Swish|Group
DIGITAL MEDIA
The Swish Group Limited
ABN 93 086 546 973
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102 Toorak Road
South Yarra Vic 3141
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2 February 2007

By fax. 03 9614 0303

Ms. Kate Kidson
Senior Adviser, Issuers,
Australian Stock Exchange Limited
Level 45, South Tower, Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Kate

RESPONSE TO QUERY ON APPENDIX 4C

I refer to your letter dated 1 February 2007 regarding the Company's Appendix 4C Quarterly Cash Flow for the period ended 31 December 2006.

I respond to your queries as follows:

1. The Company restructured its business units and reduced its ongoing operating expenses in late 2006 including a reduction in staff numbers and moving offices and accordingly is not expected to expend cash in future at the same rate as in previous quarters. As disclosed in previous financial reports the Company's operations have since 2003 been funded out of revenues and the proceeds of a series of share issues and borrowings. The Company has recently announced that it intends to undertake a non-renounceable rights issue to all shareholders. The entitlement offer will be made on the basis of 1 option for every 2 ordinary shares held as at the entitlement date. The options, which the Company intends to seek to have listed on ASX, will be issued at a subscription price of 0.2 cents per option and be exercisable at a price of 2 cents per share. The Directors intend to place any shortfall and accordingly the option issue is expected to raise up to an additional $440,000. It is expected that a Prospectus will be released to shareholders in the next two weeks.

2. The Company currently anticipates that it will have negative cash flows for at least the next quarter as it continues to fund the development and commercialisation of its digital media businesses though because of cost savings these negative cash flows will not be at the same rate as the previous quarter. The Company disclosed at the time it lodged its Appendix 4C that it intends to undertake a non-renounceable rights issue to all shareholders to fund the business in the future. The Company has recently increased its revenues and reduced its regular cash outflows by reducing staff numbers and other costs. It is also important to note that because of the nature of the Company's businesses the timing of revenues and expenses can create a misleading picture of the Company's operating cash inflows and outflows during any one quarter.

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3. The cash effect of the Company's actual revenues and expenses, as reported in the Appendix 4C, has been broadly in line with the Company's revenues and expenses anticipated by management. The Company has not however published forecasts of its expected revenues and expenses because its operations are still at a relatively early stage of development and, taking into account several recently acquired businesses, the Board has not been in a position to give a sufficiently accurate and reliable forecast of revenue and profitability for future financial periods.

4. The Company's actual revenues and expenses, and their cash effect, have been broadly in line with expectations. The Company's net cash outflows and the Company's continued short-term dependence on external sources of finance have been disclosed in successive financial reports lodged with ASX. There were no special circumstances in the period covered by the December 2006 Quarterly Cash Flow Report which have had an unusual impact on the Company's financial position.

5. The Company Directors have recognised that the development of digital signage and Internet Protocol Television (**IPTV**") (television over the Internet) will take time and further investment to develop. Accordingly the Company has over the past few months acquired businesses in the film, television and advertising production, online music distribution and telecommunications sales areas to generate additional revenues and earnings to help fund the Company's operations. The Company also has access to financial support from its investors which have over a long period provided ongoing funding for the development of the Company's businesses

6. The Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

7. The Directors consider that the Company's financial condition is adequate to warrant the continue quotation of its securities and its continued listing. The Directors believe that digital signage and Internet Protocol Television will be two of the fastest growing industry sectors in the next few years and that they along with the Company's recent acquisitions in film, television and advertising production, online music distribution and telecommunications sales will provide Swish Group with significant opportunities to benefit from the rapid developments in digital media. The Company's investors have on several occasions demonstrated their ongoing willingness to provide financial support to the Company as required until it is able to generate positive cash flows.

If you have any further queries, please do not hesitate to Cary Stynes on 0412 111 821.

Yours sincerely

CARY STYNES
Managing Director

ASX
AUSTRALIAN SECURITIES EXCHANGE

1 February 2007

Peter Crafter
Company Secretary
The Swish Group Limited
Level 1
102 Toorak Road
South Yarra VIC 3141

By email:- peter.crafter@swishgroup.com.au

Dear Peter

The Swish Group Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2006, released to ASX Limited ("ASX") on 25 January 2007 (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of ($2,346,000).

2. Net negative operating cash flows for the quarter of ($211,000).

3. Cash at end of quarter of $216,000.

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 only have sufficient cash to fund its activities for approximately one quarter. 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. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?

4. If the Cmopany's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

7. 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 will 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 email to kate.kidson@asx.com.au on **facsimile number (03) 9614 0303**. 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 half an hour before the start of trading (ie **before 9.30 a.m. E.S.T.) on** Tuesday, 6 February 2007).

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 regarding any of the above, please let me know.

Yours sincerely,

Sent by electronic means without signature

Kate Kidson
Senior Adviser, Issuers