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**OPERATING UPDATE – MARCH 2009 QUARTER**

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WebSpy like many other companies has been affected by the current low level of business spending as a result of the Global Financial Crisis, and the Directors have taken the view that this is likely to continue impacting the company for at least the remainder of 2009. WebSpy was at the end of 2008 and throughout the first quarter of 2009 reviewing a number of opportunities including acquisitions with a view to increasing the scale of the listed company; this activity has been scaled back so as not to incur any unnecessary or non operational expenses moving forward.

A number of cost cutting measures have been put into place and more are currently being reviewed in terms of necessary expenditure and fair pricing in the current climate. The following cost cutting measures have been concluded as at the date of this report:

- Nine positions have been made redundant including the Chief Operating Officers position, an Executive Director position, two administration positions, two development positions, and three sales positions.
- WebSpy US office has been relocated into a serviced office returning to the Bank of America tower in Seattle.

Mr Jack Andrys has taken on the duties previously performed by the COO, and Mr Tom McGellin has reverted back to a non-executive director role.

Whilst it is unclear as to the continuing impact the current recessionary climate will have on WebSpy revenue, at this point current monthly revenue figures are down between 40-50% when compared to last year's figures.

WebSpy intends to match the reduced revenue with reductions in expenditure so as to preserve its cash reserves during this downturn.

**About WebSpy Ltd**

WebSpy is a global vendor of software solutions that transform the raw data in log files into manageable information, providing a transparent view over organizations' Internet, email and network usage. WebSpy enables organizations to protect and maximize their Internet investment, reducing costs related to unproductive behavior, bandwidth usage and legal liability, whilst still allowing enjoyment of the benefits of a web-enabled environment.

For more information visit: <http://www.webspy.com>

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")

**31 March 2009**

**Consolidated statement of cash flows**

<b>Cash flows related to operating activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 Months) \$A'000</b>
1.1 Receipts from customers	349	1,374
1.2 Payments for (a) staff costs	(443)	(1,300)
(b) advertising and marketing	(92)	(341)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(313)	(599)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	77
1.5 Interest and other costs of finance paid	(2)	(2)
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(498)</b>	<b>(791)</b>

+ See chapter 19 for defined terms.

24/10/2005

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		Current quarter \$A'000	Year to date (9 Months) \$A'000
1.8	Net operating cash flows (carried forward)	(498)	(791)
	<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	(6)	(19)
	(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>(6)</b>	<b>(19)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(504)</b>	<b>(810)</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>(504)</b>	<b>(810)</b>
1.21	Cash at beginning of quarter/year to date	1,534	1,823
1.22	Exchange rate adjustments to item 1.21	(4)	13
1.23	<b>Cash at end of quarter</b>	<b>1,026</b>	<b>1,026</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	<b>(150)</b>
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>	-	<b>(150)</b>
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**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

<b>Nil</b>
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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

<b>Nil</b>
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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>1,026</b>	<b>1,534</b>
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,026</b>	<b>1,534</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: **30 April 2009**

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.

Appendix 4C Rule 4.7B

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