



28th September, 2010

Mr Justin Nelson
Issuers (Adelaide)
ASX Compliance Pty Limited
91 King William Street
Adelaide SA 5000

Dear Mr Nelson

I refer to your letter dated 23rd September 2010, (copy attached).

This response is to the questions raised in your letter following a media report concerning the Commonwealth Bank of Australia ("CBA") issuing a summons to wind up the Company and for the purposes of listing rules 12.1 and 12.2:-

1. Is the Company able to pay all its debts as and when they become due and payable?

In the opinion of the directors, the company is able to pay its debts (other than those subject to dispute, legal action, GST registration dispute, or specific terms of payment) as and when they become due and payable.

The wind up notification received from the lawyers acting on behalf of the CBA was delivered to the company while the Chief Executive Officer, Chief Finance Officer and Chief Innovator were in China on business development matters. These documents were not opened until our return.

Discussions were then held with the lawyers for the CBA and a settlement of the outstanding balance was achieved and announced to the market (ASX announcement 16 September 2010). The lawyers for CBA will be making an application to the Court and to ASIC to have the matter withdrawn. This matter was discussed with the ASX and the ASX was also advised of the settlement.

2. What steps has the Company taken, or what steps does it propose to take to enable it to continue to meet its business objectives?



The company is continuing to meet the objectives outlined in the Prospectus, lodged with ASX in December, 2009. Despite the GFC and the delayed listing of the Company, Digislide is still ahead of target on its Prospectus commitments as outlined in the ASX announcement 30 July 2010 Reconciliation for use of Funds.

As the company transitions from an R&D company to that of an R&D commercial global operator, and whilst revenues are still at an immature level and growing, the directors acknowledge the Company has not as yet reached breakeven and will be reliant upon further equity, or, loan injections until breakeven occurs.

These funding requirements, as outlined to the ASX in the Company's Preliminary Final Report (ASX announcement dated 30 August 2010) have been achieved. In that Report under the section subsequent events, the Company advised that "it had entered discussions with parties looking to invest up to \$500,000 in the Company with completion of these arrangements expected within the next 10 days". The Company confirms the receipt of the \$500,000 investment funds and that a further \$300,000 has been committed to the Company by the same investor group. Of this further funding commitment of \$300,000 the Company can confirm receipt of \$166,500 as at today's date. Overnight an additional commitment of US\$150,000 was received by the company.

The market will be advised of the specific terms of the investment once the funding is completed although the total funds injected comprises a mix of convertible notes and loan funds at commercial rates.

The company has other commitments in place to ensure that it can meet its business objectives.

These include:-

- Expanding distribution and revenue streams of its products in Australian markets
- Bringing new products to market with burgeoning growth:-
 - WeSii® - companion to Nintendo's Wii™ games console - Q4 2010
 - XRay™ - companion to Microsoft's XBox™ games console - Q1 2011
 - digiPRO™ - professional SVGA hand held projector - Q1 2011
 - digiVision™ - companion to Apple's IPOD; IPHONE and IPAD - Q1 2011
 - StingRay™ - companion to Sony's suite of Playstation™ products - Q2, 2011
- Opening additional distribution markets in USA, South Africa, Middle East, South East Asia, China, and Canada.
- Attracting investment into the Hong Kong based joint venture, Digismart Commerce Ltd, and outsourcing the R&D required to Digislide Holdings Limited

3. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule



The directors are of the opinion that the Company is in compliance with listing rule 12.2 and the present financial direction of the Company provides evidence that revenue is increasing and the Company's net assets position has improved. The Company's revenues have increased from \$42K (2009) to \$614K over the past year with larger markets in sight for FY2011. Numerous of the costs attributing to the loss for the year ended 30 June 2010 can be directly associated with the Company's listing and will not recur.

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

The directors are of the opinion that the Company is in compliance with the listing rules specifically LR3.1. Digislide has always provided the ASX immediately with any information concerning its operations that have a material effect on the price or value of the entity's securities. We have at all times sought to do so in the spirit of the continuous disclosure requirement of LR3.1.

Response to the Adelaide Advertiser Article dated 24 written by Russell Emmerson and/or Meredith Booth.

Over the past week, The Advertiser, South Australia's newspaper and Adelaide Now, The Advertiser's on-line media, have reported on Digislide.

The company and its directors, jointly and severally, refute the factually incorrect allegations made by The Advertiser and its reporters.

The Company does not have the details of the party, nor any specifics of the complaint to the ASX and can only respond to what was written in the newspaper.

The Company responds to each of the issues raised below.

1. The former Chairman Ian Mutton called in a Sydney based liquidator to review the accounts fearing it was trading while insolvent.

Reference is made to the attached letter from Mr Mutton which clearly states the reason for his engaging SV Partners. The Company having publicly announced it was in the market to raise capital, had received several approaches from accountants and reconstruction specialists offering capital and technology if Digislide would bring the company with the technology under a public listing. SV Partners operate in this field.

2. Mr Mutton resigned from the company soon after the visit. No reason was given for his resignation.

Reference is again made to the letter attached from Mr Mutton. Mr Mutton resigned due to poor health and a heavy workload and had advised the



Board that he felt he had served his time getting the Company from an early stage entity to listed company.

3. Staff being paid by Bartercard.

For many years the Company has not operated bartercard. The CEO confirms that the Company uses BBX trade dollars for creditor purchases, staff bonus payments and for partial settlement of some contractors' invoices at the direction of the contractor.

4. Concerns about stock.

The Company has stock on hand, fully paid for, and this has been the subject of both half year and end year audits. The Company also holds considerable deposits in US\$ against manufacture of new product. At both the recent and previous Audit Committee meetings the directors did not receive any query in respect to the Company's holding or management of stock from its auditors Messrs Hayes Knight. The recent trip to China in part explored improved and expanded manufacturing connections that will have significant benefit for the company. The Company always pays for its inventory in advance of manufacture and delivery.

5. Irregularities after capital raisings.

The Company is not sure as to what this allegation is about as all the funds raised through formal capital raisings have been audited and reported to the market in ASX announcements and to ASIC. Further these figures, being the funds received and shares issued have been subjected to audit twice this year by Hayes Knight and the issued securities checked with the Company's share registry.

6. Outstanding debts.

The Company has debts with its suppliers, service providers, and contractors. Some of these are subject to dispute for non-performance or delivery against the terms of the contract, and these matters are either in contest or with our lawyers in formal legal dispute. These amounts are considered immaterial.

The directors have taken due care in responding to firstly the ASX query and to the allegations in all reports by The Advertiser to date.

As required for all listed companies, Digislide will be submitting its audited financial statements for 30th June, 2010 by no later than 30th September.



Should you wish to discuss the contents of this letter please do not hesitate to contact me.

Yours sincerely

Luceille Outhred
Chief Executive Officer
Digislide Holdings Limited

Attachments

Copy of ASX letter to the Company dated 23 September 2010
Copy of a letter from Mr Ian Mutton.
Copy of The Adelaide Advertiser article of 24 September 2010.



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23 September 2010

Mr Jeff King
Company Secretary
Digislide Holdings Limited
100 – 102 Cavan Road
Dry Creek SA 5094

By email to: jeff.king@digislide.com.au

Dear Mr King

Digislide Holdings Limited (the “Company”) – Company’s level of operations and its financial condition

ASX refers to the following:

- ASX listing rule 12.1 provides that the level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.
- ASX listing rule 12.2 provides that an entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing. The note to the listing rule provides the composition of the balance sheet, relative size of liabilities to assets and access to funds are some of the indicators of an entity’s financial condition.
- ASX listing rule 18.7 provides that an entity must give ASX any information, document or explanation that the ASX asks for to enable it to be satisfied that the entity is, and has been, complying with the listing rules. The entity must do so within the time specified by ASX.

Having regard to the Company’s recent announcement in response to a media report concerning the Commonwealth Bank of Australia issuing a summons to wind up the Company and for the purposes of listing rules 12.1 and 12.2 please respond to the following questions:

1. Is the Company able to pay all its debts as and when they become due and payable?
2. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
3. Please comment on the Company’s compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

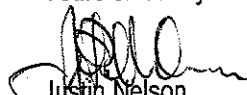
This letter and your response will be released to the market pursuant to listing rule 18.7A. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by email at justin.nelson@asx.com.au. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than **9.30 am EST on Monday 27 September 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding this letter I may be contacted on (08) 8113 5305.

Yours sincerely



Justin Nelson

Manager, Issuers (Adelaide)

From: I Mutton [mailto:imutton@digislide.com.au]

Sent: Monday, 27 September 2010 2:32 PM

To: Luceille Outhred

Subject: Text of Letter That is to Follow

Managing Director
Digislide Holdings Limited

Dear Ms Outhred,

I note the article in the Advertiser last Friday. Is my practice to leave the matters of briefing the media to the chief operating officer of the Company. Aside from the fact that I am no longer the Chairman of Digislide and, as such have no purpose to brief the media I have not departed from that practice in the case of case of Digislide.

The Advertiser last Friday reported, in the context of Digislide:

- a formal complaint to Australian Securities Exchange. I am not aware of any such a complaint.
- that I called in A Sydney based liquidator. I asked SV Partners ("advisors on matters that include business reconstruction, insolvency accounting and risk management services") to advise on the (working) capital needs of Digislide. Digislide was advised by its auditors on matters relating to its financial standing and, I note, the auditor's reports have been reported to the market.
- that I feared the Company was insolvent. I did not have such a fear.
- That I have high blood pressure. I do take treatment for blood pressure.

It is further reported that I resigned from the Company soon after the visit of SV Partners. My resignation should be considered in a wider context. It was my intention to withdraw my nomination for re-election at the General Meeting of shareholders held on 19 November 2009. The following was included in the draft of the Chairman's address:

There is another matter. I've decided to withdraw my nomination for re-election. Let me explain why? I accepted an invitation to join the Board at a time when our company was preparing itself for listing. The skill set I have was matched to the needs our company at that time. Companies are driven by the support of their shareholders and the commitment of their staff. These drivers take on the focus needed to deliver value when the skill sets of the Board members together match the needs of the commercial and governance needs of the company. My skill set is matched to those needs during the start up phase through to listing – our Company has moved on. The way I see it, it is important that the Board not be cluttered by "yesterday's people" – it is the process of removing the clutter that sees me move on. In moving on, I move from the Board – I will step up whenever the Board asks. And I will tell you something; such is my confidence in the future of our Company that I will not take cash for fees – I prefer that payment be in shares priced at \$1.25.

I did not withdraw my nomination on the day of the AGM because matters related to transition had not been addressed. I submitted my resignation from the Board on 3 December 2009 but was prevailed upon to withdraw my resignation after discussions with various Board members. The MD did by email dated 7 December 2009 advise the Board:

Gentlemen

Mr Mutton has contacted me today and advised me that he is prepared to withdraw his resignation

He explained his reason for withdrawal was an incredibly heavy workload, which was causing him concern that he would not be able to do justice to the responsibilities of Board Member generally, and Chairman, more particularly.

Jeff and I have assured him that we, and other members of the Board will take some of the load from him to enable him to remain on the Board

I am sure that you are all, as I am, delighted with Mr Mutton's decision.

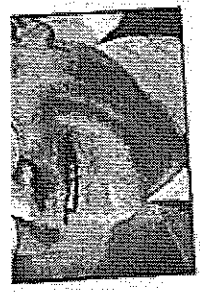
I did resign on 3 March 2010

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by takeover target the Potash Corporation of Saskatchewan. Potash Corp claimed BHP's bid was built on "false and misleading statements and omissions". But BHP said the claim "is entirely without merit" and it does not expect its bid to be delayed. China - a major potash importer - has been uneasy about the BHP bid and is reportedly considering a rival offer.

\$1.5 billion contract for Northern Link tunnel in Brisbane. Acciona, which also is part of the AdelaideAqua consortium, said it was expanding its infrastructure work in Australia. The Brisbane consortium consists of Acciona, Cardno, BMD Constructions and Italian firm Ghella.



Sir Robert Wilson

advanced liquefied natural gas (LNG) project. The visit marks the first board meeting in Brisbane of BG Group - owner of the coal-seam gas hopeful QGC. Board members include chairman Sir Robert Wilson, John Hood and Baroness Sarah Hogg. Sign-off on the project will only be inked after Federal Government approval, BG said.

Western Australia. "We will be drawing on our pool of skilled workers as well as new talent to meet the peak target of 1500 employees across both Leighton contracts," Leighton Contractors, Western Region, general manager Ray Spatore said.

SNAPSHOT

At yesterday's close of business

BY THE NUMBERS

ALL ORDINARIES	5.3	↑
ASX 200	8.4	↑
4633.6		
DOW JONES	21.72	↓
10739.31		
NASDAQ	14.80	↓
2334.55		
NIKKEI	steady	○
9566.32		
FTSE	24.28	↓
5551.91		
HANG SENG	53.85	↑
22056.44		

TOP 10 - by traded value

BHP	\$39.22	32c	↑
RIO TINTO	\$76.04	\$1.14	↑
NEWCREST	\$40.94	40c	↑
CBA	\$52.43	7c	↓
TELSTRA	\$2.68	2c	↑
GSL LIMITED	\$33.73	93c	↑
WESTPAC	\$23.72	17c	↑

**RUSSELL EMMERSON
MEREDITH BOOTH**

A FORMAL complaint to the Australian Securities Exchange accuses Adelaide technology company Digislide Holdings of insolvent trading, concerns about stock and anomalies in accounting records following capital raisings. Digislide's former chairman Ian Mutton called in a Sydney-based liquidator to review the company's accounts, fearing it was trading while insolvent. The Advertiser has confirmed. The liquidator raised his concerns with the company, which did not disclose those concerns - or the visit - to the market. Mr Mutton resigned from the company soon after the visit. No reason

was given for his resignation at the time, but chief executive Lucille Outhred said last night he resigned because "he had high blood pressure". An ASX spokesman would not confirm whether a complaint had been lodged about Digislide, but said the ASX would always investigate serious or weighty matters referred to them. Digislide chief financial officer Jeff King confirmed last night he had spoken with the ASX's Adelaide office yesterday, but "none of the issues you've raised were mentioned". Ms Outhred confirmed Mr Mutton had called in a financial expert - but said the company did not reveal any financial information to him. "The company certainly did not have an

insolvency specialist called in," she said. "The chairman asked for someone to come into the company to look at the accounts and they (raised) a range of issues, but nothing was to do with insolvency. "He was not provided with any finances and was not speaking to us as an insolvency specialist. "I am not sure what he was there for."

The Advertiser has been told the complaint refers to other issues raised during the visit, including concerns about financial irregularities after capital raisings, stock issues, and outstanding debts. Ms Outhred yesterday dismissed these claims as "rubbish" and said the company was owed money by federal authorities, not the other way

around. She also dismissed concerns about staff being paid using "BBX Trade Dollars", a competitor for Bartercard. "We are not Bartercard members and have not been for several years," Ms Outhred said. "We do have arrangements with BBX but that is only used for (staff) bonuses. "If I was to spend \$100,000 BBX Trade Dollars, Austrade would recognise that."

She said all early technology companies faced cash flow issues as they worked on commercialising their products, but she remained focused "on the doughnut and not the hole". The company has not yet released the audited version of this year's accounts, which revealed a \$4.7 million loss.

Adelaide firm named in ASX complaint