Actually, its a glitch in the program. You have to select the file from the Image File List Dropdown list instead of clicking on the icon. You have to paste the path to where the image is and then the program will detect and the dropdown list will be populated with all the .dds files. Then, you have to click on the ".\" button beside the Output Folder line if the convert button is still greyed.
The preview does not work for me either and I don't think it has to do with Vista (I'm running Vista as well).