
DECEMBER 2009 QUARTERLY REPORT COMMENTARY AND BUSINESS UPDATE

The December 2009 quarter was one of change for the Company, as it saw a number of significant events occur during the period. Specifically these were:

1. The acquisition of Marketboomer

For a considerable period of time, the Directors had been reviewing additional business opportunities for the Company to deliver scale and growth and lay the foundation for incremental value for shareholders.

As a result of this, and after extensive due diligence and negotiation, on 16 November 2009 shareholders approved the scrip based acquisition of Marketboomer Pty Ltd and Ortas Enterprises Limited (collectively **Marketboomer**) an Internet based purchasing and procurement technology specifically servicing the hospitality industry, that improves procurement and purchasing efficiency and can lead to significant cost reductions.

Marketboomer has offices in Australia, UK, Ireland, Dubai, Singapore and China and generates revenue from transactions processed via its trading platform, which is used by hotel clients which include Starwood, Intercontinental Hotel Group, Mirvac, Westin, Jumeirah, Le Meridien, Hyatt, Holiday Inn, Four Seasons and many others.

In addition to delivering additional scale, there were a number of complementary synergy benefits from the Marketboomer acquisition such as the ability to share technical resources and customers, the increased global footprint that Marketboomer offers the WebSpy business, as well as the fact that both technologies and business models are Internet based.

As the acquisition was only completed on 16 November 2009 there is negligible incremental revenue attributed from the Marketboomer business through the end of the quarter, however for subsequent quarters this will be fully reflected.

2. Board Changes

As a result of the transaction a number of changes occurred at a Board level. These included the appointment of 3 new directors - Mr Ben Donovan as an independent director, Mr Declan Monahan (Marketboomer CEO), and Mr Kim Redstall also as a non-executive director.

Messrs Brooks, Chua and Galbally resigned as directors in the period.



For personal use only

3. Managing Director change

On 30 November 2009 the Board received the resignation of the CEO, Mr Jack Andrys. After discussions with the Board, Mr Andrys agreed to remain in the role of acting CEO until a replacement CEO is appointed.

The Board is currently continuing its selection process, and an announcement will be made to the market in due course at such time as a suitable candidate has been secured.

Mr Andrys has indicated his interest to remain with the Company in an Executive Director role overseeing the WebSpy business unit, and the Board is continuing to consider this in the light of also appointing a new CEO.

4. Marketboomer hotel “wins”

As announced to the market on 9 November 2009, Marketboomer executed contracts with 3 additional InterContinental Hotel Group properties, taking the number of IHG hotels utilising the Marketboomer solution to 55.

These contract wins also complement the signing of a contract with Emirates Flight Catering which potentially opens up another major new market for the Company. The pre-implementation phase of this contract is presently ongoing.

5. WebSpy sales

The process of negotiating and completing the acquisition of Marketboomer reduced the business development capacity of executive management in the period. The Directors are optimistic that seasonal factors along with an improving economic outlook, a pending new product launch, an improving sales pipeline and additional sales strategies will deliver ongoing revenue growth from the WebSpy business unit.

6. Cash consumption

The Marketboomer acquisition understandably required the engagement of external advisors to assist in the legal, accounting, independent expert review and general due diligence components of any transaction. The costs of which were incurred and paid during the quarter, resulting in a substantial increase in cash burn in the period. It is expected that the balance of these acquisition costs will be settled during the March 2010 quarter.



For personal use only

7. Go forward focus

With a new business unit in the Company demonstrating strong growth in its business, coupled with the improving economic environment and a renewed enthusiasm amongst all of the now significantly larger staff of the Company, the focus for the remainder of the financial year is maximising the growth of the Company and leveraging the financial outcomes from its technologies.

AUTHORISED BY:



Jack Andrys
Chief Executive Officer
WebSpy Ltd
Telephone: 08 9321 3322
Facsimile: 08 9321 3377

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 organisations' Internet, email and network usage. WebSpy enables organisations to protect and maximize their Internet investment, reducing costs related to unproductive behaviour, 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>.

Marketboomer is an Internet based procurement and materials management system that provides its clients with the tools, information and control to transition from their current approach to procurement to industry best practice. The solution facilitates a more competitive market enabling businesses to trade with each other more effectively by allowing purchasers to buy from suppliers at the best possible price at a given point in time, and by improving processes.

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



For personal use only

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 December 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 Months) \$A'000
1.1 Receipts from customers	793	1,102
1.2 Payments for		
(a) staff costs	(629)	(880)
(b) advertising and marketing	(118)	(234)
(c) research and development	(11)	(11)
(d) leased assets	-	-
(e) other working capital	(519)	(698)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	21	36
1.5 Interest and other costs of finance paid	-	-
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
Net operating cash flows	(463)	(685)

+ See chapter 19 for defined terms.

For personal use only

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

		Current quarter	Year to date
		\$A'000	(6 Months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(463)	(685)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(54)	(58)
	(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 (cash acquired on acquisition of subsidiary)	427	427
	Net investing cash flows	373	369
1.14	Total operating and investing cash flows	(90)	(316)
	Cash flows related to financing activities		
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	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(90)	(316)
1.21	Cash at beginning of quarter/year to date	910	1,137
1.22	Exchange rate adjustments to item 1.21	102	101
1.23	Cash at end of quarter	922	922

+ See chapter 19 for defined terms.

For personal use only

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	(160)
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive directors' remuneration	-	(153)
Non-executive director's remuneration	-	(7)

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

On 20 November 2009, the Company issued 115,000,000 fully paid ordinary shares at a deemed issue price of \$0.01 per share as part consideration for the acquisition of a 100% interest in the Marketboomer group of entities. The acquisition was approved by shareholders on 16 November 2009.

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

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	-	-

+ See chapter 19 for defined terms.

For personal use only

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	922	910
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		922	910

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	Nil
5.2	Place of incorporation or registration	Australia, Ireland, Cyprus, Dubai, South Africa, Singapore and People's Republic of China
5.3	Consideration for acquisition or disposal	115,000,000 fully paid ordinary shares (allotment of 361,565,100 deferred Shares is dependent on the occurrence of certain performance hurdles).
5.4	Total net assets	Approximately \$1.348 million
5.5	Nature of business	Internet based procurement and materials management system

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: **29 January 2010**
 Chief Executive Officer

Print name: **Jack Andrys**

+ See chapter 19 for defined terms.

For personal use only

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.

+ See chapter 19 for defined terms.