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ASX ANNOUNCEMENT

20 July 2010

Trading Update and Appendix 4C

Cash Flow Analysis – Appendix 4C

The attached Appendix 4C quarterly report indicates the Webfirm Group's (ASX: WFM) receipts increased slightly in the June 2010 quarter over the immediately preceding quarter, up from \$1.13 million to \$1.15 million.

Net operating cash flows improved from an outflow of \$1.60 million in the March 2010 quarter to \$0.76 million during the June 2010 quarter, representing an average monthly reduction in net cash outflow from \$0.54 million to \$0.25 million.

Savings in operational costs have been generated from the rationalisation of the Group into two divisions, Adslot and Webfirm combined with a range of cost saving initiatives throughout the business.

Solid operational results in the final two months of the 2010 financial year have seen the Group maintain a cash reserve of \$3.8 million at the close of the year. It is anticipated that net monthly cash outflow will continue to decrease as revenue increases in both the Adslot and Webfirm divisions.

Operational Update

Adslot Division

Since the Adslot acquisition in February, the strategy to commercialise the first stage of the Adslot Publisher Platform has progressed. The initial focus on online classified publishers in Australia resulted in Realestate.com.au signing as a cornerstone customer in June 2010, for which implementation work has commenced. It is expected that advertising inventory will commence selling through the Adslot Platform during the first quarter of the 2011 financial year.

The Adslot Publisher Platform is being utilised by large online publishers to increase revenue and decrease costs by improving sales process efficiency as well as increasing the yield derived from advertising sales.

The longer term strategy is for the platform to be extended to include a complementary end-to-end, self-serve ad sales system that will allow publishers to further automate the sales process and allow a much broader range of advertisers to buy or bid for publishers' inventory, create their own advertisements, complete the transaction online and monitor the performance of their advertising campaign. The envisaged Adslot Direct Platform will allow publishers to operate their own advertising ecosystem, similar to Google Adwords but with the advantage that they attract and retain the customers and generate additional revenue with no increase to their cost base.

One of the important components of the future Adslot Direct Platform was purchased in early July with the acquisition of the ad serving technology company, Adimise Pty Ltd. Adimise brings an ad serving platform that integrates automated reporting and billing functionality. In addition, a range of publisher contracts and ongoing publisher revenue streams were part of the transaction, including an exclusive representational relationship with Ignite Media Brands Pty Ltd. Ignite Media Brands is owned by Viacom, CBS Studios International, Sony Pictures Television International and NBC Universal and represents their online and traditional media advertising sales in Australia and New Zealand.

The Webfirm Group will continue to look for partnerships or technology acquisitions that will assist in the development of both Adslot platforms and the revenue opportunities within the Adslot division.

Webfirm Division

Following the acquisition of Adslot, the Group announced that the remainder of its existing businesses would be consolidated into the Webfirm division with the key focus on driving that division to sustained profitability. Following the restructure, divisional profitability was achieved in June driven by solid new sales.

Within the Webfirm division, the direction for the Searchworld brand remains to build a larger search engine optimisation and search engine marketing business to support new and existing Webfirm clients.

The Group continues to look for partners who can benefit from the technology developed for Searchworld's AdFeedEngine.

Future Focus

The Group's Board and Executive remain resolutely focused on achieving the calendar year 2010 outcomes as outlined previously:

1. Commercialising the Adslot Platform with leading Australian online classifieds publishers;
2. The continued development of the Adslot Platform and the release of the end-to-end advertising sales system; and
3. Profitability of the Webfirm division.

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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



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

WEBFIRM GROUP LIMITED

ABN

70 001 287 510

Quarter ended ("current quarter")

30 JUNE 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from customers	1,154	5,755
Cash from acquisition- Note 5	-	146
1.2 Payments for:		
(a) staff costs	(1,169)	(5,384)
(b) advertising and marketing	(24)	(110)
(c) research and development	-	-
(d) leased assets	(8)	(24)
(e) website publisher payments	(152)	(1,494)
(f) other cost of sales	(223)	(938)
(g) other working capital/overheads	(475)	(2,104)
(h) Adslot pre-acquisition liabilities - Note 7	-	(208)
1.3 Dividends received	-	
1.4 Interest and other items of a similar nature received	66	108
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	88	66
1.7 Other - Net BAS payments	(13)	(150)
Net operating cash flows	(756)	(4,337)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(756)	(4,337)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses	-	(30)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	(60)
(e) other non-current assets	-	(31)
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	4
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material) Note 8	56	106
Net investing cash flows	56	(11)
1.14 Total operating and investing cash flows	(700)	(4,348)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	7,770
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other – Costs relating to issues of shares	-	(289)
Net financing cash flows	-	7,481
Net increase (decrease) in cash held	(700)	3,133
1.21 Cash at beginning of quarter/year to date	4,496	688
1.22 Exchange rate adjustments – Note 4	10	(15)
1.23 Cash at end of quarter	3,806	3,806

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	55
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,074	769
4.2 Deposits at call	2,732	3,727
4.3 Bank overdraft	-	-
4.4 Other – Held in solicitor's trust account	-	-
Total: cash at end of quarter (item 1.23)	3,806	4,496

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	Adslot Pty Ltd	N/A
5.2 Place of incorporation or registration	Melbourne, Australia	-
5.3 Consideration for acquisition or disposal	\$6.0m in equity	-
5.4 Total net assets	\$360,508	-
5.5 Nature of business	Automated Advertising Media Combinatorial Auction Technology Note 6	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 20 July 2010
Company Secretary

Print name: Gavan Flower

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.
4. **Exchange Rate Adjustment.** Represents accounting adjustment related to conversion of US dollar bank account balance to local currency.
5. **Other - Investing Activities (refer 1.1 above).** This amount relates to bank balances of Adslot Pty Ltd ('Adslot') acquired pursuant to the acquisition of Adslot by Webfirm Group Limited.
6. **Acquisition of Business Entities (refer 5.1 above).** The acquisition of Adslot Pty Ltd was concluded after close of business on 15 February 2010. Adslot is a business holding substantial intellectual property which is entering the commercialisation phase (i.e. is pre-revenue). The consideration paid to Adslot shareholders was ordinary shares in Webfirm Group Limited to the value of \$6,000,000. Please refer to earlier ASX announcements for additional information about Adslot.
7. **Pre-acquisition liabilities – Adslot (refer 1.2(h) above).** A number of creditor liabilities had been accrued by Adslot prior to the acquisition of the business by Webfirm, including \$181,000 in consulting and management fees for services rendered during the period 16 February 2009 and 15 February 2010 by former Adslot executive director Mr Barlow. These liabilities are being paid out following the acquisition from cash and grants acquired with the Adslot business.
8. **Other (refer 1.13 above).** This amount relates to Export Marketing Development Grant for 2007/2008 and 2008/2009 received from the government.

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