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Public & Government Relations

Resurrection of Digislide

Digislide's Springs Back to Life

South Australian technology company, Digislide Holdings Limited (ASX:DGI) which was placed in Voluntary Administration just before Christmas 2011 has experienced a resurrection which began over the Easter weekend, when former CEO, Luceille Outhred, commenced negotiations with Blueknight Syndicate from Western Australia.

Ms Outhred, who was Sole Director of the company, was also part of a consortium of "friendly creditors" who were owed more than \$4M, representing over 70% of the company's debt.

The technology company's problems began when the Australian Taxation Office withheld a large rebate which it acknowledged it owed the Company, further compounding the negative effects of a protracted 12 month audit, a massive clawback, and fines and interest levied by the ATO. This placed the company in a vulnerable position."

"Any SME which has a reduction in working capital of about \$600,000 is going to struggle to stay afloat, but this is particularly true of an early expansion stage technology company entering emerging markets in the midst of a global economic downturn" said Luceille Outhred, former CEO of Digislide Holdings. "As there were those who were threatening to take advantage of the situation, to protect the interests of all stakeholders, the Directors put the company into Voluntary Administration."

Administrators, Messrs Michael Humphris and Stephen Dixon, of Grant Thornton, have subsequently advised that they believe the ATO acted illegally in increasing Digislide's R&D claim forcing the company to breach the anomalous 2009 Financial Year's \$1M R&D threshold. The ATO had boosted R&D costs, by reallocating general expenditures into R&D activities. This was despite rigorous denials by the company's Management, employees and all key consultants. This had resulted in a clawback of approximately \$390,000, and by the time fines, interest and other penalties were added, there was a total adjustment of about \$600,000.

As Sole Director, during the Administration period, Ms Outhred worked with the Administrators to finalise arrangements that would see Digislide's operations continue. Digislide's Creditors, including its underwriter, its largest shareholder, all employees, all key contractors and all lenders unanimously approved the proposal, and on August 27, shareholders with a weighting of approximately 10:1 approved the 15 Proposals tabled.

Ms Outhred, who had resigned from directorship of ASX:DGI immediately prior to the Shareholders Meeting, remains on the Boards of two private companies that have now been issued global, exclusive licence agreements for the commercialisation of Digislide's Intellectual Property.

Projected Investments Pty Ltd now assumes exclusive responsibility for ongoing development and commercialisation of Digislide's LED and laser projection technologies for embedding in smart phones, and AV Extraordinaire Pty Ltd has secured the exclusive global rights to the commercialisation, marketing, sales and distribution of Digislide branded consumer projection products. These two companies, together with Digislide

Americas Inc and Allied Animation Technologies Pty Ltd, a former JV partner with Digislide, now comprise the new Digislide Group.

ASX:DGI has appointed a new Board, and will continue to trade under the name DGI Holdings, at its head office in Perth, Western Australia. It will continue to contribute to Intellectual Property and Marketing costs of the Digislide Group, and in turn will receive royalties from Digislide operations.

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