



Little Space Heroes Virtual World

Presentation for Richard Dale | 2 August 2011

Kids entertainment market

Continued growth in demand



Kids want to...

- Be entertained
- Connect with other kids
- Express themselves through personalisation
- Be challenged and learn
- Role play and socialise
- Play solo and multiplayer games

Parents and carers want...

- Their kids to be entertained
- Have kids use computers and the internet
- Safe play environments
- Engage in social play
- Engage in developmental play
- Age appropriate content
- Value for money



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Little Space Heroes

Virtual universe for kids



- ü First virtual universe for kids 5-12
- ü Intergalactic theme, duel realms/avatars
- ü Fun to touch, cute and collectible
- ü Immersive storyline
- ü Discovery, Adventure, Community themes
- ü More arcade play then any other VW
- ü Loads and loads of personalisation!
- ü Slapstick action "E" for everyone rating
- ü Browser based, kids can play via any internet connected computer
- ü Ticks all the boxes for safety
- ü Great value for money



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Key Milestones - August

**Alpha
Complete**

**Public
website
Live**

**Closed beta
launch on
schedule**

**Marketing and
PR gaining
traction**

**TV
commercials
in production**

**Global Hosting
provider &
scalability plan
in place**

**Merchandise
Prototypes
Underway**

**Trademarks,
Domains,
Patents**

**Social
Presence for
all brands
engaged**

**Commercialise
Australia grant
Underway**

**Affiliate deal
discussions
Australasia and
EMEA**

**Round 2 Cap
Raise starting
September**

Target audience



Kids online aged 5 to 12
50:50 boy-girl ratio

- Over 200 million kids gaming online, and growing 25% p.a.
- Tier 1 markets: USA, Canada, Australia, New Zealand, UK
- Tier 2 markets: India, China, South Korea, Japan, France, Germany, Italy, Spain, South East Asia, Brazil, Latin America
- Total Registered Accounts (Kzero research)

Age Range	2009				2010				2011	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
5 to 10	77m	114m	152m	179m	190m	211m	219m	235m	272m	320m
10 to 15	246m	334m	367m	392m	413m	444m	468m	511m	561m	652m
15 to 25	73m	99m	117m	193m	237m	273m	288m	299m	313m	385m
25+	18m	21m	23m	25m	27m	30m	34m	36m	39m	42m
Total	414m	568m	659m	789m	867m	958m	1,009m	1,081m	1,185m	1,399m



Competitive landscape

Proven success stories



- Many 1st gen Virtual Worlds enjoy long-term loyalty and ongoing engagement of new members - generating significant revenue YOY.



- MTV-Viacom
- 52 mil accounts
- Est. 1999
- Exit \$160m



- Disney
- 70 mil accounts
- Est. 2006
- > 50,000 subs AU
- Exit \$350m



- Mind Candy
- 50 mil accounts
- Est. 2008
- 100,000 kids/day



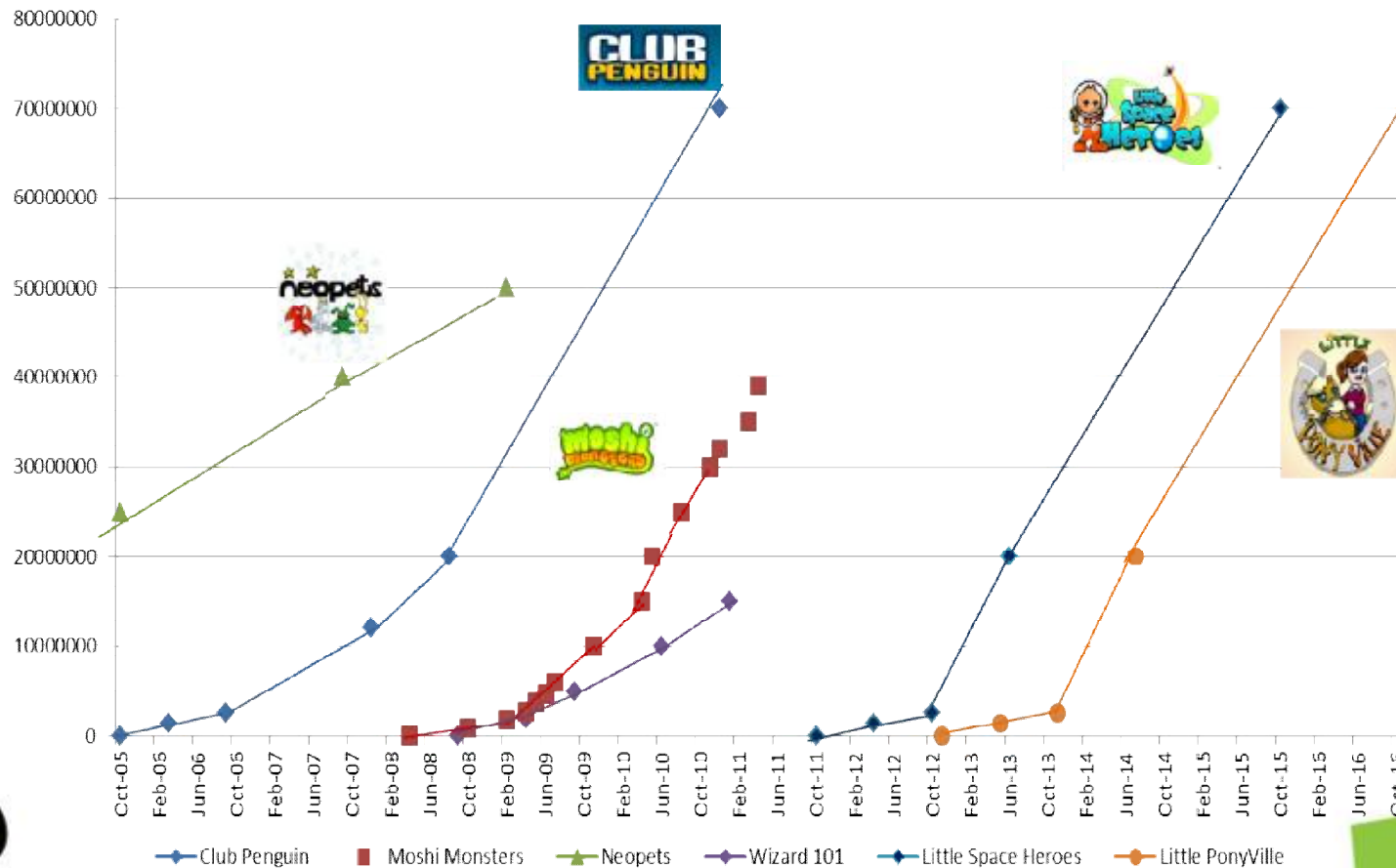
- Family Education Network
- 170 mil accounts
- Est. 2007

- The Little Space Heroes story and second generation gameplay differentiate us from existing competitors.
- We believe the Little Space Heroes virtual universe will be the number 1 virtual world for kids by 2013.



Competitive Analysis

Growth comparison



Product validation

Trade, customer and media



- ü 98% positive feedback in multiple focus groups
- ü 50% of kids who watched ABC Good Game (TV show) visited our website within 48 hours! (>29,000 Unique Visitors) [[Click to view](#)]
- ü Glowing previews and game reviews
- ü Trade deal partnership discussions underway with major media brands internationally



Business model

“Freemium” Velvet Rope Model



- Member subscriptions are the primary revenue channel
- Members play limited part of game free of charge
- Premium membership offers unlimited access and more benefits
- Affordable, industry standard pricing in multiple currencies

Plan	Pricing (USD)
Monthly	\$7
6-Monthly	\$35
Annual	\$60



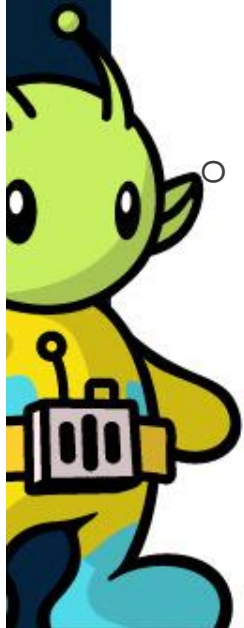
Business Model

Sales and marketing



Sales & Marketing efforts focused on supporting -

- Acquisition: Attract visitors, convert to free play, upsell to subscriptions
 - Affiliate marketing: Via major media brands by region. Revenue share marketing models
 - Organic marketing: Facilitate viral/word-of-mouth marketing via kids and parents
- Retention: Increase tenure and engage further with brand
 - Upsell to longer subscription packages
 - Keep free and paid members engaged with virtual world
 - Engage all fans further via additional product lines



Virtual World Technology

Advanced technology and design



- Proprietary game technology and production tools
- Patents application lodged for innovations
- Advanced game play features not accessible to the competition
- 2 year Production roadmap including new mini-games, environments, characters, quests, events and in game content
- Drag-drop world editors for agile production and re-skinning
- Scope to expand to other platforms (Nintendo DS, mobile/tablet)
- Trade Secrets





Little Space Heroes Virtual World

Demonstration

World Class Team

Experienced in management & production



Leigh Harrison
MD and CFO

Chris Kullar
Strategy, Business
Development

Phil Mason
Product Development,
Operations

Michael Karp
Director Law Advisory

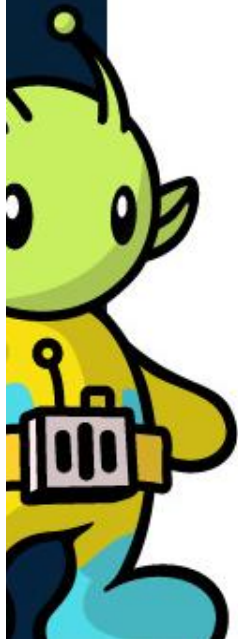
Paul Gray
Sales, Marketing,
Community

Garth Midgely
Creative Director

Sydney - San Francisco management team
have proven experience in:

- Business management and finance
- Mergers and acquisitions
- Entertainment law and licencing
- Marketing and sales
- Children's entertainment and media
- Product design and commercialisation
- Virtual world - video game production
- Community management

Relationships with key stakeholders at Disney, MTV, Electronic Arts, Activision and Google, which can be activated in line with various exit strategy options.



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Revenue Projections

P&L and Cash Flow Dec 2011-15



Revenue Projections – Base Case

Gross Revenue Q4 2011-2015

MARKET & SUBS	Oct- Dec 11	Dec 2012	Dec 2013	Dec 2014	Dec 2015
MARKET	91,450	114,313	137,175	157,751	173,526
UNIQUE VISITS	457	4,573	13,718	31,550	43,382
FREEPLAYERS	229	2,286	6,859	15,775	21,691
NEW SUBSCRIBERS	21	206	617	1,420	1,952
PREV PERIOD SUBS		15	0	0	0
CHURN	(6)	(206)	(617)	(1,420)	(1,952)
TOTAL SUBSCRIBERS	15	221	617	1,420	1,952
GROSS REVENUE (000's)	\$90	\$11,922	\$37,037	\$93,704	\$128,843
FUNDING	\$1,755	\$650	-	-	-
EXPENSES	(\$1,225)	(\$3,800)	(\$6,852)	(\$11,638)	(\$14,931)
LESS AFFILIATE SHARE	(\$14)	(\$1,788)	(\$5,556)	(\$14,056)	(\$19,327)
PROFIT	\$577	\$6,984	\$24,630	\$68,011	\$94,586
CBF	\$577	\$7,561	\$32,191	\$100,201	\$194,787

Base case is modelled on comparisons with Club Penguin and Moshi in tier 1 markets only. In this scenario there is one major online affiliate deal in play (50 million U/B's per month) generating 50% of traffic to the site.

Key Variables – Base Case

- Growth Rate is inline with competitor growth in Tier 1 markets
- Conversion rate of U/B's to free players is 50%
- Conversion rate of free players to paying subs is 9%
- ARPU is \$6 Y1, \$54 Y2, \$60 Y3, then \$66 Y4 and Y5 (based on 9-11 month tenure)
- Churn is 100% YOY
- Affiliate share is 30%

Total Addressable Market

- + Tier 1 English speaking markets only (6-12 y/o)
- + 80/20 boy skew applied



Valuation & Funding

Methodology and milestones



Use of funds – Rounds 1 & 2

	Seed	Round 1	Round 2
Funding source	Founders	Equity Government	Equity Government
Funding amount	\$400k	\$1.1 million	Circa \$800k
Activity time frames	2009-2010 18 mths concept to alpha product	12 mths to complete product and launch and initial sales Sept - to December 2011	6 mths operations to drive sales Jan 2012 to June 2012
Milestones	Concept Prototype User Testing Alpha product Production roadmap Business plan Financial plans Marketing plan Provisional Patent Trademarks	Complete product Billing and CRM Open beta Launch marketing Operations roadmap Affiliate deals International Patents Launch Sep11 Sales through Dec 11	Drive Sales Scale operations Add Community team Calendar marketing activity Ongoing game development Drive sales Cash flow positive position



Investment milestones

Funding sources



Venture Capital

\$300,000



Angel

\$365,000



Grants

\$245,000



Opportunity

Vision Proposition & Benefits for Investors



We aim to be the market leader in virtual worlds for kids

Our vision is to create a \$1 billion company in 5 years

What we offer

- Targeted product filling a clear & valid market need
- World class team
- Proprietary technology
- Clear exit strategy

Round 1 Funding

- \$1.1 million investment
- Ordinary Share issue
- Company pre-valuation of \$3 million

Current Exit Strategy

- Exit within 3-5 years via trade sale to media, toy or gaming company
- Sale price at a significant premium to current valuation





Questions & Discussion Next Steps

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