



15 April 2011

Dear Eligible Shareholder

LETTER OF OFFER: NON RENOUNCEABLE RIGHTS ISSUE

The board of Digital Performance Group Ltd ACN 000 386 685 (**the Company**) (ASX: DIG) is pleased to offer you the opportunity to participate in a 6 for 7 pro-rata non-renounceable rights issue, as set out in this letter of offer. The offer is available to all shareholders who are registered holders of shares as at 5.00 pm AEST on 28 April 2011 (**Record Date**) and whose registered address is located in Australia or New Zealand (**Eligible Shareholders**).

1. Introduction

1.1 Key Details

The Company invites Eligible Shareholders to participate in a pro-rata non-renounceable fully underwritten rights issue on the basis of 6 fully paid ordinary shares in the Company (**Share**) for every 7 Shares held at an issue price of 1.8 cents per Share (**Issue Price**). The rights issue will result in the issue of approximately 392,079,515 new Shares (**New Shares**) to raise a total of approximately \$7,057,431 (**Rights Issue**).

The Issue Price of 1.8 cents per New Share represents a discount of 11.8% to the volume weighted average share price for the Shares on ASX over the three month period ended 14 April 2011 (being the last day of trading before the announcement of the Rights Issue on 15 April 2011).

The Rights Issue is fully underwritten by Co-Investor Capital Partners Pty Ltd ACN 110 402 134 (AFSL: 281326) (**Co-Investor**).

The funds raised under the Rights Issue will be used by the Company to repay \$7,000,000, being the total principal owing to Co-Investor by the Company under the secured loan.

A shortfall facility is also being offered where each Shareholder (with the exception of Co-Investor) who takes up their full entitlement under the Rights Issue will also have the opportunity to apply for additional New Shares (up to a maximum number of New Shares so that the aggregate of their entitlement under the Rights Issue and the number of additional New Shares subscribed for does not exceed 5% of the total number of New Shares to be issued under the Rights Issue) that are not subscribed for in the Rights Issue (**Shortfall Facility**).

New Shares offered under the Rights Issue that are not applied for by Eligible Shareholders under their entitlement will form the shortfall (**Shortfall**) that will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter. See Section 2.8 for further details of the underwriting agreement.

Co-Investor is a related party and substantial shareholder of the Company. As at 28 March 2011, Co-Investor (and its related bodies corporate) held approximately 71.1% of the Shares on issue. Co-Investor will take up its full entitlement under the Rights Issue.

The following table sets out the percentage shareholding of Co-Investor (and its related bodies corporate) after completion of the Rights Issue, assuming different levels of acceptances by Eligible Shareholders (other than Co-Investor, who will take up its full Entitlement) under the Rights Issue and Shortfall Facility and that no options are exercised prior to the Record Date. See Section 2.8 for further details.

100% of non-Co-Investor entitlements taken up	50% of non-Co-Investor entitlements taken up	0% of non-Co-Investor entitlements taken up (i.e. all New Shares taken up by Co-Investor under the underwriting agreement)
Co-Investor will hold approximately 71% of the Shares on issue.	Co-Investor will hold approximately 78% of the Shares on issue.	Co-Investor will hold approximately 85% of the Shares on issue

Co-Investor may sub-underwrite part or all of the underwriting of the Rights Issue in which case the proportion of the Company that it would hold as a result of the shortfall would decrease by the proportion of the underwriting that was sub-underwritten. Similarly, if any Eligible Shareholders (other than Co-Investor) take up additional New Shares under the Shortfall Facility, the proportion of the Company that Co-Investor and any sub-underwriter would hold as a result of the shortfall would decrease by the proportion of New Shares applied for under the Shortfall Facility.

The pro-forma consolidated balance sheet in Section 2.5 illustrates the effect of the Rights Issue on the Company.

1.2 Rights Issue pursuant to section 708AA of the Corporations Act

The Rights Issue is made pursuant to section 708AA of the *Corporations Act 2001* (Cth) (**Act**) without the issue of a prospectus or disclosure document under Chapter 6D of the Act. This letter of offer is not a prospectus.

The Company is a disclosing entity for the purpose of section 111AC of the Act and as such it is subject to regular reporting and disclosure obligations under section 674 of the Act and the ASX Listing Rules (**Listing Rules**). These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately once it is or becomes aware of any information concerning the Company which a reasonable person would expect to have a material effect on the price or value of Shares issued by the Company.

In accordance with section 708AA of the Act, the Company will provide the ASX with a notice under section 708AA(2)(f). That notice is required to:

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:

- (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
 - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

1.3 Timetable

The Rights Issue is being conducted in accordance with the following timetable:

Announcement of Rights Issue, lodgement of Appendix 3B and section 708AA(2)(f) cleansing notice	15 April 2011
"Ex" Date (date from which securities commence trading without the entitlement to participate in the Rights Issue)	19 April 2011
Record Date (date for determining entitlements to participate in the Rights Issue)	28 April 2011
Despatch of Rights Issue letter of offer and personalised Entitlement and Acceptance Form to Eligible Shareholders	4 May 2011
Closing Date for acceptances (5pm Sydney time)	18 May 2011
Securities quoted on a deferred settlement basis	19 May 2011
Notification to ASX of under subscriptions	23 May 2011
Despatch date/deferred settlement trading ends. Allotment of New Shares	26 May 2011
Trading of New Shares expected to commence on ASX	27 May 2011
Issuer statements/CHESS notices sent to Shareholders to confirm allotment of New Shares	31 May 2011

This timetable is indicative only and subject to change. The Company reserves the right to change the dates, including the Closing Date without prior notice, subject to the Listing Rules. Any extension of the Closing Date will have a consequential effect on the anticipated date for allotment and issue of the New Shares.

2. Details of the Rights Issue

2.1 The Offer

The Company is making a fully underwritten pro rata non-renounceable offer of New Shares to Eligible Shareholders to subscribe for 6 New Shares for every 7 Shares held at the Record Date at the Issue Price of 1.8 cents per New Share (the **Offer**). Fractional entitlements to New Shares will be rounded down to the nearest whole New Share.

Your entitlement to New Shares under the Rights Issue (**Entitlement**) will be shown on the Entitlement and Acceptance Form. Details on how to accept the Offer are set out in section 3.

2.2 Size of the Offer

As at 14 April 2011, the Company has on issue 457,426,101 Shares and 61,000,882 unlisted options (which carry no entitlement to participate in the Offer without first being exercised so that the former optionholder is registered as a Shareholder on the Record Date).

Approximately 392,079,515 New Shares will be offered to raise approximately \$7,057,431, before the expenses of the Rights Issue. Upon completion of the Rights Issue, the Company will have approximately 849,505,616 Shares on issue (assuming no options are exercised before the Record Date). The exact number of New Shares to be issued pursuant to the Rights Issue cannot be calculated until entitlements have been determined following the Record Date.

2.3 Shortfall Facility - additional New Shares

In addition to being able to apply for New Shares, Eligible Shareholders (other than Co-Investor) who subscribe for their full Entitlement will also have the opportunity to apply for additional New Shares that are not subscribed for in the Rights Issue (up to a maximum number of New Shares so that the aggregate of their entitlement under the Rights Issue and the number of additional New Shares subscribed for does not exceed 5% of the total number of New Shares to be issued under the Rights Issue).

See Section 4 for further details of the Shortfall Facility.

2.4 Options

No options will be issued under the Rights Issue. The Company currently has the following options on issue.

Options	Number
Unlisted options exercisable at 30 cents on or before 30 November 2011	300,000
Unlisted options exercisable at 40 cents on or before 30 November 2011	150,000
Unlisted options exercisable at 60 cents on or before 30 November 2011	150,000
Unlisted options exercisable at 6 cents on or before 4 November 2011	25,000,000
Unlisted options exercisable at 4 cents on or before 2 November 2012	11,700,000
Unlisted options exercisable at nil cents on or before 2 November 2012	1,950,000
Unlisted options exercisable at nil cents on or before 25 October 2013	1,560,000
Unlisted options exercisable at 6 cents on or before 31 October 2013	6,400,000
Unlisted options exercisable at nil cents on or before 31 October 2014	1,400,000
Unlisted options exercisable at 6 cents on or before 31 October 2014	8,000,000
Unlisted options exercisable at 3 cents on or before 31 October 2014	4,390,882

Optionholders are not entitled to participate in the Rights Issue without first exercising their options (in accordance with the terms and conditions of their options) and being registered as a Shareholder on the Record Date.

In accordance with the Listing Rules and the terms of offer of relevant options, the exercise prices of some of the options may change as a result of the Rights Issue.

2.5 Use of funds of the Rights Issue

The purpose of the Rights Issue is to raise approximately \$7,057,431. The proceeds of the Rights Issue are planned to be used as follows:

Proceeds of the Rights Issue	\$
To repay the total principal owing to Co-Investor by the Company under the senior secured loan and repayable in full by no later than 31 May 2011	7,000,000
For working capital	57,431
Total	7,057,431

As disclosed in the Company's Half-Year Financial Report for the period ended 31 December 2010, on 28 February 2011 the Company and Co-Investor entered into a deed to amend the loan agreement to change the repayment date from 28 February 2011 to 31 May 2011. Upon repayment of the entire loan from Co-Investor, first ranking fixed and floating charges granted over the assets and undertaking of the Company and each of its Empowered Communications subsidiaries in favour of Co-Investor will be discharged.

2.6 Pro-Forma Balance Sheet

The following pro-forma consolidated balance sheet illustrates the effect of the Rights Issue and completion of the sale of the prepaid retail mobile business to Pivotel Mobile Pty Ltd as announced to the ASX on 12 April 2011. It has been prepared based on the audited financials as at 31 December 2010. It is not intended to represent the financial position of the Company upon completion of the Rights Issue. It is provided as an illustration of the effect of the Rights Issue and certain other assertions. The actual impact on the Company is dependant on a range of factors, many of which are outside the control of the Company.

The unaudited pro-forma balance sheet as at 31 December 2010 below has been prepared on the basis of the accounting policies normally adopted by the Company and reflects the changes to its financial position as noted below. They have been prepared on the assumption that all new Shares pursuant to the Offer in this letter of offer are issued.

The pro-forma balance sheet has been prepared to provide Shareholders with information on the pro-forma assets and liabilities of the Company. The pro forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	\$000	\$000
	Actual	Pro-Forma
	31 December	31 December
	2010	2010
ASSETS		
Current assets		
Cash and cash equivalents	1,107	728
Trade and other receivables	4,992	4,992
Interest-bearing loan	2,778	2,778
Other financial assets	24	24
Other	116	116
Mobile assets held for sale	231	-
Total current assets	9,248	8,638
Non-current assets		
Other financial assets	210	210
Plant and equipment	293	293
Deferred tax assets	361	361
Intangible assets	301	301
Goodwill	22,601	22,601
Total non-current assets	23,766	23,766
Total assets	33,014	32,404
LIABILITIES		
Current liabilities		
Trade and other payables	6,447	6,447
Provisions	968	968
Interest-bearing loans and borrowings	7,756	756
Deferred income	109	109
Mobile liabilities associated with the sale	1,100	-
Total current liabilities	16,380	8,280
Non-current liabilities		
Provisions	533	533
Total non-current liabilities	533	533
Total liabilities	16,913	8,813
Net assets	16,101	23,591
EQUITY		
Contributed equity	102,955	109,583
Reserve	3,676	3,676
Accumulated losses	(90,530)	(89,668)
Total equity attributable to equity holders of the parent	16,101	23,591

Notes to the above pro-forma balance sheet:

- (a) The consolidated balance sheet of 31 December 2010 has been extracted from the audited financial statements. No account has been taken of any trading or transactions of the Company since 31 December 2010 except for the transactions noted below.
- (b) The adjustment to share capital reflects the issue of approximately 392,079,515 New Shares pursuant to the Rights Issue.
- (c) The adjustment to the balance sheet reflects:
 - (i) the senior secured debt owed to Co-Investor of \$7 million is repaid; and
 - (ii) the sale of the prepaid retail mobile business to Pivotel Mobile Pty Ltd (**Pivotel**) for gross cash consideration of \$0.9 million with net cash proceeds of \$0.2 million after Pivotel assumed a number of net working capital liabilities.

2.7 No rights trading

The Rights Issue is non-renounceable. Accordingly, there will be no trading of rights to subscribe for the New Shares pursuant to this letter of offer (**Rights**) on ASX and Rights may not be sold or transferred.

Any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shortfall and will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter.

2.8 Underwriting Agreement

The Rights Issue is fully underwritten by Co-Investor.

On 15 April 2011, the Company and Co-Investor entered into an underwriting agreement (**Underwriting Agreement**) whereby Co-Investor agreed to fully underwrite all of the New Shares the subject of the Rights Issue offer at the Issue Price (**Underwritten Amount**).

Pursuant to the Underwriting Agreement, the Company has agreed to pay Co-Investor an underwriting fee of 5.0% of the Underwritten Amount, as well as all reasonable costs and expenses incurred by Co-Investor in connection with the Offer.

The Underwriting Agreement provides that Co-Investor may appoint sub-underwriters. The obligation of Co-Investor to underwrite the Rights Issue offer is subject to certain events of termination, some of which are subject to a material adverse effect determination (see below). Co-Investor may terminate its obligations under the Underwriting Agreement if prior to the allotment of the New Shares any one or more of the following events occurs in the reasonable opinion of Co-Investor:

- (a) **(no Listing Rule waivers or approvals)** if the Company fails to obtain or procure from ASX any waivers or approvals required under the Listing Rules before the despatch date;
- (b) **(disclosures in Offer Documents)** a statement in the Rights Issue Offer documents is misleading or deceptive in a material respect, or information is omitted from the Rights Issue Offer documents, which renders them misleading or deceptive in a material respect;

- (c) **(disclosures)** any written information supplied by or on behalf of the Company to Co-Investor in relation to the Company or the Rights Issuer prior to the date of the Underwriting Agreement is misleading or deceptive in a material respect;
- (d) **(Quotation approvals)** approval for official quotation of all of the New Shares on ASX is refused or not granted on or before the allotment date, or if approval is granted, the approval is granted on conditions other than customary conditions or subsequently withdrawn, qualified or withheld before the issue of the New Shares;
- (e) **(trading of securities)** trading in any securities of the Company is suspended by ASX for more than five trading days, or any securities of the Company quoted on ASX cease to be so quoted;
- (f) **(market fall)** either of the All Ordinaries Index or the S&P/ASX 200 Index is at any time prior to the allotment date more than 10% below the level of that Index at the close of normal trading on the date of entry into the Underwriting Agreement is and remains at or below that level for three consecutive trading days;
- (g) **(adverse change)** any material adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company as disclosed to the ASX or Co-Investor (other than costs incurred in relation to the Rights Issue) which will result in material liability being imposed on Co-Investor (other than the ability to underwrite the Rights Issue);
- (h) **(material default)** material default by the Company of any term of the Underwriting Agreement;
- (i) **(withdrawal)** the Company enters into alternative underwriting agreements with a third party in relation to the Rights Issue for any reason;
- (j) **(compliance with regulatory requirements)** the Company or any entity in the group contravenes the Corporations Act, the Listing Rules, the Company's constitution or any other applicable law or regulation;
- (k) **(closing Certificate)** a closing certificate which is required to be furnished by the Company under the Underwriting Agreement is not furnished when required or a statement in the closing certificate is untrue, incorrect or misleading in a material respect;
- (l) **(repayment)** any circumstance arises that results in the Company either repaying the money received from applicants or offering applicants an opportunity to withdraw their acceptances for New Shares and be repaid their application money;
- (m) **(new circumstance)** a new circumstance occurs or arises after the Rights Issue Offer documents are issued that would, in the reasonable opinion of an underwriter, have been required to be included in the Rights Issue Offer documents if it had arisen before the Rights Issue Offer documents were issued;
- (n) **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth, State or Territory authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of this document);

- (o) **(legal proceedings and offence by Directors)** any of the following occurs:
 - (i) a Director is charged with an indictable offence;
 - (ii) legal proceedings are commenced against the Company or any Director;
or
 - (iii) any Director is disqualified from managing a corporation under section 206A of the Corporations Act;
- (p) **(hearing or investigation)** any government agency (including ASIC) commences any public action, hearing or investigation against the Company or any of the Company's directors in their capacity as a director of the Company, or announces that it intends to take such action;
- (q) **(Offer to comply)** the Rights Issue Offer documents or any aspect of the Rights Issue does not comply with the Corporations Act, the Listing Rules or any other applicable law or regulation;
- (r) **(notifications)** any of the following occurs:
 - (i) ASIC applies for an order under Part 9.5 of the Corporations Act in relation to the Offer or commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to the Rights Issue Offer documents; or
 - (ii) the Company issues a public statement concerning the Rights Issue which has not been approved by Co-Investor under the Underwriting Agreement;
- (s) **(representations and warranties)** any representation or warranty in the Underwriting Agreement on the part of the Company is not materially true or correct;
- (t) **(prescribed occurrence)** an event specified in section 652C(1) or section 652C(2) of the Corporations Act occurs, but replacing "target" with "Company";
or
- (u) **(timetable)** an event specified in the timetable included in the Underwriting Agreement is delayed for more than three business days other than as the direct result of actions taken by Co-Investor (unless those actions are requested by the Company) or the actions of the Company (where those actions are taken with Co-Investor's prior consent).

Co-Investor may not exercise its termination rights under paragraphs (d) (quotation), (g) (adverse change), (h) (default), (j) (compliance), (m) (new circumstance), (n) (change of law), (o)(ii) (legal proceedings), (s) (warranties), (t)(prescribed occurrence) and (u) (timetable) above unless, in the reasonable opinion of Co-Investor reached in good faith, the occurrence of one those termination events has or is likely to have, or the occurrence of two or more those termination events together have or are likely to have, a material adverse effect on the prospects of the Rights Issue or a material adverse effect on the assets, liabilities, financial position or performance, profits, losses or prospects of the Company.

The Underwriting Agreement provides that the entire amount due for the New Shares comprised in Co-Investor's Entitlement and part or all of the amount due for the underwritten Shortfall shares may, at Co-Investor's election in writing to the Company,

be satisfied by a reduction in the senior secured loan amount outstanding to Co-Investor from the Company.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to Co-Investor as underwriter that are standard for an agreement of this type.

2.9 Potential effect on control

The following table sets out the number of Shares and approximate percentage of Shareholding of Co-Investor (and its related bodies corporate) after completion of the Rights Issue, assuming different levels of acceptances by Eligible Shareholders and that no options are exercised prior to the Record Date.

100% of non-Co-Investor entitlements taken up	50% of non-Co-Investor entitlements taken up	0% of non-Co-Investor entitlements taken up (i.e. all New Shares taken up by Co-Investor under the underwriting agreement)
Co-Investor will hold 604,284,211 Shares on completion of the Rights Issue, being approximately 71% of the Shares on issue	Co-Investor will hold 660,873,766 Shares on completion of the Rights Issue, being approximately 78% of the Shares on issue	Co-Investor will hold 717,463,321 Shares on completion of the Rights Issue, being approximately 85% of the Shares on issue

As illustrated in the above table, the potential effect of the Rights Issue on the control of the Company, and the consequences of that effect, is as follows:

- (a) If all Eligible Shareholders take up their entitlements under the Rights Issue then the Rights Issue will have no significant effect on the control of the Company. Co-Investor (and its related bodies corporate) will continue to hold approximately 71% of the Shares on issue and there will be no change in the maximum possible voting percentage held by Co-Investor;
- (b) If all Eligible Shareholders (other than Co-Investor) do not take up their entitlements under the Rights Offer then the interests of those non-participating shareholders will be diluted, Co-Investor will underwrite the entire Shortfall and Co-Investor's shareholding over which it has voting power (together with its related bodies corporate) will increase from approximately 71% to 85%; and
- (c) If Eligible Shareholders (other than Co-Investor) partially subscribe to the extent of 50% then the interests of those non-participating shareholders will be diluted, Co-Investor will underwrite the entire Shortfall and Co-Investor's shareholding over which it has voting power (together with its related bodies corporate) will increase from approximately 71% to 78%.

Co-Investor may sub-underwrite part or all of the Rights Issue in which case the proportion of the Company that it would hold as a result of the Shortfall would decrease by the proportion of the issue that was sub-underwritten. Similarly, if any Eligible Shareholders (other than Co-Investor) take up additional New Shares under the Shortfall Facility, the proportion of the Company that Co-Investor and any sub-underwriter would hold as a result of the Shortfall would decrease by the proportion of New Shares applied for under the Shortfall Facility.

The above calculations assume that 392,079,515 New Shares are issued under the Rights Issue. However, the exact number of New Shares to be issued pursuant to the Rights Issue cannot be calculated until entitlements have been determined following the Record Date.

2.10 ASX quotation of New Shares

The Company has made an application to ASX for the New Shares to be granted quotation on ASX. If that permission is not granted by ASX, the Company will not issue any New Shares and all application monies received (without interest) will be refunded in full to the applicants.

Trading of the New Shares will, subject to ASX approval, occur on or about the date specified in the timetable in Section 1.3 above.

2.11 Allotment of New Shares

Subject to the New Shares being granted quotation on ASX, the New Shares will be allotted and issued, and holding statements despatched, in accordance with the timetable. It is expected that New Shares will be allotted on 26 May 2011, and that shareholder statements for the New Shares will be issued on 31 May 2011.

2.12 Foreign Holders

This letter of offer and Entitlement and Acceptance Form is only being sent to Shareholders with registered addresses in Australia and New Zealand on the Record Date.

In accordance with the ASX Listing Rules and Corporations Act, the Company has considered the number of shareholders whose registered address is outside Australia or New Zealand, the number and value of Shares held by these foreign shareholders, the number and value of New Shares that these foreign shareholders would be offered under the Rights Issue and the costs of complying with legal and regulatory requirements of those jurisdictions outside of Australia and New Zealand. Taking this into consideration, the Company believes it to be unreasonable to extend the Rights Issue to all shareholders. Accordingly, the Rights Issue offer is not being extended to shareholders with a registered address outside Australia or New Zealand as at the Record Date.

However, the Company has appointed DJ Carmichael Pty Ltd ACN 003 058 857, AFSL 232571 (**DJ Carmichael**) to act as nominee for the purpose of section 615 of the Act. The Company has applied to the Australian Securities and Investments Commission (**ASIC**) for approval of DJ Carmichael to act as nominee for the purposes of section 615, but as at the date of this letter, ASIC has not yet provided its approval.

Subject to ASIC's approval of DJ Carmichael for the purposes of section 615 of the Act, the Company must, at the Issue Price, issue to DJ Carmichael the new Shares that would otherwise be issued to Shareholders as at the Record Date who have a registered address outside of Australia and New Zealand.

Subject to ASIC's approval of DJ Carmichael for the purposes of section 615 of the Act, DJ Carmichael must then sell such new Shares at a price and otherwise in a manner determined by DJ Carmichael. Neither the Company nor DJ Carmichael will be held liable for the sale of any such new Shares at any particular price or the timing of such sale. The proceeds of the sale of such new Shares (after deducting costs) will be distributed to those foreign shareholders for whose benefit the shares are sold in proportion to their shareholdings as at the Record Date. The proportional interests of

shareholders whose registered address is outside Australia or New Zealand will be diluted because such shareholders are not entitled to participate in the Rights Issue.

Subject to ASIC's approval of DJ Carmichael for the purposes of section 615 of the Act, DJ Carmichael will receive an engagement fee of \$2,000 (exclusive of GST) and brokerage charges if any of the new Shares that would be offered to foreign shareholders are sold.

The Company will release an announcement to the market when ASIC's determination regarding approval of a nominee for the purposes of section 615 is obtained.

2.13 No overseas offering

This letter of offer does not constitute an offer or invitation to subscribe for New Shares to any person to whom, or in any place in which, it is unlawful to make such an offer or invitation. No action has been taken to otherwise permit the offer under this letter of offer, in any jurisdiction outside of Australia and New Zealand.

The distribution of this letter of offer in jurisdictions outside of Australia or New Zealand may be restricted by law and persons who come into possession of this offer should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

2.14 Rights and liability attaching to New Shares

The New Shares will, from allotment, rank equally with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

2.15 Costs of the Offer

It is expected that the costs of the Offer will be approximately \$428,872 (excluding GST). This includes the underwriting fee payable to Co-Investor under the Underwriting Agreement of approximately \$352,872 (excluding GST). See Section 2.8 for further details on the calculation of the underwriting fee payable to Co-Investor.

3. Action required by Shareholders

3.1 Your choices

The Entitlement and Acceptance Form will detail the number of New Shares to which you are entitled. You may:

- (a) **take up all of your Entitlement in full** (refer to section 3.2);
- (b) **take up all of your Entitlement in full and apply for additional New Shares under the Shortfall Facility** (refer to section 3.3);
- (c) **take up part of your Entitlement** and allow the balance to form part of the Shortfall which will be dealt with firstly by the Shortfall Facility, and then by Co-Investor as underwriter (refer to section 3.4); or
- (d) **not take up any of your Entitlement** and allow all of your Entitlement to form part of the Shortfall which will be dealt with firstly by the Shortfall Facility, and then by Co-Investor as underwriter (refer to section 3.5).

You cannot sell or transfer any of your Entitlement to another person.

That part of your Entitlement not taken up will form part of the Shortfall that will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter.

The issue price of any New Shares offered pursuant to the Shortfall shall be 1.8 cents per Share, being the Issue Price at which the Entitlement has been offered to Shareholders under this letter of offer.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date. In this case, any application monies (without interest) will be returned.

In the event that there is a Shortfall in the subscriptions under the Rights Issue, the allocation of any additional Shares under the Shortfall Facility will be determined by the Company in consultation with Co-Investor.

The Company reserves the right to reject any application for additional New Shares or allocate fewer additional New Shares than applied for by subscribers under the Shortfall Facility. Application monies received but not applied towards subscriptions for additional New Shares under the Shortfall Facility will be refunded as soon as practicable. No interest will be paid on application monies held and returned to you.

3.2 Take up all of your Entitlement

If you wish to take up your Entitlement in full, complete the Entitlement and Acceptance Form in accordance with the instructions set out on the form and forward it, together with your application monies in accordance with section 3.6 for the amount shown on the form, to reach Computershare Investor Services Pty Limited (**Share Registry**) by the Closing Date.

3.3 Taking up all of your Entitlement and applying for additional New Shares under the Shortfall Facility

If you wish to apply for New Shares in addition to your Entitlement, complete the Entitlement and Acceptance Form for additional New Shares under the Shortfall Facility, and follow the other steps required in Section 3.2.

3.4 Taking up part of your Entitlement

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and forward it, together with your application monies in accordance with section 3.6, to reach the Share Registry by the Closing Date. In this case, the New Shares not taken up by you will form part of the Shortfall and will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter.

3.5 Not take up any of your Entitlement

If you do not wish to accept any part of your Entitlement, do not take any further action. In this case, your whole Entitlement will form part of the Shortfall and will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter.

3.6 Payment for New Shares

The Issue Price for each New Share accepted under your Entitlement is payable on application. The Entitlement and Acceptance Form must be accompanied by a cheque for the application monies. Cheques must be drawn in Australian currency on an Australian bank, made payable to "Digital Performance Group Ltd – Rights Issue Account" and crossed "Not Negotiable". Do not forward cash or money orders. Receipts for payment will not be issued.

Alternatively, payment can be made by BPay (using the BPay details on the Entitlement and Acceptance Form).

Application monies will be held on trust for applicants until allotment of the New Shares. Interest earned on application monies will be for the benefit of the Company and will be retained by it whether or not allotment takes place.

3.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form constitutes a binding offer to acquire New Shares on the terms and conditions set out in this letter of offer and, once lodged, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

3.8 Brokerage

No brokerage is payable by Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for an Entitlement.

3.9 Governing law

This letter of offer and the contracts which arise on the acceptance of applications are governed by the laws applicable in New South Wales and each applicant submits to the non-exclusive jurisdiction of the courts of New South Wales.

4. Shortfall Facility

Each Shareholder (with the exception of Co-Investor) may apply for additional new Shares, in addition to their Entitlement (up to a maximum number of New Shares so that the aggregate of their entitlement under the Rights Issue and the number of additional New Shares subscribed for does not exceed 5% of the total number of New Shares to be issued under the Rights Issue) at the Issue Price of 1.8 cents per Share. If an Eligible Shareholder (other than Co-Investor) wishes to apply for additional New Shares in excess of its Entitlement, the Shareholder must complete the New Shares section on the Entitlement and Acceptance Form and return it with payment by the Closing Date.

A Shareholder (other than Co-Investor) may only make an application for additional New Shares under the Shortfall Facility if it applies for its maximum Entitlement under the Offer.

In the event that there is a Shortfall in the subscriptions under the Rights Issue, the allocation of any additional Shares under the Shortfall Facility will be determined by the Company in consultation with Co-Investor. The Company will not issue New Shares under the Shortfall Facility where to do so would result in a breach of the Corporations Act (in particular the takeovers prohibitions in Chapter 6) or the Listing Rules.

New Shares will only be issued under the Shortfall Facility if the Offer is undersubscribed and will only be issued to the extent necessary to make up any shortfall in subscriptions. There is no guarantee that Shareholders will be successful in being allocated any of the additional New Shares that they may apply for under the Shortfall Facility. If the Company receives applications for New Shares under the Shortfall Facility that would result in the Offer being oversubscribed then the Company will scale back applications for additional New Shares in its discretion.

The Company reserves the right to reject any application for additional New Shares or allocate fewer additional New Shares than applied for by subscribers under the Shortfall Facility. Application monies received but not applied towards subscriptions for additional New Shares under the Shortfall Facility will be refunded as soon as practicable. No interest will be paid on application monies held and returned to you.

Any Entitlement not taken up pursuant to the Offer will form the Shortfall and will be dealt with firstly in accordance with the Shortfall Facility and then by Co-Investor as underwriter.

5. General information regarding the Rights Issue

5.1 Risks

An investment in New Shares should be regarded as speculative and involves many risks.

Eligible Shareholders intending to participate in the Rights Issue should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: DIG), and the Company's website, www.dpgmedia.com.au.

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the New Shares.

The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares.

5.2 Tax consideration for investors

You should be aware that there may be taxation implications associated with participating in the Rights Issue. The directors consider that it is not appropriate to give advice regarding the taxation consequences of subscribing for New Shares or the subsequent disposal of any New Shares. The Company, its advisers and its officers do not accept any responsibility or liability for any taxation consequences to Shareholders. The directors recommend that all Shareholders consult their own professional tax advisers in connection with subscribing for, or subsequent disposal of, New Shares.

5.3 Enquiries

If you have any questions regarding the Rights Issue, please do not hesitate to contact Mr Campbell Nicholas, Company Secretary on 02 8922 2572 or the Share Registry on 1300 787 272 or contact your stockbroker or professional advisor.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Phillip Pryke', with a stylized flourish at the end.

Mr Phillip Pryke
Chairman