

**ASX/Media Announcement
(ASX:DGI)**

4th July 2011

Market Update

Digislide's Company Secretary makes regular ASX announcements to keep the market accurately informed. Digislide as a specialist technology company, provides this market update in a more non-technical format, as requested by a number of shareholders, to explain the significance of certain technology and commercial agreements announced in the past, which could impact future earnings.

Corporate Progress

- Digislide has met **all** of its Commitments as set down in the Prospectus (page 11) against the \$3M raised, and in addition, most of those set down assuming \$4.5M had been raised
- All Commitments have been met on time
- All Commitments have been met to budget

In addition, to the Commitments set down in the Prospectus, Digislide has:-

- Established a Joint Venture, Digismart Commerce (Hong Kong) – which has an independent valuation of \$6.5M (Digislide owns 50%)
- Established VSDN Australia Pty Ltd – which has a market capitalisation of over \$10M (Digislide owns 91%)
- Obtained licence to roll out Virtual Streaming Distribution Network technologies across Australia and New Zealand. These technologies are world class IPTV technologies, having been tested, trialled, commercialised by one of the world's largest telcos.
- Formed strategic alliance with Sonora Technologies, whose intelligent avatars were used during the Vancouver Winter Olympics in 2010, and gained a licence for the non-exclusive use of Sonora avatars for use within the proposed VSDN operations, and mobile gaming technologies
- Formed a strategic alliance with Spectralus, leading green laser developer, with whom we are currently undertaking a joint development of **Digismart Miniature Projection Technologies™** for embedding in mobile phones (see ASX Announcement, April 2011, and Press Release following)
- Formed strategic alliance with Bencom Group, developers of cryptographic securitised payment systems. These systems are approved and used by US Dept of Defence.

- Gained a licence for use of Bencom's technologies in Digislide's **Securesmart Projection Systems™** and in the delivery of IPTV on mobile platforms, with Bencom investing directly into both Digislide Holdings Limited and VSDN Australia Pty Ltd

Research and Development (R&D)

Digislide's small R&D Team is a powerhouse which consistently achieves more than companies with significantly more personnel, capital equipment and cash resources. Achievements include:-

1. Optimised our LED projection systems, increased light output (VGA and SVGA)
2. Enhanced power management systems
3. Created additional interface designs to upgrading digishow™ and miniPRO™
4. Finalised design and development for DigiPRO™
5. Formed a relationship with Spectralus, developer of the Diode Pumped Solid State Green Laser (see ASX Announcement 6th March, 2011) stimulating design of a 2cc laser based projection system (5cc with objective lens!).
6. **Digismart Miniature Projection Technologies™** are suitable for embedding in mobile phones, PDAs, defence and medical devices.
7. Lodged additional patents with two more technical patents underway
8. Offset some R&D costs through provision of synergistic R&D consultancy services to external technology companies

Digishow™ and miniPRO™ are being upgraded with additional brightness and enhanced functionality. The company has sold all older inventory.

Developments and Delays



WeSii™ will also benefit from the optimised VGA engine, and we are hoping to have this in the market for Christmas.

Production of the composite unit has been delayed due to the withholding of significant funds by Austrade and the ATO of approximately \$800,000. These relate to rebates for 2009 and 2010 financial years respectively.



The development of Digivision™, a multimedia centre with projection capabilities designed to dock Apple IPOD™, iPHONE™, iTOUCH™, and iPAD™ devices is also on hold until those funds are received from the Government. This impacts on export sales.

The protracted processing of rebates by Austrade and the ATO has resulted in Digislide not being able to invest in market development to increase sales in Australia and offshore, **and** in the company not being able to gain the full benefit of its \$1.2M South Australian Innovation and Investments Funds Grant (SAIIF). With approximately \$800,000 tied up by Government it has been impossible for Digislide to acquire and take full advantage designated capital equipment and claim rebates.

Products and Marketing

Digislide has released three new products; StingRay™, Sii™ and XRay™480 (see ASX announcement 30th March). These SVGA projectors, using Texas Instruments and LED technologies, are ultra portable and ideal for gaming, business and home theatre use. Orders have been received from US, Canada and Saudi Arabia.



For more information see the new website, combines product information from the earlier discrete product sites, giving a solid sales focus, whilst corporate and investor information sits in the background.

Ingram Micro

1. Executed Distribution Agreement with Fortune 500 company, Ingram Micro, the world's largest consumer electronics distributor, with 180,000 retail outlets plus on-line delivery sites. (ASX Announcement 12th May 2011)
2. Ingram Micro had been in discussions with Digislide for over 12 months, waiting for the US economy to pick up.
3. Ingram Micro has capability of managing distribution throughout North America, from three warehouses (East Coast USA; West Coast USA; Canada)
4. Joint Venture, Ultimate Projections, was deemed redundant, and in accordance with the JV Agreement it has been dissolved.
5. Coding, product warehousing, and logistics preparations currently being finalised (ASX Announcement 30th June, 2011).

Rich International (India)

Rich International decided to delay market entry for the upgraded digishow™ and miniPRO™. The licence is still in operation, but has reverted to being non-exclusive. A search for "Rich International" and "digishow" will bring up their website

Saudi Arabian Distributor

Saudi Arabian licensee continues to buy product in small quantities and distribute to his client base. He is also undertaking all Arabic translations of marketing collateral on our behalf. Mr Zantout has ordered gaming projectors for FY2012.

Romanian Distributor, Comagro Vest has found the economic conditions in Eastern Europe are simply not conducive to selling luxury/discretionary products. However, they are still a licensee keen to move forward with Digislide as economic situation turns around.

VSDN Australia Pty Ltd

- Digislide was evaluated by Licensor of Virtual Streaming Distribution Network technologies, in use by China Telecom, world's largest telco
- Heads of Agreement executed after proving our technical competence and establishing a demonstration site in Australia
- Marketing Co-operation Agreement executed (ASX Announcement 10th August, 2010)
- In April, 2011 key Digislide personnel underwent intensive technical training in China, using the VSDN equipment and its management systems
- Digislide's Operational personnel translating significant technical support manuals
- Digislide's Executive Management finalise Strategic Marketing Plan for a national rollout of VSDN in Australia.
- Mr Mark Syme, CEO of VSDNet Canada and Sonora Technologies joins Strategic Planning days via skype (Refer ASX Announcements 1st February, 2010; 20th August, 2010; 25th November, 2010).
- Digislide gains Licence for use of avatar technologies for VSDN Australia
- Digislide gains Licence for use of Bencom's cryptographic securitised payment systems in VSDN Australia (ASX Announcement 22nd June, 2011).
- VSDN website developed (www.vsdn.com.au)
- \$472,500 capital injection received for 9.3% of the company
- Digislide commences preparation of an application for accreditation of VSDN Australia Pty Ltd, under the NBN Co accredited Services Provider program

Corporate Information

Directors and Executive Management are acutely aware of the fall in the share price since listing on 24th August, 2009. To some extent the company has, like so many other Australian technology companies, suffered from the effects of the GFC and uncertainties at play

Four important things for the reader to realise:-

1. Digislide's ***intrinsic value is significantly higher*** than its market capitalisation.
2. The market capitalisation since listing, and all of the ***fluctuations*** in between, are based on ***thinly traded stock volumes***.
3. The ***Top 20 Shareholders*** have consistently held approximately 60% equity (currently ***63.3%***) and a very substantial ***93%*** of the escrowed shares due for release on 24th August, 2011.
4. Digislide's stock is ***tightly held***, 75% of the stock is held by the Top 50 Shareholders.

Following is a Press Release that fully explains the Digislide:Bencom:Spectralus:VSDN relationships, and what they mean to Digislide, to manufacturers of mobile



phones, laptops, gaming consoles etc, to consumers and, by extrapolation, ***to the market.***

We trust the Market Update, and this Press Release, will serve to “join the dots” as to the relevance of the previous ASX Announcements to future earnings.

Luceille Outhred
Chief Executive Officer

Jeff King
Company Secretary

Monday, 4th July, 2011

Digislide's Securesmart Projection Systems™ Offer Protection

Digislide has converged its miniature projection technologies with leading edge encrypted near field communication capabilities, to offer its unique **Securesmart Projection Systems™** to manufacturers of smart phones, laptops, games consoles, PDA and GPS devices.

A recently executed licence with the Bencom Group enables Digislide to include mobile commerce functionality in its embedded projection systems.

Bencom first invented and patented their mobile commerce technologies as early as 1996, and since then have remained global leaders in the development of mobile commerce, involving the use of digital phones, personal digital assistants and smart cards in conducting wireless financial and retail transactions.

The technology enables a broad variety of open platform mobile applications which makes it ideal for Digislide to converge in its embedded projectors, providing a total solution to manufacturers of mobile phones, mobile games consoles, laptops, tablets, PDAs and other display devices.

Ms Luceille Outhred, Digislide's CEO said. "Despite the negative impact of the GFC, since listing on the Australian Securities Exchange, less than 2 years ago, we have developed a range of miniature projection systems, and brought 5 new projection products to market. This in itself would be significant, but, equally as impressive, behind the scenes we have been forging relationships with leading technology solutions providers from around the world. We believe this positions us well for seeing Digislide's embedded projectors taken up by mobile phone manufacturers and global brands."

In the past 12 months Digislide has:-

1. Patented, designed and developed products with embedded miniature projection systems that will interface with the world's 7 most popular products (Apple's iPOD™, iPHONE™, iPAD™, iTOUCH™; Nintendo's Wii; Sony's Playstation suite and Microsoft's Xbox™)
2. Executed a Licence Agreement with Sonora Technologies (Canada) enabling Digislide to access intelligent avatars and speech recognition technologies. Sonora's interactive avatars were first featured in the Robson Square Information Centre, Vancouver, during the 2010 Winter Olympics.
3. Executed a Licence Agreement for marketing leading VSDN (Virtual Streaming Distribution Network) technologies which remove buffering from Live Streaming and Video On Demand. The VSDN technologies make IPTV available on 4 screens (PC, TV, tablets and mobile phones).



4. Entered into a Joint Development Agreement with Spectralus (USA) the leading developer of green lasers. Green lasers are a key component in the miniaturisation of projection systems for mobile phones and other small devices.
5. Entered into a licence agreement with Voicetek Pty Ltd (Australia) a licensed telco

What does that mean to the non-technically literate?

The convergence of these technologies will enable consumers to order Video on Demand, or enjoy live streaming of a concert from their mobile phone – and enjoy it with their friends by projecting a 1metre image. Furthermore, they will be able to do so, and be worry free because the hardware/software merged cryptographic secure billing system can't be accessed by hackers.

Imagine an electronic program guide, that has an intelligent avatar with voice recognition capabilities, which will allow you to watch IPTV, collect your emails and/or shop on line from the arm chair.

It's not just consumers that will benefit with **Securesmart Projection Systems™**, Content Providers, ISPs, copyright holders, telcos can all gain from immediate, automatic, simultaneous payments for their portion of every transaction as the transaction is processed securely.

Mobile games console manufacturers will be able to differentiate their product offering by embedding a **Securesmart Projection System™** - benefitting consumers, protecting their brand image, and reducing litigation risk by having crypto-secure billing systems in place.

Beyond consumer uses, the VSDN technologies coupled with mobile phones with **Securesmart Projection Systems™** have military and medical applications.

About Digislide

Digislide is an Australian based company that has developed, and continues to develop globally relevant innovative miniaturised projection technologies with broad applications.

The tactical focus is on targeting products/applications that can be embedded into a range of mobile and/or hand held communication devices, such as mobile phones, PDA's and notebook computers. The technologies have wide patent protection and have already received international acclaim; winning several awards in important international technology arenas.

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