



WEBSPY LIMITED

ABN 60 066 153 982

PROSPECTUS

for

A PRO-RATA NON-RENOUNCEABLE ENTITLEMENT ISSUE OF APPROXIMATELY 21,492,501 OPTIONS AT AN ISSUE PRICE OF 0.2 CENT PER OPTION, ON THE BASIS OF 1 OPTION FOR EVERY 5 FULLY PAID SHARES HELD AT THE RECORD DATE, TO RAISE APPROXIMATELY \$42,985 (THE "ENTITLEMENT ISSUE").

IMPORTANT INFORMATION

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY. IF AFTER READING THIS PROSPECTUS YOU HAVE ANY QUESTIONS ABOUT THE OPTIONS BEING OFFERED UNDER THIS PROSPECTUS OR ANY OTHER MATTER, THEN YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

THE OPTIONS OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED AS SPECULATIVE.

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SECTION 1 IMPORTANT NOTES AND STATEMENTS

This Prospectus is dated 31 March 2003 and a copy of this Prospectus was lodged with ASIC on that date. No Options will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No responsibility as to the contents of this Prospectus is taken by ASIC or ASX.

In compliance with the Corporations Act, this Prospectus and the documents specified in Section 9.5 of this Prospectus contain all information which potential investors and their professional advisers would reasonably require and expect to find in the Prospectus for the purpose of making an informed assessment of:

- a) the effect of the Offer on the Company; and
- b) the rights and liabilities attaching to the Options.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. In making representations in this Prospectus regard has been given to the fact that ASX maintains a file containing publicly disclosed information about the Company and that the Company is a disclosing entity for the purpose of the Corporations Act, and certain matters may reasonably be expected to be known to professional advisers whom potential investors may consult.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

SECTION 2 CORPORATE DIRECTORY

Directors

Non-Executive Chairman	Joseph Chua
Managing Director	Jack Andrys
Non-Executive Director	Richard Chua

Share Registry*

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth, Western Australia, 6000

Company Secretary

Anthony Ho

Principal and Registered Office

Level 2
20 Kings Park Road
West Perth, Western Australia, 6005
Telephone: +61 (08) 9321 3322
Facsimile: +61 (08) 9321 3377
Email: info@webspy.com
Web: www.webspy.com

* The name of this party has been included for information purposes only.

SECTION 3 IMPORTANT DATES

The following key dates are indicative only and may be subject to change without notice:

Announcement of Offer	31 March 2003
Lodgement of this Prospectus with ASIC and ASX	31 March 2003
Application to ASX for listing of Options	31 March 2003
Record Date to determine Entitlements	10 April 2003
Dispatch of Prospectus and Entitlement and Acceptance Form	15 April 2003
Opening Date	15 April 2003
Closing Date	9 May 2003
Options quoted deferred settlement by ASX	12 May 2003
Closing Date for Acceptances from member organizations of ASX	14 May 2003
Dispatch date of holding statements	30 May 2003

SECTION 4 MANAGING DIRECTOR'S LETTER

Dear Shareholder

It is my pleasure to present this Prospectus for a capital raising by way of a 1 for 5 Non-Renounceable Entitlement Issue of Options to shareholders.

This Prospectus, for your consideration, sets out details of the Offer, comprising a Non-Renounceable Pro Rata Entitlement Issue of approximately 21,492,501 Options at an issue price of 0.2 cent per Option on the basis of one Option for every five Shares held at the Record Date.

The maximum amount that could be raised from this Prospectus will be an amount of approximately \$42,985 (before the expenses of the Issue). The funds raised by this Offer will be used for further marketing of the Company's products and for working capital.

Our focus over the past three years has been on the development and marketing globally of our range of software products which include Employee Internet Monitoring (EIM) software represented by the WebSpy® product range; and Asset Integrity Management Systems (AIMS) software for the oil and gas industry represented by the Inspection Manager range of products. The sales and marketing of these products has continued to improve with London and Seattle sales offices being now well established and having started to return loan funds back to Perth.

In the coming period we will continue our operational focus to expand our sales and marketing efforts whilst maintaining our development resources in Perth. Your Company's software products are now well accepted in the industries and markets for which they are designed. This, together with our sales and marketing resources and experience, will position the Company favourably when assessed under the current investment criteria.

Please read this document carefully and follow the relevant instructions if you intend to invest in Options offered pursuant to this Prospectus.

Jack Andrys
Managing Director
31 March 2003

SECTION 5 DETAILS OF THE OFFER

5.1 Important Note

This Section is a summary and is not intended to provide full information for intending Applicants. This Prospectus should be read and considered in its entirety.

5.2 Purpose of the Offer

The purpose of the Offer is to raise approximately \$42,985 before costs of this Prospectus for general working capital purposes, including continued marketing of the Company's products.

5.3 Pro Rata Non-Renounceable Entitlement Issue

The Entitlement Issue is made on the basis that for every five Shares held as at the Record Date, Eligible Participants will have the right (but not the obligation) to subscribe for one Option. The issue price of each Option is 0.2 cent.

The Entitlement Issue is Non-Renounceable which means that Eligible Participants may not sell or transfer all or any part of their entitlement. Fractional entitlements will be rounded up to the next whole number.

Based on the capital structure of the Company at the date of this Prospectus, approximately 21,492,501 Options will be offered pursuant to the Entitlement Issue and the proceeds from the Entitlement Issue will be approximately \$42,985 (before costs) assuming all entitlements are accepted.

Shortfall

If any entitlements are not taken up pursuant to the Entitlement Issue, the Directors reserve the right to issue the shortfall at their discretion. The Directors will not take up any portion of the shortfall.

Opening and Closing Dates for the Pro Rata Entitlement Issue

The Entitlement Issue will remain open during the period commencing on 15 April 2003 and ending at 5:00pm WST on 9 May 2003. These dates may change as noted in Section 3 of this Prospectus.

Instructions for Handling your Entitlement

The number of Options to which an Eligible Participant is entitled is set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus. Eligible Participants may accept their Entitlement in whole or in part. If you decide not to accept your entitlement it will lapse.

It is important that you consider the Entitlement Issue carefully. If you decide to accept your entitlement (either in whole or in part), you must do so in accordance with the instructions set out on the accompanying Entitlement and Acceptance Form. If you are in doubt as to the course of action to be taken, you should consult your professional adviser.

Please read carefully the instructions on the reverse side of the accompanying Entitlement and Acceptance Form regarding acceptance.

The number of Options applied for may not exceed the entitlement as shown on the Entitlement and Acceptance Form. If an Entitlement and Acceptance Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted by the Company. The Company's decision as to whether to accept the application or how to construe, amend or complete it, shall be final, but no Applicant will be treated as having offered to purchase more Options than is indicated by the amount of the cheque for application monies.

An Eligible Participant's entitlement will lapse unless a completed Entitlement and Acceptance Form and application monies reach the Company's share registry by the Closing Date. Pursuant to the ASX Listing Rules, the Company will allow an extension of at least 3 Business Days to member organisations of ASX to lodge acceptances after the Closing Date.

5.5 Terms of Payment

The payment of 0.2 cent per Option pursuant to the Entitlement Issue must be made in full on application and must accompany the duly completed Entitlement and Acceptance Form. Applications must be forwarded:

By post to:	Computershare Investor Services Pty Ltd GPO Box D182 Perth, Western Australia, 6840	In person to:	Computershare Investor Services Pty Ltd Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia, 6000
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Cheques in respect of applications for Options must be in Australian currency drawn on an Australian bank, made payable to "WEBSPY LIMITED" and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payments will not be issued.

SECTION 5 DETAILS OF THE OFFER (cont'd)**5.6 Allotment of Options**

Options issued pursuant to the Offer will be allotted within 15 Business Days after the Closing Date.

Pending the issue and allotment of the Options pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on such bank account and each Applicant waives the right to claim any such interest.

5.7 Minimum Subscription and Oversubscription

The minimum amount which must be raised by this Prospectus is \$42,985. No oversubscriptions will be accepted.

5.8 Taxation Implications

The Directors do not consider it appropriate to give potential Applicants advice regarding the taxation consequences of applying for Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of potential Applicants. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to potential Applicants as a result of subscribing for Options under the Offer. Potential Applicants should, therefore, consult their own tax adviser in connection with the taxation implications of the Offer.

5.9 Non-Residents

Non-Residents should consult their professional advisers as to whether any formalities need to be observed (either by themselves or the Company) to enable them to subscribe for Options. It is the responsibility of Non-Residents to obtain all necessary approvals so they may legally subscribe for (and be issued) the securities. The return of a completed application form from a Non-Resident Applicant will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained and that the Company may legally issue the securities to the Applicant.

5.10 Official Quotation by ASX

Application for Official Quotation by ASX of the Options offered by this Prospectus will be made within 7 days after the date of this Prospectus. If the Options offered by this Prospectus are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of the Prospectus, (or such period as is varied by ASIC), the Company will not issue any Options and will repay all application monies within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Options pursuant to this Offer is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

5.11 Enquiries

Any questions concerning the Entitlement Issue should be directed to the Company on (08) 9321 3322.

SECTION 6 RISK FACTORS

Any potential investor should appreciate that subscribing for securities in the Company involves various risks. There are general risks associated with any investment in securities traded on the stock market. The value of securities listed on the ASX may rise or fall depending on a range of factors beyond the control of the Company.

Accordingly, investment in the Options offered under this Prospectus is considered speculative. Investors should consider these matters and possible risk factors shown below and, if necessary, consult their advisers before deciding whether to apply for Options under this Prospectus.

- ◆ **Market for the Company's Technologies** – The Company intends to continue to pursue the marketing of its technologies in the markets in Australia and overseas. Notwithstanding having successfully completed sales and projects in certain regions, there can be no assurance that these markets will continue to be exploited successfully and the failure to do so could have a material adverse effect on the Company's business, financial condition and results of operations;
- ◆ **Lack of revenue and Dividends** – To date, the Company has generated revenue from the application of its technologies. Since its date of incorporation, the Company has accumulated losses and such losses may increase as it continues to develop and market its products. The Company expects to continue to incur losses unless and until such time as it generates sufficient revenues to fund its ongoing operations. The Company has never paid a dividend and does not anticipate paying any dividends in the immediate future;
- ◆ **Research and Development** – It is difficult to determine the number of competitors that the Company has and the Company's competitive position in various markets. Research and development to date has been successful, however, the Company's competitors may have, (unknown to the Company), a product under development which may be technologically superior to those of the Company or which may be more acceptable to the market;
- ◆ **General Commercial Risks** – Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs and stock market prices. Future possible revenues and option price can be affected by these factors which are beyond the control of the Company;
- ◆ **General Investment Risks** – There is a risk that the price of Options and returns to shareholders may be affected by changes in:
 - i. Local and world economic conditions;
 - ii. Interest rates;
 - iii. Levels of tax, taxation law and accounting practice;
 - iv. Government legislation or intervention;
 - v. Inflation or inflationary expectations; and
 - vi. Natural disasters, social upheaval or war in Australia or overseas.

The above factors and others not specifically referred to may in the future materially affect the financial performance of the Company and the value of the Options and accordingly an investment in the Company should be considered speculative.

SECTION 7 RIGHTS AND LIABILITIES ATTACHING TO OPTIONS

The 21,492,501 Options offered for subscription pursuant to this Prospectus will be granted on the following terms and conditions:

- (a) **Issue Price**
The amount of 0.2 cent is payable by the applicant for the issue of each Option to that applicant.
- (b) **Entitlement**
Each Option shall entitle the holder the right to subscribe (in cash) for 1 Share in the capital of the Company for the exercise price of \$0.08 per Share.
- (c) **Option Period**
The Options will expire at 5.00pm WST on 31 May 2006. Subject to clause (g), Options may be exercised at any time prior to the expiry date and Options not so exercised shall automatically expire on the expiry date.
- (d) **Ranking of Share Allotted on Exercise of Option**
Each Share allotted as a result of the exercise of any Option will, subject to the Constitution of the Company, rank in all respects *pari passu* with the existing Shares in the capital of the Company on issue at the date of allotment.
- (e) **Voting**
A registered owner of an Option ("Option Holder") will not be entitled to attend or vote at any meeting of the members of the Company unless they are, in addition to being an Option Holder, a member of the Company.
- (f) **Transfer of an Option**
Options are transferable at any time prior to the expiry date. This right is subject to any restrictions on the transfer of Options that may be imposed by the ASX in circumstances where the Company is listed on the ASX.
- (g) **Method of Exercise of an Option**
- (i) The Company will provide to each Option Holder a notice that is to be completed when exercising the Options ("Notice of Exercise of Options"). Options may be exercised by the Option Holder by completing the Notice of Exercise of Options and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise of Options must state the number of Options exercised and the consequent number of ordinary shares in the capital of the Company to be allotted; which number of Options must be a multiple of 2,500 if only part of the Option Holder's total Options are exercised, or if the total number of Options held by an Option Holder is less than 2,500, then the total of all Options held by that Option Holder must be exercised.
 - (ii) The Notice of Exercise of Options by an Option Holder must be accompanied by payment in full for the relevant number of shares being subscribed, being an amount of 8 cents (\$0.08) per Share.
 - (iii) Subject to paragraph (g)(i) above, the exercise of less than all of an Option Holder's Options will not prevent the Option Holder from exercising the whole or any part of the balance of the Option Holder's entitlement under the Option Holder's remaining Options.
 - (iv) Within 14 days from the date the Option Holder properly exercises options held by the Option Holder, the Company shall issue and allot to the Option Holder that number of Shares in the capital of the Company so subscribed for by the Option Holder.
 - (v) The Company will within 3 business days from the date of issue and allotment of Shares pursuant to the exercise of an Option, apply to the ASX for, and use its best endeavours to obtain, Official Quotation of all such Shares, in accordance with the Corporations Act and the Listing Rules of the ASX.
 - (vi) The Company will generally comply with the requirements of the Listing Rules in relation to the timetables imposed when quoted Options are due to expire. Where there shall be any inconsistency between the timetables outlined herein regarding the expiry of the Options and the timetable outlined in the Listing Rules, the timetable outlined in the Listing Rules shall apply.
- (h) **Reconstruction**
In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option Holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.
- (i) **Participation in New Share Issues**
There are no participating rights or entitlements inherent in the Options to participate in any new issues of capital which may be made or offered by the Company to its shareholders from time to time prior to the expiry date unless and until the Options are exercised. The Company will ensure that during the exercise period, the record date for the purposes of determining entitlements to any new such issue, will be at least nine (9) business days after such new issues are announced (or such other date if required under the Listing Rules) in order to afford the Option Holder an opportunity to exercise the Options held by the Option Holder.
- (j) **No Change of Options' Exercise Price or Number of Underlying Shares**
There are no rights to change the exercise price or the number of underlying Shares.

SECTION 8 EFFECT OF THE OFFER**8.1 Statements of Financial Position**

The Offer will have an effect on the Company's Statement of Financial Position, which will be to increase shareholders funds and net assets by approximately \$35,485 (net of estimated expenses of the Offer) if fully subscribed. The unaudited Consolidated Statement of Financial Position as at 31 December 2002 and an unaudited proforma Consolidated Statement of Financial Position at the close of the Offer are set out below.

	Unaudited 31 December 2002 \$	Unaudited Proforma \$
CURRENT ASSETS		
Cash assets	1,569,138	1,604,623
Receivables	287,203	287,203
Other	53,241	53,241
Total Current Assets	1,909,582	1,945,067
NON CURRENT ASSETS		
Receivables	77,587	77,587
Property, plant & equipment	209,236	209,236
Intangibles	72,891	72,891
Capitalised research and development expenditure	479,965	479,965
Total Non Current Assets	839,679	839,679
TOTAL ASSETS	2,749,261	2,784,746
CURRENT LIABILITIES		
Payables	295,448	295,448
Interest bearing liabilities	63,823	63,823
Provisions	30,265	30,265
Total Current Liabilities	389,536	389,536
TOTAL LIABILITIES	389,536	389,536
NET ASSETS	2,359,725	2,395,210
EQUITY		
Contributed equity	17,261,804	17,297,289
Accumulated losses	(14,902,079)	(14,902,079)
TOTAL EQUITY	2,359,725	2,395,210

Notes:

- (a) The above unaudited proforma Consolidated Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2002 and the completion of the Offer, except:
- (i) the issue of 21,492,501 Options at 0.2 cent each pursuant to the Entitlement Issue to raise \$42,985 (before expenses of the Entitlement Issue); and
 - (ii) expenses of the Offer of approximately \$7,500 which are to be written off to Contributed Equity.
- (b) No allowance has been made for expenditure incurred in the normal course of business from 31 December 2002 to the date of this Prospectus.

8.2 Capital Structure

The capital structure of the Company following completion of the Offer (assuming that the Offer is fully subscribed) is summarised below:

Fully Paid Shares	Number
Fully Paid Shares on issue	107,462,505
Options	
Options to be issued pursuant to the Offer	21,492,501
Options on issue upon completion of the Offer	21,492,501

SECTION 9 ADDITIONAL INFORMATION

9.1 Interests, Fees and Benefits

Other than as set out below or elsewhere in this Prospectus, no:

- (a) director of the Company; or
- (b) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation and distribution of this Prospectus; or
- (c) promoter of the Company,

has or had within two years before lodgement of this Prospectus with ASIC any interest in:

- (i) the formation or promotion of the Company; or
- (ii) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the offer of Options under this Prospectus; or
- (iii) the offer of securities under this Prospectus,

and no amounts have been paid or agreed to be paid and no amounts have been given or agreed to be given to any of those persons as an inducement to become or to qualify as a Director of the Company or for services rendered in connection with the formation or promotion of the Company or the offer of Options under this Prospectus.

a) *Directors' Remuneration*

The remuneration paid to Directors or their related entities for the past three years is set out below:-

Director	2001/2002 Year \$	2000/2001 Year \$	1999/2000 Year \$
Joseph Chua	11,667	-	-
Jack Andrys	295,767	312,213	172,082
Richard Chua	20,000	20,000	41,002

b) *Security Holdings*

Set out below are the security holdings of Directors and their related entities:-

Director	Ordinary Shares
Mr J Andrys	8,043,678
Mr R Chua	3,340,000
Mr J Chua	13,695,167

9.2 Share Trading History

The highest and lowest market price of the Company's quoted Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales and the last sale on the Business Day immediately preceding the date of lodgement of this Prospectus with ASIC, were:

	Price	Date
Highest	3.9 cents	14 January 2003
Lowest	1.3 cents	18 March 2003
Latest	2.0 cents	27 March 2003

9.3 Expenses of the Offer

The expenses of the Offer, including ASIC lodgement fees, ASX listing fees, printing and postage costs, etc have been estimated to be \$7,500.

SECTION 9 ADDITIONAL INFORMATION (cont'd)**9.4 Litigation**

The Company has not been involved in any legal proceedings which have had a significant effect on the financial position of the Company in the last 12 months, or which are likely to have a significant effect on future results, nor is the Company aware that any such proceedings are pending or threatened.

9.5 Continuous Disclosure and Documents Available for Inspection

The Company is a 'disclosing entity' for the purposes of section 111AC and section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

In general terms, prospectuses in relation to continuously quoted securities are only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial report of the Company for the financial year ended 30 June 2002 (being the annual financial report most recently lodged with ASIC in relation to the Company before the issue of this Prospectus);
 - (ii) the financial report of the Company for the half-year ended 31 December 2002; and
 - (iii) all documents used to notify ASX of information relating to the Company under the provisions of ASX Listing Rules since lodgement of the annual financial report referred to above and before lodgement of this Prospectus with ASIC.

The financial report referred to in sub-paragraph (c) (i) above was lodged with ASIC on 27 September 2002.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company free of charge, during normal office hours.

ASX maintains files containing publicly disclosed information about all listed companies. In addition, copies of documents lodged by, or in relation to, the Company with ASIC may be obtained from, or inspected at, any Regional Office of ASIC.

The following documents have been notified to ASX in accordance with sub-paragraph (c) (iii) above:

Lodgement Date	Description of Announcement
31 March 2003	Announcement of Non Renounceable Entitlement Issue of Options
14 March 2003	2002/2003 Half year financial report
14 March 2003	ASX Appendix 4B – Half-yearly report
5 March 2003	Microsoft Integrates ISA Server with Webspy Internet Monitoring Tool
12 December 2002	Netlink Inspection Systems – Media Release
26 November 2002	Outcome of AGM – 26 November 2002
22 November 2002	ASX Appendix 3Z – Final Directors Interest Notice
25 October 2002	Notice of AGM – 26 November 2002
21 October 2002	ASX Appendix 3Y – Change of Directors Interest

This Prospectus contains details specific to the Offer. If potential Applicants require any further information in relation to the Company, the Directors recommend that potential subscribers take advantage of the ability to inspect or obtain copies of documents referred to above.

SECTION 10 DIRECTORS' CONSENT

This Prospectus has been issued by WebSpy Limited and each Director has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Jack Andrys
Managing Director

SECTION 11 GLOSSARY

\$	means Australian dollars. All amounts in this Prospectus are in Australia dollars unless otherwise stated.
Applicant	means a person who submits an Entitlement and Acceptance Form under this Prospectus.
ASIC	means the Australian Securities and Investments Commission.
ASX	means Australian Stock Exchange Limited (ABN 98 008 624 691).
Business Day	means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.
Company	means WebSpy Limited (ABN 60 066 153 982).
Directors	means the directors of the Company.
Eligible Participant	means a Shareholder who is entitled to subscribe for Options pursuant to the Entitlement Issue.
Entitlement & Acceptance Form	means the entitlement and acceptance form relating to the Entitlement Issue accompanying this Prospectus.
Entitlement Issue	means the non-renounceable pro rata issue of Options in accordance with Section 5.3 of this Prospectus.
Listing Rules	means the official listing rules of ASX.
Non-Renounceable	means that shareholders may not sell or transfer all or any part of their entitlement to the Entitlement Issue.
Non-Resident	means a person domiciled outside Australia.
Offer	means the offer of securities pursuant to this Prospectus as set out in Section 5.
Official Quotation	has the same meaning as in the ASX Listing Rules.
Option	means an option to subscribe for one Share in the Company exercisable at 8 cents on or before 31 May 2006.
Prospectus	means this Prospectus dated 31 March 2003.
Record Date	has the same meaning as in the ASX Listing Rules which is specified by the Company in relation to the Entitlement Issue as being 5:00pm WST on 10 April 2003.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a shareholder of the Company.
WebSpy	means WebSpy Limited (ABN 60 066 153 982).
WST	means Western Australian Standard Time.

**SECTION 12 SHORTFALL APPLICATION FORM
(FOR SHORTFALL OPTIONS ONLY)**



WEBSPY LIMITED
ABN 60 066 153 982

Shareholders wishing to accept their Entitlement to Options under the Issue cannot use this Shortfall Application Form. They must use the personalised Entitlement and Acceptance Form which accompanied their copy of the Prospectus.

This application will only be considered after the Closing Date of 9 May 2003. Applicants should read the Prospectus dated 31 March in its entirety before deciding to apply for shortfall Options.

To the Directors
WebSpy Ltd
Level 2
20 Kings Park Road
West Perth WA 6005

I/We apply for _____ Options (number of Options applied for)
and pay in full application moneys at 0.2 cents per Option by, lodgement herewith of \$ _____ .00
(amount of your cheque)

Complete Full name:

(Applicant) _____
(Mr/Mrs/Miss/Ms or Company Name) (Given Names) (Surname)

(Joint Applicant) _____
(Mr/Mrs/Miss/Ms or Company Name) (Given Names) (Surname)

Address Details:

(Number and street)

(Suburb or city) (State) (Postcode)

Telephone Details:

(Home) (Business) (Contact Name)

Email Address:

Cheque Details:

(Drawer) (Bank) (Branch)

Broker Sponsored Applicants Only:

SBN/IPN: _____ HIN: _____

This Application Form does not need to be signed. By lodging this Shortfall Application Form and a cheque for the application monies, the applicant hereby:

1. applies for the number of Options specified in the Shortfall Application Form or such lesser numbers as may be allocated by the Directors; and
2. agrees to be bound by the terms and conditions set out in the Prospectus and the Constitution of the Company; and
3. authorises the Directors to complete or amend this Shortfall Application Form where necessary to correct any errors or omissions.

SHORTFALL APPLICATION FORM AND INSTRUCTIONS TO APPLICANTS

Please complete all relevant sections of the Shortfall Application Form using BLOCK LETTERS. Please post or deliver the completed Shortfall Application Form together with your cheque to the address listed below:

WebSpy Ltd
Level 2
20 Kings Park Road
West Perth WA 6005

WebSpy Ltd
PO Box 881
West Perth WA 6872

Facsimile: (08) 9321 3377

Please write your name in full. This must be either your name or the name of a company. You should refer to the examples noted for the correct forms of the name that can be registered. Applications using the incorrect form of name may be rejected. If your Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. Any decision as to whether to treat your application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to subscribe for more Options than is indicated by the amount of the accompanying cheque for the application monies referred to.

Your address should be your preferred postal address for all correspondence. All communications to you from the Company's Registry will be mailed to the person(s) and address as shown.

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities can hold Options. The application must be in the name(s) of a natural person(s), companies or other legal entities acceptable to WebSpy Ltd. At least one full given name and the surname is required for each natural person. Applications cannot be made by persons under the age of 18 years of age. Examples of the correct form of registrable title are set out below:–

TYPE OF INVESTOR	CORRECT FORM OF REGISTRABLE TITLE	INCORRECT FORM OF REGISTRABLE TITLE
Trusts	Mr John David Brown	John Brown Family Trust
Deceased Estates	Mr Peter Michael Brown	John Brown (Deceased)
Partnerships	Mr John David Browns and Mr Ian Lee Brown	John Brown & Son
Clubs/ Unincorporated Bodies	Mr John David Brown	Brown Investment Club
Superannuation Funds	John Brown Pty Ltd	John Brown Superannuation Fund

ENTITLEMENT AND ACCEPTANCE FORM



WEBSPY LIMITED

ABN 60 066 153 982

REGISTERED OFFICE
Level 2
20 Kings Park Road
West Perth WA 6005

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 2, Reserve Banking Building
45 St George's Terrace
Perth WA 6000

Name/Company
Address
Suburb State Postcode

Holder Identification Number: X0000000000
Entitlement Number: 00000XXX
Sub-registry: CHES

Shareholding at 5:00pm on 10 April 2003	Entitlement to Options on a 1:5 basis	Amount Payable at 0.2 cent per Option

Non-renounceable entitlement issue of approximately 21,492,501 Options on the basis of one Option for every five ordinary shares held at an issue price of 0.2 cent each.

To the Directors
WebSpy Ltd

- I/We the above mentioned, being registered on the 10 April 2003 as the holder(s) of ordinary shares in your Company hereby accept the below mentioned Options issued in accordance with the attached Prospectus;
- I/We enclose my/our cheque made payable to WebSpy Ltd, for the amount shown being payment at the rate of 0.2 cent per Option.
- I/We hereby authorise you to place my/our name(s) on the register of optionholders in respect of the number of Options allotted to me/us; and
- I/We agree to be bound by the Constitution of the Company.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL
CONSTITUTE YOUR ACCEPTANCE OF THE OPTIONS BEING OFFERED

Options Accepted	Amount Enclosed at 0.2 cent per Option

Please enter
cheque details.
Thank you

DRAWER	BANK	BRANCH	AMOUNT

My/Our contact numbers in the case of inquiry are:

Telephone: () _____ Facsimile () _____

NOTE: Cheques should be made payable to "WebSpy Ltd", crossed "NOT NEGOTIABLE" and forwarded to Computershare Investor Services Pty Limited, Level 2, Reserve Bank Building, 45 St George's Terrace, Perth, Western Australia, 6000 to arrive no later than 5:00pm Western Standard Time on 9 May 2003.

Complete this panel and sign below only if a change of address is to be registered with the Company

New Address: _____

Signature(s): _____ Date: _____

Please indicate your correct title: Director / Secretary / _____

ISSUE CLOSSES 5:00PM 9 MAY 2003
THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENTS TO THIS FORM WHERE APPROPRIATE
PLEASE REFER OVERLEAF FOR INSTRUCTIONS

INSTRUCTIONS

EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Options which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not apply for Options in excess of your maximum entitlement.
4. The price payable on acceptance of each Option is 0.2 cent.
5. You may accept your entitlement in full by completing the Entitlement and Acceptance Form overleaf.

APPLICATION INSTRUCTIONS

1. The issue price of 0.2 cent per Option is payable in full upon application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. Cheques must be payable to WebSpy Ltd and crossed "Not Negotiable".
4. When completed, this form, together with the appropriate payment in Australian currency, should be forwarded to WebSpy Ltd c/- Computershare Investor Services Pty Limited.
5. Acceptances must be received by Computershare Investor Services Pty Limited no later than 5.00pm WST 9 May 2003.

ENQUIRIES

Any enquiries should be directed to:

The Company's share registry:
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St George's Terrace
Perth WA 6000

Postal Address:
GPO Box D182
Perth WA 6840

Telephone: **1300 557 010**

Facsimile: **(08) 9323 2033**