

**OPERATING UPDATE – SEPTEMBER 2008 QUARTER**

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WebSpy is in an enviable position in the current financial climate with a cash balance as at quarter end of \$1.7m and an expectation to see this balance increase over the December quarter. The Company is also in a debt-free position.

Whilst cash receipts from customers were low over the past quarter, this is seasonal and is a result of the summer vacation period in the Northern Hemisphere. This reduces WebSpy sales staff availability as they take holidays over this period and also affects their ability to contact prospective customers who also take time off. Sales activity has since risen in the current quarter. The recent fall in the Australian Dollar is expected to improve the receipts from export sales made by our London and Seattle offices.

In addition to the inflow of cash from product sales in the current quarter, WebSpy is also expecting cash from the following:

1. Tax Offset payment for Research and Development of approximately \$280,000; and
2. Interest on term deposit maturity of \$70,000.

The December quarter will therefore see an improvement in cash reserves and WebSpy is eager to look for acquisitions of good value exposed by the current tough conditions faced by the equity markets.

**About WebSpy Ltd**

WebSpy, a Microsoft Gold Certified Partner, has been established for 11 years with over 6000 active customers and offices strategically located in the United States, United Kingdom and Australia. An extensive network of appointed Resellers and Distributors are supported by teams based in those regions. WebSpy provides Internet management tools that enable organizations to make informed decisions to help mitigate risk and maximize productivity.

For more information please visit our website at [www.WebSpy.com](http://www.WebSpy.com) or contact WebSpy Head Office on: +61 8 9321 3322 (Australia)

Jack Andrys  
Chief Executive Officer  
WebSpy Ltd

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

Rule 4.7B

**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

**WEBSPY LTD**

ABN

**60 066 153 982**

Quarter ended ("current quarter")

**30 September 2008**

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 Months) \$A'000</b>
1.1 Receipts from customers	504	504
1.2 Payments for (a) staff costs	(411)	(411)
(b) advertising and marketing	(188)	(188)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(49)	(49)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	3
1.5 Interest and other costs of finance paid	-	-
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(141)</b>	<b>(141)</b>

+ See chapter 19 for defined terms.

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	<b>Current quarter SA'000</b>	<b>Year to date (3 Months) SA'000</b>
1.8 Net operating cash flows (carried forward)	<b>(141)</b>	<b>(141)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	(5)	(5)
(e) other non-current assets	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other	-	-
<b>Net investing cash flows</b>	<b>(5)</b>	<b>(5)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(146)</b>	<b>(146)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.	-	-
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	-	-
<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>(146)</b>	<b>(146)</b>
1.21 Cash at beginning of quarter/year to date	1,823	1,823
1.22 Exchange rate adjustments to item 1.21	11	11
<b>1.23 Cash at end of quarter</b>	<b>1,688</b>	<b>1,688</b>

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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	(89)
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
<b>Directors' remuneration</b>		- (89)

**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

Nil
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- 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

Nil
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**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	<b>1,688</b>	<b>1,823</b>
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,688</b>	<b>1,823</b>

**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	<b>Nil</b>	<b>Nil</b>
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: .....

Chief Executive Officer

Date: **31 October 2008**

Print name: **Jack Andrys**

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**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.
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