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DIGISLIDE HOLDINGS LIMITED

Quarterly Cash Flow Report and Trading Update

Digislide Holdings Limited (ASX:DGI) an innovative Australian based company actively involved in the design, development and commercialisation of complex projection products together with its IPTV (Internet Protocol Television) technologies aimed at the convergence of projection, telecommunications, and mobile gaming, today released its quarterly cash flow report for the period ended 31 December 2010. The 4C cash flow report is attached.

Recent Developments Impacting Future Cash Flows

- Over the three month period to December 2010, the Company entered into a series of negotiations regarding distribution agreements for the massive markets of USA and India with parties known to possess impressive history in the commercialisation of consumer electronics and other fast moving consumer goods products. The agreement with Beryl's World was announced on 22 December whilst the distribution agreement with Rich International Pvt Ltd was announced on January 19 2011. Sales revenue from these two new distribution arrangements is expected to be reflected in cash flow during the first quarter 2011.
- Further negotiations are currently in progress with other potential distributors both in the US and other markets.
- To deal with the anticipated increase in unit sales the company last September, visited and met with its Chinese manufacturers to discuss new products manufacture, available production capacity, and lead time issues ahead of securing several large distributions agreements.
- Should the company require additional funding until these revenues fully cover the monthly cash burn rate then additional funding will be raised via convertible notes as it has been in the recent past or the direct issue of equity.

Jeff King

Company Secretary
31 January 2011

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

DIGISLIDE HOLDINGS LIMITED

ABN

75 105 012 066

Quarter ended ("current quarter")

31 December 2010

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (....6... months) \$A'000
1.1	Receipts from customers	17	37
1.2	Payments for (a) staff costs	(61)	(102)
	(b) advertising & marketing		(36)
	(c) research & development	(52)	(76)
	(d) leased assets	(2)	(2)
	(e) other working capital	(151)	(488)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received SAIIF Grant Rebate	32	36
1.5	Interest and other costs of finance paid	(22)	(43)
1.6	Income taxes paid		
1.7	Other (provide details if material) Investment in Inventory	(26)	(36)
Net operating cash flows		(265)	(711)

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

	Current quarter \$A'000	Year to date (...6.... months) \$A'000
1.8 Net operating cash flows (carried forward)	(265)	(711)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(4)	(4)
(e) other non-current assets		
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material) US Subsidiary Expansion Costs		
Net investing cash flows	(4)	(4)
1.14 Total operating and investing cash flows	(269)	(715)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, c/notes, etc.	200	850
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	21	222
1.18 Repayment of borrowings	(101)	(356)
1.19 Dividends paid		
1.20 Other R&D Rebate		
Net financing cash flows	120	716
Net increase (decrease) in cash held	(149)	1
1.21 Cash at beginning of quarter/year to date	153	3
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	4	4

+ See chapter 19 for defined terms.

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

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	5
1.25	Aggregate amount of loans to the parties included in item 1.11	NIL
1.26	Explanation necessary for an understanding of the transactions	
	Payment of directors' salary.	

Non-cash financing and investing activities

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

During the quarter the directors resolved to accept the conversion of a total of \$743,010 in debt, loans, and accrued interest into fully paid shares in the Company. Shareholders have formally approved \$565,184, these conversions at the AGM on 30 November and the balance of \$177,826 is included within the resolutions for shareholder approval at the General Meeting to be held on 23 February 2011. All of these issues have been announced to the market and form part of the company's strategy of balancing its cash flow requirements with equity conversions through until breakeven is achieved. The company in issuing these shares has significantly reduced its current liabilities as at the 31st December 2010

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

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Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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3.2	Credit standby arrangements	NIL	NIL
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+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
4.1	Cash on hand and at bank	4	153
4.2	Deposits at call		
4.3	Bank overdraft		
4.4	Other (provide details)		
Total: cash at end of quarter (item 1.23)		4	153

Acquisitions and disposals of business entities

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

Compliance statement

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

Sign here:  Date: ...31 January 2011.....
(Director)

Print name: LUCEILLE OUTHRED

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. Accounting Standards. ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
4. The amount disclosed at 1.4 "interest and other items of a similar nature received" includes training rebates and amounts claimed under the SAIIF Grant awarded to the Company in November 2009.
5. The Company during the quarter initiated a private capital raising through the issue of convertible notes, to raise in aggregate \$150,000. This raising was announced to the market in the ASX announcement dated 29 December 2010. Further, the company received the balance of the convertible note issue announced to the market 28 October 2010. Approval for the issue of these convertible notes has been included in the resolutions being put to shareholders for approval at the General Meeting of shareholders to be held in February 2011.
6. Over the three month period to December 2010, the Company entered into a series of negotiations regarding distribution agreements for the massive markets of USA and India with parties known to possess impressive history in the commercialisation of consumer electronics and other fast moving consumer goods products. The agreement with Beryl's World was announced on 22 December whilst the distribution agreement with Rich International Pvt Ltd was announced on January 19. Sales revenue from these two new distribution arrangements is expected to be reflected in cash flow during the first quarter 2011. With the improvement in sales revenue, and approximately \$660,000 in funding owing by the ATO in respect of the company's R&D rebate, and \$160,000 owed by the Government in relation to the EMDG rebate, the Company will have funds sufficient to cover the monthly cash burn rate which has been further reduced during the December quarter.

+ See chapter 19 for defined terms.

has fallen significantly since listing in August 2009 due to the non-repetitive nature of numerous of the expenses that were associated with the IPO and a tighter management of expenses.

+ See chapter 19 for defined terms.