *vPublisher* software. Mr Sinclair was the founding director of Virtual Communications International P/L Ltd and co-developer of the *vPublisher* application and has a background in trade and industry development and a strong international business network in communications and technology development.

His *vPublisher* product knowledge and experience in a diverse range of communications environments over the past 25 years including strategic and operational marketing, public relations, corporate communications, brand management, journalism and e-based marketing, is pivotal to the further commercialisation and revenue-generating capability of *vPublisher*.

4. BOARD OF DIRECTORS

DIRECTOR	BACKGROUND
<p>Andrew Plympton <i>Non Executive Chairman</i></p> <p><u>Interest in ESN:</u> 2.0m ordinary shares</p>	<p>Mr Plympton joined the Company in August 2010 and brings to the role a wealth of experience in a diverse range of commercial and high profile sporting institutions.</p> <p>In the financial services sector, Mr Plympton has held senior executive positions (CEO and or Chair) with a number of global Insurance Brokers and Risk Advisors, Chairman of Underwriting Agencies (Aviation) and Chairman of a high profile captive insurance operation.</p> <p>In the ASX company sector, he is Chairman of Beyond Sportswear International Ltd and AdEffective Ltd. He is a non executive Director and Chair of Audit of Newsat Ltd and in New Zealand non executive director and Chair of Audit of NZX company Energy Mad Ltd.</p> <p>Mr Plympton is also an Advisory Board Member in Australia of Global Insurance Broker and Risk Advisor Aon Corporation Ltd</p> <p>The business of sport has been a passion of Mr Plympton's; he is the Past Chairman of St Kilda Football Club Ltd, Past President of Yachting Australia Inc and currently is Commissioner/ Director of The Australian Sports Commission as well as Chairman of Audit and Risk. He is also an Executive Member of The Australian Olympic Committee, Director of The Australian Olympic Foundation Ltd and member of Risk and Audit of both bodies.</p>
<p>James Kellett <i>Chief Executive Officer</i></p> <p><u>Interest in ESN:</u> 18.4m ordinary shares</p>	<p>Mr Kellett has over 30 years experience in corporate finance and business management and has held senior executive positions in the finance and communications industries, including ASX listed companies. He is the founder and Managing Director of Furneaux Equity Ltd, is an Associate of the Financial Services Institute of Australasia and brings very substantial business management, direction and governance skills to the Board.</p> <p>Mr Kellett was appointed CEO on 3 December 2010, following his appointment to the Board as a Non Executive Director on 26 August 2010.</p>
<p>Jeffrey Bennett <i>Non Executive Director</i></p> <p><u>Interest in ESN:</u> 0.25m Unlisted Options</p>	<p>Mr Bennett has extensive experience in corporate finance, capital markets, acquisitions and divestments and risk management to the Company. He has more than 25 years experience in the resources, transport, IT and service industries having held senior finance positions at Ingena, Simcoco Pacific, BHP and Shell. Mr. Bennett is the chairman of Jameson Resources Ltd (ASX: JAL).</p>

DIRECTORY – ALPHA SECURITIES

Corporate

George Karantzias

george@alphasecurities.com.au

0401 670 620

Research Analyst

John Haddad

john@alphasecurities.com.au

0407 219 222

Disclaimer

This document has been prepared (in Australia) by Alpha Securities Pty Ltd ABN 94 073 633 664 ("Alpha"), who holds an Australian Financial Services License (License number 330757). Alpha has made every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, Alpha makes no representation and gives no warranties about the accuracy or completeness of the information and material, including any forward looking statements and forecasts made by Entellect Ltd to Alpha, and it should not be relied upon as a substitute for the exercise of independent judgment.

Except to the extent required by law, Alpha does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report, or as a result of errors or omissions on the part of Alpha or by any of their respective officers, employees or agents.

This report is for information purposes only and is not intended as an offer or solicitation with respect to the sale or purchase of any securities. The securities recommended by Alpha carry no guarantee with respect to return of capital or the market value of those securities. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested. Neither Alpha nor any of its associates guarantees the repayment of capital.

This report and any communication transmitted with it are confidential and are intended solely for the use of the individual or entity to which they are addressed. If you have received this email in error please notify the sender. If you no longer wish to receive communication from Alpha, please contact Alpha requesting to be unsubscribed from future communications.

General Advice Warning

This report may contain general securities advice or recommendations, which, while believed to be accurate at the time of publication, are not appropriate for all persons or accounts. This report does not contain specific securities advice and does not take into account particular investment objectives, financial situation and needs of any particular person. You should carefully assess whether such information is appropriate in light of your individual circumstances before acting on it.

Disclosure

Alpha, its Directors and associates declare that they may have a relevant interest in the securities mentioned herein. This position can change at any time. Alpha also receives fees for advisory services.

Alpha does and seeks to do business with companies covered in its research reports and investors should be aware that Alpha received a consultancy fee from Entellect Ltd for compiling this research report.