



digislide

Project Your Image

2 February 2011

Mr Justin Nelson
Manager, Listings (Adelaide)
Level 30
91 King William Street
ADELAIDE SA 5000

Dear Justin,

Digislide Holdings Limited (ASX:DGI) Response to ASX Letter re Quarterly 4C

I refer to the ASX letter dated 31 January 2011 and respond to each of the questions raised as follows:

1. The company over the past year has continually reduced its quarterly cash burn rate whilst revenue streams have been established into new markets. Whilst revenues have not been sufficient to cover the quarterly cash burn, sufficient funding has been raised via convertible note issues, equity conversions and short term loans, to meet the company's commitments.

For the past 12 months the company's cash position as at the close of any quarter reflects the lumpiness of the company's cash flow which comprises a mix of cash and credit sale receipts, loan and investment funds, receipts of Grant funds and payments due from the Government such as R&D tax refunds and BAS refunds.

As at the 31st December 2010 for example the Australian Government through the ATO and Austrade owed Digislide approximately \$800,000. If these accrued funds had been received prior to 31/12/2010, the company's cash positions would have been vastly different.

The 4C would have then reflected sufficient funds to meet the cash burn and payment commitments of Digislide for at least 2 quarters based upon the current cash burn rate.

The company is expecting settlement and payment of these funds shortly.

In the interim, and if required, the company will either issue equity or convertible notes to cover any anticipated requirements.

The company has been reluctant to issue further securities whilst such a substantial amount is owed to it by the Australian Government Departments.

Further, and as previously advised to the ASX and the market, the company has available and can draw upon as required, a converting note for \$2.4M from the sub-underwriter to the company's IPO.

2. As reported to the market in the 4C the company expects to record significant sales growth over the six months to 30 June following the execution of distribution agreements with two major distributors for the USA and India. Expected sales revenue from these two distributors should, in the opinion of the company's management, bring the company to firstly breakeven and secondly close to profitability.

The agreement to establish a Joint Venture has been finalised between the parties. The incorporation of the new entity, Ultimate Projections Limited, is currently being undertaken by Cohen, Engel & Albert (Philadelphia).

The Indian distribution agreement announced to the market mid January 2011 will over the next 30 days gain pace as the import structure, distribution processes, and warehousing arrangements are put in place to deal with the volumes negotiated for this massive market.

3. Cash flows from sales coupled with the imminent receipt of approximately \$800,000 from the Australian Government will ensure that the company has sufficient funding to not only meet its monthly commitments, but to further reduce and clear the company's short term borrowings.

Should the company experience further delays in receipt of the Government rebates and refunds, the company does have access to the converting note or can entertain the issue of additional convertible notes as occurred in October and December 2010.

4. The company is in compliance with the listing rules and in particular listing rule 3.1 in relation to continuous disclosure.
5. The company is in compliance with LR 12.2.

Jeff King
Company Secretary
Digislide Holdings Limited



ASX Compliance Pty Limited
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31 January 2011

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

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

Dear Jeff,

Digislide Holdings Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2010, released to ASX Limited ("ASX") on 31 January 2011 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$17,000.
2. Net negative operating cash flows for the quarter of (\$265,000).
3. Cash at end of the quarter of \$4,000.
4. No available loan facilities.

Having regard to reported developments impacting future cash flows and in light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may not have sufficient cash to fund its activities. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

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

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 may be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by e-mail 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 **5:00 p.m. (E.S.T.) on Wednesday, 2 February 2011**.

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, please do not hesitate to contact me on (08) 8113 5305.

Yours sincerely,

[Sent electronically without signature]

Justin Nelson
Manager, Listings (Adelaide)

Direct No: (08) 8113 5305