

ASX ANNOUNCEMENT

30 AUGUST 2011

Report for the year ended 30 June 2011

Webfirm Group Limited (ASX:WFM; 'the Company') today announced its results for the year ended 30 June 2011.

Financial Summary

- **Revenue of \$5.4 million**
- **Net Profit After Tax loss of \$10.3 million**
- **Reported NPAT impacted by non cash goodwill impairment of \$2.7 million, depreciation and amortisation of \$2.2 million and share based expenses of \$0.8 million**
- **Net Cash of \$18.4 million**

The Adslot Platform is taking form

The Adslot platform is servicing **three clients** with the **fourth** client on track to go live in the next week.

The Adslot revenue model, which **generated \$0.9 million in FY 2011**, in most circumstances, involves Adslot receiving a percentage of all revenue on the platform, and in some cases a larger percentage on the uplift created by the platform's optimization functionality. The revenue model for the Adslot platform delivers strong revenues and profitability on a client-by-client basis from the **second year** following implementation.

The platform is currently only selling a **small amount** of each client's total advertising space due to the significant internal client change process required to automate the sale of the client's advertising inventory. During FY 2012 we will continue to **add new advertising inventory from these existing clients** as well as adding new clients, as such, **more meaningful revenues will be generated from the platform through FY 2012 and beyond.**

Much of FY 2011 has been spent acquiring the three proprietary technologies and developing these into a seamless end-to-end Adslot solution. These are:

- **Adslot** (yield optimisation);
- **Adbuilder** (DIY ad creation); and
- **Adimise** (ad serving).

We expect the investment in this complete end-to-end platform will be able to be sustainably leveraged and sold to many other clients with a significant reduction in the time-frame for future customer implementations.

The Webfirm Division restructure is almost complete

The website development market for small and medium size businesses (SME's) is highly competitive and Webfirm Division losses to date have been driven by its inability to profitably compete in bespoke website development. Conversely, the search and marketing services business that includes search engine optimisation services, search engine marketing (paid search advertising), hosting and social media marketing is a profitable business in a growth market.

Through FY 2011 we refocused the Webfirm Division to the search and marketing business and stopped taking on new website development sales. Due to the back log of sites under development the process to complete the exit from website development has taken over six months. We expect to complete our exit from website development over the next two months. **Whilst this change reduces the sales generated from this division it also substantially reduces the cost base of the business which should allow it to become profitable next year.**

In addition to the restructuring of the business thorough FY 2011 we have decided to conduct a strategic review of the Webfirm business over the coming months to determine our future strategy and focus on this business.

As part of this review, we have also taken the conservative position to write down the value of the Webfirm goodwill by \$2.5 million so that the carrying value at 30 June 2011 is zero.

Webfirm Group Summary

Our **intensive upfront investment in product development** will enable many iterations and versions of the same core technology, and **will provide greater returns** as more clients **add more of their advertising inventory** to the Adslot platform.

Becoming **deeply embedded** in our client's business ensures a **robust future annuity stream** and **long-term financial viability** of the business.

We have **sufficient cash** to see us through to profitability, and **we do not intend on raising any more money to execute on our current strategy**. Operating within our current strategy sees us with a solid prudential cash buffer, which we will use to develop new products, enter new markets or for value accretive acquisitions.

AdFeed Engine sale agreement terminated

In September 2010 the Company announced the sale of its AdFeed Engine as it had made the decision to exit the search syndication business and focus on the development of the Adslot business. The sale involved upfront payments and further payments under earn out arrangements.

The purchaser exercised its right to terminate this sale agreement in August 2011. All payments received by us on the sale and earned since the sale are retained by us. It is unlikely that we will re-commission the platform and we will look into the merits of finding a new buyer for this platform.

There is no further financial impact arising from this sale termination on future results.

~ ends ~

Investor Relations:

Brendan Maher

Chief Financial Officer and Company Secretary

Phone: 03 8695 9104

Email: brendan.maher@webfirmgroup.com

