

ASX ANNOUNCEMENT

12 August 2010

Webfirm Group announces proposed acquisition of QDC IP Technologies to complete new Adslot Direct Platform

- Webfirm Group to acquire QDC IP Technologies Pty Ltd
- The acquisition provides Adslot with world-leading automated display ad building technology
- New Adslot Direct Platform allows online publishers to tap the “long-tail” of advertisers
- Adslot now has all the components required to build the Adslot Direct Platform

Webfirm Group Limited (ASX:WFM) has today announced that it has entered into a heads of agreement to acquire QDC IP Technologies Pty Ltd (“QDC”).

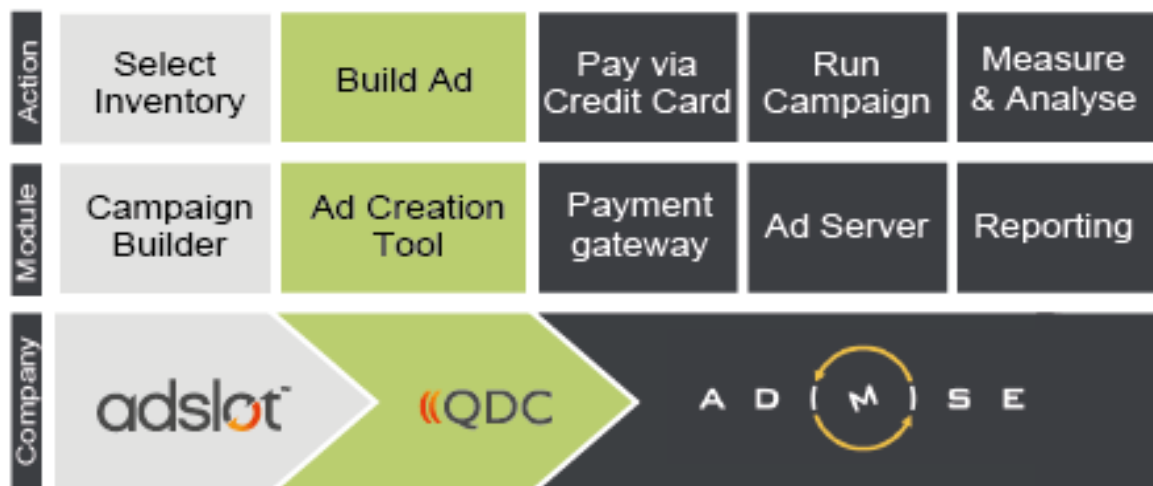
QDC’s technology will be combined with Webfirm’s Adslot and Adimise technologies to create the new Adslot Direct Platform. The platform will deliver the advertiser ‘long-tail’ to online publishers for the first time, thereby adding another revenue stream to the Adslot division.

QDC has developed significant best of breed technology which allows advertisers to:

- quickly and easily build display ads in the web browser, using a vast ad template library; and
- personalise video and display ads for each ad view, depending on the individual audience profile (where targeting data is available).

QDC’s patented technology will be integrated into the Adslot Direct Platform, allowing online publishers to offer an automated, end-to-end ad sales system so that any advertiser may – on a self-serve basis – buy, build and monitor ad campaigns on the publisher’s website.

The components of the Adslot Direct Platform



Webfirm Group CEO David Burden said the QDC display ad builder was an important part of Webfirm’s Adslot Direct Platform, which now allows online publishers to tap the long-tail of advertisers – traditionally the sole domain of Google™.

“One of the reasons that Google™ has been so successful is that, for smaller advertisers (traditionally referred to as the ‘long tail’), it has removed the barriers that prevented the easy creation of text-based ads,” Mr Burden said.

“Similarly, the QDC display ad builder technology allows small advertisers to quickly and simply build professional display / banner ads from a range of templates, and customise each ad for their campaign.”

“The QDC display ad builder removes a costly and frustrating barrier that until now has stopped many small businesses from including online display ads in their media plans.”

Under the Heads of Agreement, it is proposed that Webfirm will acquire all of the issued shares of QDC from the QDC shareholders on the following basis:

- the base purchase consideration will be the issue of 40,000,000 Webfirm shares;
- the Webfirm shares will be escrowed for 18 months; and
- if at the end of that 18 month period, the total value of the escrowed Webfirm shares is less than \$4 million, the QDC shareholders will be issued further Webfirm shares, up to a maximum of 13,333,333 Webfirm shares, such that the total value of all Webfirm shares received by the QDC shareholders, at the end of the 18-month escrow period, will be not less than \$4 million.

Completion of the QDC acquisition is subject to the negotiation and entry by the parties into a formal sale agreement (and other transaction documents as required) which reflect the terms set out in the Heads of Agreement.

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About the Webfirm Group

Webfirm Group Limited (ASX: WFM) is an innovative Internet technology and marketing company that maximises online profitability for its customers. The company operates two main divisions.

The Adslot division provides patented advertising sales automation services that reduce selling costs and increase premium advertising revenue for its publisher clients.

The company's Webfirm division offers the complete spectrum of online marketing services including web design and development, website optimisation, hosting, search and social marketing and e-commerce services; the division also delivers premium quality search monetisation solutions.

With more than 60 staff across Melbourne, Sydney and Perth, the Webfirm Group continues to develop innovative products and services aimed at helping customers maximise their online investment.

More information at www.webfirmgroup.com

About QDC IP Technologies Pty Ltd

QDC IP Technologies Pty Ltd (QDC) is the owner of various technologies and intellectual property (IP) that specialises in both display and video ad creation and personalisation tools. The core IP is currently the subject of a number of world-wide patents pending (one awarded), and has been developed over the last ten years at a cost of more than \$6 million.

QDC's two core pieces of technology are:

1. Display Ad Builder – an automated content creation tool that allows end users (advertisers) to customise online display ads using professionally-designed ad templates, and then output the customised ads in multiple IAB ad sizes.
2. Personalised Video Ad Platform – a video personalisation tool that enables advertisers to seamlessly create and customise personalised versions of video and rich media ads to fit the profile and preferences of individuals.

IMPORTANT NOTE FOR SHAREHOLDERS / INVESTORS

Adrian Giles and Andrew Barlow are executive directors of Webfirm, and indirect shareholders of both Webfirm and QDC IP Technologies Pty Ltd ("QDC"). In accordance with the appropriate standards of corporate governance, neither Mr Giles nor Mr Barlow took part on behalf of either Webfirm or QDC in any discussions or negotiations between Webfirm and QDC nor in the decisions by Webfirm or QDC respectively to enter into the acquisition agreement.

The other directors of Webfirm are David Burden, Anthony Du Preez and Adrian Vanzyl (Independent Directors), none of whom is a shareholder or officer of QDC. The decision by Webfirm to acquire QDC, and the terms on which that acquisition is to take place, was made solely by the Independent Directors and only after they had satisfied themselves that the agreement with QDC was in the best interests of Webfirm and commercial terms were fair and reasonable to Webfirm.

The entry by Webfirm into the Heads of Agreement follows several months of negotiations between the parties and the completion of an extensive technical due diligence investigation by Webfirm. Relevantly, as a precursor to being given the exclusive opportunity to undertake a formal due diligence review of the QDC technology and business, Webfirm was required by QDC to agree the key indicative terms of the proposed acquisition. The above terms for the acquisition of QDC reflect the indicative terms proposed by Webfirm in June 2010. At that time, the market price of Webfirm shares was 7.0 cents and the number of Webfirm shares to be issued was determined based on a Webfirm share price of 7.5 cents.

In the subsequent period prior to the entry by Webfirm into the Heads of Agreement, trading in Webfirm shares on ASX has firmed. The volume weighted average sale price of Webfirm shares over the recent 2 month and 3 month periods has been 11.8 cents and 10.8 cents respectively. Further, the closing market price of Webfirm shares on 11 August 2010 was 14.0 cents.

Despite the significant increase in the market price of Webfirm shares, the independent directors of Webfirm have remained at all times of the opinion that it continues to be in the interests of the Webfirm shareholders to proceed with the QDC acquisition on the basis of the originally proposed indicative terms.

As contemplated by both the original indicative terms and the Heads of Agreement, completion of the QDC acquisition will be subject to a number of conditions precedent, including the approval of the Webfirm shareholders. It is expected that a General Meeting will be convened for that purpose in October 2010.

Further, as entities associated with the Webfirm Executive Chairman, Adrian Giles, and Executive Director, Andrew Barlow, are each passive shareholders (holding 9.1% and 26.7% respectively) of QDC, Webfirm will be commissioning Grant Thornton to provide an independent expert's report on the fairness and reasonableness of the QDC acquisition terms to the non-associated Webfirm shareholders. The Independent Expert's report on QDC acquisition will be forwarded to shareholders with the Notice of Meeting, and other explanatory materials, for the general meeting.