



Webfirm Group Limited
ABN: 70 001 287 510
ASX: WFM

23 Union St, South Melbourne
Victoria 3250 Australia
E: corporate@webfirmgroup.com

www.webfirmgroup.com
T: +61 (0) 3 8695 9199
F: +61 (0) 3 9696 0700

ASX ANNOUNCEMENT / NEWS RELEASE

18 December 2009

Webfirm Group and Adslot to merge

- ***Creates groundbreaking automation platform for US\$420 billion¹ global advertising market***
- ***Fully underwritten \$4.2 million Entitlements Offer to facilitate commercialisation of Adslot's unique-in-market technology***

Webfirm Group Limited (ASX: WFM) (Webfirm) today executed an agreement to merge with Adslot Pty Ltd (Adslot).

Under the agreement, and subject to Webfirm shareholder approval, Webfirm will acquire all of the shares in Adslot for a total consideration of \$6 million to be paid in the form of Webfirm shares (issued at 3.5 cents per share) to Adslot shareholders.

The merger will deliver Webfirm unfettered global rights within the media space to commercialise the patented combinatorial auction technology underpinning the Adslot platform.

Adslot automates the media sales process and significantly improves yields of premium advertising inventory.

To support Adslot's growth strategy, Webfirm today also announced plans to raise \$4.2 million through a fully underwritten, non-renounceable Entitlements Offer to Webfirm shareholders.

The proposed merger supersedes the announcements the two companies made in September and October of 2009 outlining plans for a 20 per cent investment and joint venture, respectively.

Webfirm Chairman Adrian Giles said: "The merger with Adslot represents a strong addition to the Company's existing businesses. This technology refocuses Webfirm as a key solution provider to the US\$420 billion global advertising market with an initial focus on the A\$433 million Australian classifieds industry. Adslot will become a major pillar of our future strategy."

"Webfirm and Adslot together create an independent player offering publishers an automated ad sales platform that uses the latest auction technology to strengthen their position against competitors such as Google," Mr Giles said.

Andrew Barlow, Chairman of Adslot, said: "Publishers' yields are under pressure as new inventory, competition from Google and cost-per-click models steadily erode their ability to sell premium ad space optimally.

"The unique patented technology powering Adslot is the only framework that overcomes the issues of discounting and falling yields by providing transparency, competitive tension and limitless combinations of variables that allow the bidder to determine and pay for exactly those elements they believe will deliver maximum return from their online advertising spend."

1: Worldwide Advertising Spending 2009 – Pricewaterhouse Coopers.

Overview of the proposed merger and Entitlements Offer

- Under the merger agreement, and subject to Webfirm shareholder approval, Adslot shareholders will receive a total of \$6 million in the form of 171,428,571 Webfirm ordinary shares issued at 3.5 cents per share.
- Webfirm will issue 122 Webfirm shares for every one (1) Adslot share. Webfirm post-merger, and prior to the Entitlements Offer, will be owned approximately 54 per cent by current Webfirm shareholders and 46 per cent by Adslot shareholders.
- Two Adslot directors, Andrew Barlow (Chairman) and Anthony Du Preez (Chief Technology Officer) will join the Webfirm Board and retain executive roles in the merged business.
- Webfirm will raise \$4.2 million through a fully underwritten non-renounceable Entitlements Offer, under which Webfirm and Adslot shareholders as at 18 January 2010 will be entitled to purchase 0.6 of a share in the combined entity for every Webfirm share they own.
- The Entitlements Offer is priced at 3.5 cents per share, the same price at which new Webfirm shares will be issued to Adslot shareholders.
- The Entitlements Offer has been fully underwritten by E. L. & C. Baillieu Stockbroking Ltd, with the sub underwriters including Chris Morris (Executive Chairman of Computershare) and Adrian Giles (Chairman of Webfirm Group).
- The Entitlements Offer will open on 19 January 2010, and close on 4 February 2010.
- The proposed merger and Entitlements Offer are conditional on a Webfirm shareholder vote to be held at an Extraordinary General Meeting (EGM) on 28 January 2010. Grant Thornton has been engaged to provide an Independent Expert's Report on the proposed merger. A copy of this report will be dispatched to Webfirm shareholders with the Notice of Extraordinary General Meeting (EGM) and also lodged with the Australian Securities Exchange.

Background on the Adslot platform and advertising market

The technology underpinning the Adslot platform was recently awarded a US patent for its unique methodology that addresses the limitations of commonly used sealed bid auctioning of key words. Sealed bid auctions lack transparency and the absence of competitive tension lowers revenue outcomes.

Adslot achieves better results for the seller – and increases transparency and trust among bidders – by giving bidders real time feedback on the exact bid each needs to make to win while also taking into account relevant 'quality scores' that weight bids accordingly. Quality scores ensure that the most relevant ads appear to consumers and are the basis for measuring the quality of keywords and determining minimum bids.

Adslot uses the Microsoft Azure 'cloud computing' platform, offering clients a highly scalable solution to deliver the extraordinary amount of computer processing power Adslot requires at very low cost.

The global advertising market is worth an estimated US\$420 billion according to Pricewaterhouse Coopers and is set to continue to grow. In Australia alone, Interactive Advertising Bureau Australia figures show total online advertising expenditure for classifieds advertising (Adslot's initial commercialisation focus) for the three months to 30 September 2009 was A\$108.25 million. Expenditure in this sector has increased in 25 of the past 30 consecutive quarters.

- ends -

Contacts:**Media:**

David Burden
Group CEO
Phone: 0407 44 33 44
Email: david.burden@webfirmgroup.com

Investor Relations:

Damian Element
Company Secretary
Phone: 0416 286 642
Email: damian.element@webfirmgroup.com

About the Webfirm Group

Webfirm Group Limited (ASX: WFM) is a full service digital media company with three divisions. **Webfirm** offers the full spectrum of web design and development services, including search engine marketing, optimisation, hosting, marketing consultancy, e-commerce, permission-based marketing, content management tools, and domain name management. **Searchworld** powers publishers' profits with premium quality search monetisation solutions. **Webfirm Media** represents advertising inventory from third-party Australian, US and UK-based websites and third party advertising networks to Australian advertisers and exclusively represents advertising on all Navteq navigational maps. With more than 60 staff across Melbourne, Sydney and Perth Webfirm continues to develop products and services aimed at helping customers do better business on the Internet. More information at www.webfirmgroup.com

About Adslot

Adslot builds and operates large scale 'private electronic marketplaces' for media publishers to sell premium ad inventory to agencies and self-serve advertisers. The Adslot sales platform uses proprietary mathematical algorithms to maximise yield for TV, video, display and text ads using a patented Book & Bid® sales methodology. Book & Bid® reduces the amount of inventory sold as remnant and maximises the yield by blending true market-based pricing with a fixed rate card. Adslot was established and is managed by a team of world class experts, including Chairman Andrew Barlow – one of the founders of Hitwise – and fellow Director, Anthony Du Preez, who co-founded Tradeslot Pty Ltd, which specialises in the design of sophisticated combinatorial monetization platforms in the supply chain space. For more information visit: adslot.com