

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Company Commentary on activities during the Quarter ending 30 June 2012

1. Group Update:

- The Group maintains its primary focus on:
 - the productisation, enhancement and roll-out of Adslot's existing products;
 - the creation of new Adslot products (**Adslot Direct** and **Adslot Create**); and
 - maintaining the profitability of the **Webfirm** division.
- **Andrew Barlow** (Adslot Co-Founder and major shareholder) remains **Acting CEO**, while the Company continues its global search for a permanent CEO.

2. Webfirm Division:

- The **Webfirm** division traded profitably each month of the quarter and has now recorded 10 consecutive profitable months (since its restructure in August 2011) through to June 2012.

3. Adslot Division:

- **Adslot** released its Premium product in **June** to both **Wotif.com** and **Carsales** as scheduled;
- **Realestate.co.nz** is expected to be implemented in the **September** quarter of 2012, as previously advised;
- **Adslot** conducted a targeted and successful beta program for its **Adslot Direct** product during the **June** quarter, as scheduled;
- The **Adslot Direct** product remains on track to be launched in the **September** quarter, as previously advised;
- Development continues on the **Adslot Create** product, which is already in beta testing, and remains on track for launch in the **December** quarter, as previously advised;
- The Company appointed **Mr Raj Chauhan**, as President of Adslot's North American

+ See chapter 19 for defined terms.

operations in **July 2012**;

- **Mr Chauhan** is the former **VP North America – Sales** for the **Rubicon Project**, and more recently, was the **GM, Publisher Business** at **OpenX**;
- **Mr Chauhan** has extensive domain experience and publisher relationships in the United States and Canada, and will lead Adslot's entry into the North American market, establishing Adslot's offices and a sales team in San Francisco, California;
- **Adslot** expects to appoint additional sales and marketing resources in its North American office, as it brings new products to market and achieves sales traction in that region.

4. Financials

- In its Investor Update provided to the market in February 2012, the Company advised that it expected cash outflow to be **\$3m - \$4m** for the **6 months to 30 June 2012**;
- The actual cash outflow for the 6 months to 30 June 2012 was only **\$2.1m**;
- This is mainly due to:
 - management taking a more conservative approach to cash conservation;
 - the deferral of some costs in relation to the future launch of the **Adslot Direct** and **Adslot Create** products;
 - higher than expected cash inflows from the **Webfirm** division.
- This Appendix 4C therefore shows a lower net operating cash outflow (only **\$1m**) compared to management expectations at the beginning of the quarter;
- Cash at bank as at 30 June 2012 is **\$13.7M**;
- We anticipate further net operating cash outflows for at least the next four quarters, and expect these to be higher than current levels due to the ramp up of costs associated with the launch of **Adslot Direct**, **Adslot Create** and the cost of establishing our **North American** operations.

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Name of entity

WEBFIRM GROUP LIMITED

ABN

70 001 287 510

Quarter ended ("current quarter")

30 JUNE 2012

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	1,071	3,938
1.2 Payments for:		
(a) staff costs	(1,490)	(6,014)
(b) advertising and marketing	(9)	(39)
(c) research and development	-	-
(d) leased assets	(1)	(3)
(e) website publisher payments	(14)	(181)
(f) other cost of sales	(250)	(949)
(g) other working capital/overheads	(491)	(2,467)
1.3 Dividends received	-	
1.4 Interest and other items of a similar nature received	248	1,154
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(61)	(73)
1.7 Other – Government grants	-	22
Net operating cash flows	(997)	(4,612)

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	Current quarter \$A'000	Year to date (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(997)	(4,612)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(10)	(102)
1.10 Proceeds from disposal of:		
(a) businesses	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	27
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other (provide details if material)	-	-
Net investing cash flows	(10)	(75)
1.14 Total operating and investing cash flows	(1,007)	(4,687)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	-	83
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	-	-
Net financing cash flows	-	83
Net increase (decrease) in cash held	(1,007)	(4,604)
1.21 Cash at beginning of quarter/year to date	14,725	18,353
1.22 Exchange rate adjustments – Note 2	28	(3)
1.23 Cash at end of quarter	13,746	13,746

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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	147
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Directors Fees of \$44k and Consultancy Fees paid to entity associated with Directors of \$103k In addition, item 1.1 includes receipts from trading with entity associated with Director of \$26k	

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	-	-

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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	1,539	1,468
4.2 Deposits at call	12,207	13,257
4.3 Bank overdraft	-	-
4.4 Other – Held in solicitor's trust account	-	-
Total: cash at end of quarter (item 1.23)	13,746	14,725

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	N/A	N/A
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

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: 30 July 2012
Company Secretary

Print name: Brendan Maher

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Notes

1. 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

2. **Exchange Rate Adjustment.** Represents accounting adjustment related to conversion of US dollar, GB pound and Euro bank account balances to local currency.

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