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**NOTICE OF GENERAL MEETING  
EXPLANATORY MEMORANDUM  
PROXY FORM**

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**Date of Meeting**

Monday, 16 November 2009

**Time of Meeting**

10.00 a.m. (WST)

**Place of Meeting**

Level 3, 9 Colin Street  
West Perth, Western Australia

## NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of WebSpy Limited (**WebSpy** or **Company**) will be held at Level 3, 9 Colin Street, West Perth, Western Australia at 10.00 a.m. (WST) on Monday, 16 November 2009.

### AGENDA

The Explanatory Statement, the Glossary and the Annexures that accompany and form part of this Notice of Meeting describe the matters to be considered at the Meeting.

### SPECIAL BUSINESS

#### Resolution 1 – Issue of Shares and Deferred Shares to the Marketboomer Vendors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Item 7 of Section 611 of the Corporations Act, Listing Rule 11.1.2 of the Listing Rules of ASX and for all other purposes, Shareholders approve the issue to the Marketboomer Vendors of 115,000,000 Shares and 361,565,100 Deferred Shares in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice”.*

**Short Explanation:** Under Chapter 6 of the Corporations Act, a person must not acquire a relevant interest in issued voting shares of 20% or more of the total issued voting shares of a public company unless an exception applies, including obtaining prior shareholder approval. ASX Listing Rule 11.1.2 requires a company to seek shareholder approval for a significant change in the scale of activity of the company.

**Expert’s Report:** Shareholders should carefully consider the Independent Expert’s Report prepared by BDO Kendalls Corporate Finance (WA) Pty Ltd for the purposes of Shareholder approval for Resolution 1 under Item 7 of Section 611 of the Corporations Act. The Independent Expert’s Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company.

**Voting Exclusions:** The Company will disregard any votes cast on this Resolution by any party to the transaction, any person who may participate in the proposed issue, any person to whom the proposed issue is to be made and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of any of them. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

#### Resolution 2 – Election of Mr Declan Monahan as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 1 and completion of the MBA Agreement, for the purposes of Clauses 3.4 and 3.5 of the Company’s Constitution and for all other purposes, Mr Declan Monahan, having been recommended by the Directors of the Company and consented to act, be elected as a Director of the Company”.*

**Short Explanation:** Under Clauses 3.4 and 3.5 of the Company’s Constitution, a person recommended by the directors of the Company for election is eligible for election to the office of director by resolution passed at any general meeting.

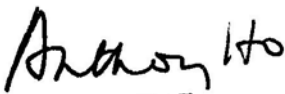
### Resolution 3 – Election of Mr Kim Redstall as a Director

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 1 and completion of the MBA Agreement, for the purposes of Clause 3.4 and 3.5 of the Company’s Constitution and for all other purposes, Mr Kim Redstall, having been recommended by the Directors of the Company and consented to act, be elected as a Director of the Company”.*

**Short Explanation:** Under Clauses 3.4 and 3.5 of the Company’s Constitution, a person recommended by the directors of the Company for election is eligible for election to the office of director by resolution passed at any general meeting.

DATED THIS 14<sup>th</sup> DAY OF OCTOBER 2009  
BY ORDER OF THE BOARD



Anthony Ho  
Company Secretary

### NOTES:

1. A shareholder of the Company who is entitled to attend and vote at a general meeting of shareholders is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder’s voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. For the purposes of the Meeting, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 10.00 a.m. (WST) on Saturday, 14 November 2009.

## EXPLANATORY STATEMENT

This Explanatory Statement, the Glossary and the Annexures are important documents that form part of this Notice of Meeting. They should be read carefully.

### 1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders of WebSpy in connection with the Meeting of the Company to be held on Monday, 16 November 2009 at 10.00 a.m. (WST).

#### 1.1 Background

On 9 October 2009, the Company announced that it had entered into share sale agreements to acquire 100% of the share capital of two companies which own the global 'Marketboomer' business, Marketboomer Pty Ltd (**MBA**) and Ortas Enterprises Limited (**Ortas**) (together, the **Marketboomer Group**) from the respective shareholders of the Marketboomer Group (together, the **Marketboomer Vendors**) (**Agreements**). A list of entities comprising the Marketboomer Vendors is set out at Annexure A. Completion of the Agreements is subject to, amongst other things, the Company obtaining Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act for the issue of 115,000,000 Shares and 361,565,100 deferred Shares (**Deferred Shares**) (together, the **Consideration Shares**) to the Marketboomer Vendors. A summary of the Agreements is set out in section 1.2 of this Explanatory Statement.

The Board of the Company regards the acquisitions under the Agreements as a key part of its strategy for growth within the Australian technology sector. The Directors believe that the proposed acquisitions will also contribute significant earnings potential and working capital from the operations of the Marketboomer Group.

The Independent Expert's Report accompanying this Notice of Meeting (Annexure B) contains a detailed examination of the proposed acquisitions to assist Shareholders to assess the merits of the acquisitions and decide whether to approve the issue of Consideration Shares and the change in scale of the Company's activities. The Independent Expert has concluded that the proposed issue of Consideration Shares to the Marketboomer Vendors is fair and reasonable to the non-associated Shareholders in the Company (refer to section 2.1.4 of this Explanatory Statement for additional information).

The Independent Expert's Report contains comprehensive information on the Marketboomer Group and the proposed transaction, including:

Section 4	Outline of the Transaction
Section 6	Profile of Marketboomer
Section 7	Economic and Industry Analysis
Section 12.3	Advantages and Disadvantages to Shareholders

#### 1.2 Summary of key terms of the Agreements

##### 1.2.1 MBA Agreement

On 9 October 2009, the Company entered into a share sale agreement with MBA and the shareholders of MBA pursuant to which the Company agreed to acquire 100% of the issued capital in MBA (**MBA Agreement**). The key terms of the MBA Agreement are as follows:

- (a) (**Conditions precedent**): The acquisition of MBA is subject to satisfaction of various conditions precedent, including:
  - (i) the Company completing a financial and legal due diligence on MBA;

- (ii) the shareholders of MBA completing a financial and legal due diligence on the Company;
  - (iii) the Company obtaining Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act for the issue of Consideration Shares under the agreement;
  - (iv) execution of a loan agreement between the Company, Finecross Security Limited (a company incorporated in the United Kingdom with Company No. 4205007) (**Finecross**) and Marketboomer International Limited (a company incorporated in Ireland with Company No. 384315), pursuant to which Finecross confirms the terms and conditions of a loan of \$997,239 to Marketboomer International Limited acceptable to the Company;
  - (v) completion of the Ortas Agreement; and
  - (vi) the Company satisfying representatives of MBA that the Company has not less than \$850,000 of cash funds in its bank account.
- (b) (**Consideration**): The Company will issue to the shareholders of MBA 56,726,248 Shares and, subject to the occurrence of an event listed in sub-paragraph (c) below, 178,349,838 Deferred Shares in consideration for the acquisition of MBA. The consideration will be issued to the shareholders of MBA in the proportions set out in Annexure A to this Notice of Meeting.
- (c) (**Deferred Shares**): The Deferred Shares will only be issued to shareholders of MBA upon the occurrence of one of the following events within three years of the date of settlement of the MBA Agreement:
- (i) total revenue from the Marketboomer Group for any consecutive three month period exceeding \$1,875,000;
  - (ii) the Marketboomer Group processing more than 250,000 Transactions in total over any consecutive three month period; or
  - (iii) an entity making a takeover bid for all the issued shares in the Company, provided the entity is not associated with any of the Marketboomer Vendors.

If none of the above events occur within three years of the date of settlement of the MBA Agreement, the Company will not issue the Deferred Shares to the shareholders of MBA.

- (d) (**Escrow**): The Consideration Shares to be issued to the Major MBA Vendors will, in addition to any escrow restrictions imposed by ASX on all Consideration Shares issued under the Agreements, be subject to voluntary escrow restrictions for the period set out as follows:

Percentage of Shares held by each Major MBA Vendor	Escrow period
25%	6 months from the date of issue
25%	12 months from the date of issue
50%	24 months from the date of issue

Percentage of Deferred Shares held by each Major MBA Vendor	Escrow period
25%	6 months from the MBA Settlement Date (as defined below)
25%	12 months from the MBA Settlement Date
50%	24 months from the MBA Settlement Date

- (e) **(Settlement):** Settlement of the MBA Agreement will occur five business days after satisfaction or waiver of the above conditions precedent (**MBA Settlement Date**).
- (f) **(Board representation):** At settlement, the Company will procure the appointment of two nominees of MBA, Mr Declan Monahan and Mr Kim Redstall, to the Board of the Company. The Company will seek Shareholder approval for the election of the MBA nominees to the Board pursuant to Resolutions 2 and 3 of this Notice Meeting.
- (g) **(Warranties):** The MBA Agreement contains standard representations and warranties customary for an agreement of this nature.

### 1.2.2 Ortas Agreement

On 9 October 2009, the Company entered into a share sale agreement with Ortas and the shareholders of Ortas pursuant to which the Company agreed to acquire 100% of the issued capital in Ortas (**Ortas Agreement**). The key terms of the Ortas Agreement are as follows:

- (a) **(Conditions precedent):** The acquisition of Ortas is subject to satisfaction of various conditions precedent, including:
  - (i) the Company completing a financial and legal due diligence on Ortas;
  - (ii) the shareholders of Ortas completing a financial and legal due diligence on the Company;
  - (iii) the Company obtaining shareholder approval pursuant to the Corporations Act for the issue of Consideration Shares under the Agreement;
  - (iv) completion of the MBA Agreement; and
  - (v) the Company satisfying representatives of Ortas that the Company has not less than \$850,000 of cash funds in its bank account.
- (b) **(Consideration):** The Company will issue to the shareholders of Ortas 58,273,752 Shares and, subject to the occurrence of an event listed in sub-paragraph (c) below, 183,215,262 Deferred Shares in consideration for the acquisition of Ortas. The consideration will be issued to the shareholders of Ortas in the proportions set out in Annexure A.
- (c) **(Deferred Shares):** The Deferred Shares will be issued to shareholders of Ortas upon the occurrence of one of the following events within three years of the date of settlement of the Ortas Agreement:
  - (i) total revenue from the Marketboomer Group for any consecutive three month period exceeding \$1,875,000;
  - (ii) the Marketboomer Group processing more than 250,000 Transactions in total over any consecutive three month period; or
  - (iii) an entity making a takeover bid for all the issued shares in the Company, provided the entity is not associated with any of the Marketboomer Vendors.

If none of the above events occur within three years of the date of settlement of the Ortas Agreement, the Company will not issue the Deferred Shares to the shareholders of Ortas.

- (d) **(Escrow):** The Consideration Shares to be issued to the Major Ortas Vendors will, in addition to any escrow restrictions imposed by ASX on all Consideration Shares issued under the Agreements, be subject to voluntary escrow restrictions for the period set out as follows:

Percentage of Shares held by each Major Ortas Vendor	Escrow period
25%	6 months from the date of issue
25%	12 months from the date of issue
50%	24 months from the date of issue

Percentage of Deferred Shares held by each Major Ortas Vendor	Escrow period
25%	6 months from the Ortas Settlement Date (as defined below)
25%	12 months from the Ortas Settlement Date
50%	24 months from the Ortas Settlement Date

- (e) **(Settlement):** Settlement of the Ortas Agreement will occur five business days after satisfaction or waiver of the above conditions precedent (**Ortas Settlement Date**).
- (f) **(Warranties):** The Ortas Agreement contains standard representations and warranties customary for an agreement of this nature.

### 1.3 Overview of the Marketboomer business

The Marketboomer business 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.

Internationalisation of the Marketboomer business commenced in 2004 and the Marketboomer Group now has offices in Australia, Ireland, China, the United Arab Emirates and Singapore. New clients have been established in Saudi Arabia and Indonesia in 2009.

Currently, the Marketboomer Group works primarily with hospitality businesses and its clients are significant operators of the hotel industry. The Marketboomer Group is also working with businesses outside the hospitality sector and future markets are expected to include health care, airlines, education and government. However, the Directors believe the Marketboomer business can be applied to any industry sector.

Further details of the Marketboomer Group and the industry it operates in are set out in the Independent Expert's Report (Annexure B) and the announcement to ASX released on 9 October 2009.

### 1.4 Impact of the acquisitions on the Company

Completion of the acquisitions of MBA and Ortas will result in the Company acquiring and taking control of the Marketboomer business which is owned and operated by the Marketboomer Group. The proposed acquisition will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote.

The Independent Expert's Report (Annexure B) contains the key advantages and disadvantages to the Company and non-associated Shareholders of completing the acquisition of the Marketboomer business.

## 1.5 Impact on capital structure

The effect that the passing of Resolution 1 and the completion of the Agreements will have on the capital structure of the Company is as follows:

Shares currently on issue	119,141,275
Shares issued pursuant to Resolution 1	115,000,000
Deferred Shares issued pursuant to Resolution 1	361,565,100
<b>Total Shares on issue</b>	<b>595,706,375</b>

Note:

- In accordance with the terms of the Agreements, the Deferred Shares will only be issued after the occurrence of an event listed in sections 1.2.1(c) and 1.2.2(c).

## 1.6 Impact on level of control by Marketboomer Vendors

The effect on the voting power held by the Marketboomer Vendors in the Company if Resolution 1 is passed and the Consideration Shares are subsequently issued is set out in the following table.

Security Holder	No. of Shares Currently Held	Percentage of issued capital	No. of Shares held upon issue of Res. 1 Shares	Percentage of issued capital upon issue of Res. 1 Shares	No. of Shares held upon issue of Res. 1 Deferred Shares	Percentage of issued capital upon issue of Res. 1 Deferred Shares
Marketboomer Vendors	-	-	115,000,000	49.11%	476,565,100	80%
Non associated	119,141,275	100%	119,141,275	50.89%	119,141,275	20%
<b>Total</b>	<b>119,141,275</b>	<b>100%</b>	<b>234,141,275</b>	<b>100%</b>	<b>595,706,375</b>	<b>100%</b>

Note:

- The table above assumes both the MBA Agreement and the Ortas Agreement are completed in accordance with their terms.

## 2. THE RESOLUTIONS

### 2.1 Resolution 1 – Issue of Shares and Deferred Shares to the Marketboomer Vendors

Resolution 1 seeks Shareholder approval for the issue of the Consideration Shares to the Marketboomer Vendors pursuant to the terms of the Agreements.

#### 2.1.1 Section 611 of the Corporations Act

Section 606(1) of the Corporations Act provides that, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

- from 20% or below to more than 20%; or
- from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.



A person (**second person**) will be an “associate” of the other person (**first person**) if:

- (a) the first person is a body corporate and the second person is:
  - (i) a body corporate the first person controls;
  - (ii) a body corporate that controls the first person; or
  - (iii) a body corporate that is controlled by an entity that controls the first person;
- (b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company’s board or the conduct of the company’s affairs; and
- (c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the company’s affairs.

A person has a relevant interest in securities if they:

- (a) are the holder of the securities;
- (b) have the power to exercise, or control the exercise of, a right to vote attached to securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In the event Resolution 1 is passed and the Consideration Shares are issued, the potential voting power of the Marketboomer Vendors is set out in the table in section 1.6 of the Explanatory Statement.

For the purposes of determining the voting power of the Marketboomer Vendors, each of the Marketboomer Vendors will be treated as associates of one another, as the Board considers that they may act in concert in relation to WebSpy’s affairs.

#### ***Item 7 of Section 611 of the Corporations Act***

Item 7 of Section 611 of the Corporations Act provides an exception to the general prohibition in Section 606(1), whereby a person may acquire a relevant interest in a company’s voting shares in excess of the prescribed limit with shareholder approval.

Resolution 1 seeks Shareholder approval under Item 7 of Section 611 of the Corporations Act in order for the voting power of the Marketboomer Vendors to increase to greater than 20% in WebSpy.

Information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act. Shareholders are also referred to the Independent Expert’s Report set out in Annexure B of this Notice of Meeting.

#### **2.1.2 Prescribed information**

- (i) *The identity of the person proposing to make the acquisition and their associates:*

The Marketboomer Vendors and each of its associates will hold a relevant interest in Shares on completion of the issue of Consideration Shares pursuant to the Agreements. The list of members of the Marketboomer Vendors is set out in Annexure A.

- (ii) *The maximum extent of the increase in the person's voting power in the Company that would result from the acquisition:*

As set out in the table in section 1.6 of the Explanatory Statement, the maximum extent of the increase in the Marketboomer Vendors' voting power that would result from the issue of Consideration Shares is:

- (A) upon issue of the Shares at completion of the Agreements, 49.11%; and  
(B) if the Deferred Shares are issued following the occurrence of an event detailed in Sections 1.2.1(c) and 1.2.2(c) of the Explanatory Statement, 80%.

- (iii) *The voting power that person would have as a result of the acquisition:*

As set out in paragraph (ii) above.

- (iv) *The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition:*

There maximum extent of the increase in the voting power of any associate of the Marketboomer Vendors as a result of the issue of Consideration Shares is:

- (A) upon issue of the Shares at completion of the Agreements, 49.11%; and  
(B) if the Deferred Shares are issued following the occurrence of an event detailed in Sections 1.2.1(c) and 1.2.2(c) of the Explanatory Statement, 80%.

- (v) *The voting power that each of that person's associates would have as a result of the acquisition:*

As set out in paragraph (iv) above.

The figures in this Section 2.1.2 assume that:

- (a) all of the Consideration Shares have been issued and no additional securities in the capital of the Company are issued; and  
(b) the Marketboomer Vendors do not acquire any securities in the capital of the Company other than the Consideration Shares.

#### ***The Marketboomer Vendors' intentions***

The Marketboomer Vendors have informed the Company of the following information to assist the Company to meet its responsibilities under ASIC Regulatory Guide 74. The information is based on the Marketboomer Vendors' awareness of the financial and strategic position of the Company as at the date of this Notice of Meeting. The Company and its directors take no responsibility for any omission from, or any error or false or misleading statement in this section.

If Shareholders approve the issue of the Consideration Shares pursuant to the Agreements:

- (a) Business of Company

The Marketboomer Vendors do not presently intend to change the business of the Company.

- (b) Injection of capital

The Marketboomer Vendors do not presently intend to inject further capital into the Company. However, if the Company wishes to raise further capital in the future, the Marketboomer Vendors would, subject to the terms of the capital raising, consider supporting the Company's future capital raising initiatives.

(c) Present employees

The Marketboomer Vendors do not presently intend to change the Company's current employment arrangements, subject to normal operational changes that occur from time to time.

(d) Transfer of property

The Marketboomer Vendors are not presently party to any proposal whereby property will be transferred between the Marketboomer Vendors and the Company or any of their associates.

(e) Redeploy fixed assets

The Marketboomer Vendors do not presently intend to redeploy any of the Company's fixed assets.

(f) Dividend policy

The Marketboomer Vendors do not presently intend the change the Company's policies in relation to dividends.

(g) Directors

In accordance with the terms of the MBA Agreement, the following nominees of the shareholders of MBA will be appointed directors of the Company upon completion of the MBA Agreement:

<b>Name</b>	<b>Qualifications</b>	<b>Association with The Marketboomer Group and associates of The Marketboomer Group.</b>
Mr Declan Monahan	Refer section 2.2 of the Explanatory Statement	Mr Monahan is the Managing Director of Marketboomer International Limited (a subsidiary of Ortas) and is a shareholder in the Marketboomer Group (see Annexure A).
Mr Kim Redstall	Refer section 2.3 of the Explanatory Statement	Nil

### 2.1.3 Directors' recommendations

Each of the Directors approved the proposal to put Resolution 1 to Shareholders and the majority of the Directors recommend that Shareholders approve Resolution 1 for the following reasons:

- (i) The Marketboomer Group comprises a business which has achieved, over the past two years, a sound earnings record (refer to the Independent Expert's Report for further details).
- (ii) The acquisition under the Agreements has the potential to result in a substantial increase in revenue of the Company which in turn could generate operating profits and cash flow for the Company.
- (iii) The acquisition is strategically sound and is consistent with the Company's current focus on investment in the Australian technology sector.
- (iv) Mr Declan Monahan and Mr Kim Redstall and the senior and operational staff of the Marketboomer Group will contribute considerable expertise, experience and skills to the management team of the Company.

- (v) The Independent Expert has concluded that the issue of the Consideration Shares to the Marketboomer Vendors is fair and reasonable to the non-associated Shareholders in the Company.

The Directors encourage Shareholders to read this Explanatory Statement in full, including the Independent Expert's Report referred to below, to form an opinion on the merits of the proposal.

#### **2.1.4 Independent Expert's Report**

The Independent Expert's Report contained in Annexure B sets out a detailed examination of the proposed transaction to enable Shareholders to assess its merits and decide whether to approve the proposal. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the acquisition of the Marketboomer Group. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to Resolution 1.

The Company commissioned the Independent Expert to prepare the Independent Expert's Report for the purposes of Item 7 of Section 611 of the Corporations Act. The Independent Expert's Report contains information required to be provided to Shareholders under ASIC Regulatory Guide 74, and the Corporations Act.

The Independent Expert's Report concludes that the issue of the Consideration Shares to the Marketboomer Vendors is **fair** and **reasonable** to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the Independent Expert's Report to understand the scope of the report, the methodology of the valuation and the sources of information and assumptions made.

#### **2.1.5 Listing Rule 11.1.2 of ASX Listing Rules**

ASX Listing Rule 11.1.2 requires that a listed company obtains shareholder approval of a transaction that would result in a significant change to the scale of its activities. The notice of meeting in relation to that shareholder approval must comply with any requirements of ASX. The notice of meeting must also include a voting exclusion statement.

The Directors have determined, in consultation with ASX, that the proposed acquisition of the Marketboomer Group will result in a significant change to the scale of the Company's activities. Accordingly, the Company seeks Shareholder approval for the proposed acquisition pursuant to ASX Listing Rule 11.1.2.

#### **2.2 Resolutions 2 and 3 – Election of Mr Declan Monahan and Mr Kim Redstall as Directors**

In accordance with the terms of the MBA Agreement, upon completion of the MBA Agreement, the Company will appoint two nominees of the Marketboomer Vendors to the Board. The Marketboomer Vendors have nominated Mr Declan Monahan to be appointed to the Board as an executive director and Mr Kim Redstall to be appointed to the Board as a non-executive director.

Mr Declan Monahan has a degree in Management, a Masters degree in Management Information Systems and over 20 years' experience in a variety of senior management roles in the hospitality, education and IT sectors. Mr Monahan has substantial experience establishing, running and expanding businesses in an Australasian, Middle Eastern and European context. He has strong business development skills and significant expertise in selling and implementing eCommerce systems within complex regional and international businesses

Mr Kim Redstall has significant operational, sales, marketing, merger and acquisition and management experience in the technology industry. He is the principal of Technology Capital, a specialist corporate advisory firm focused on mergers, acquisitions and related transactions within the technology sector and has over 20 years' experience with a range of private and public companies in the IT Industry. In addition to founding several start-ups, he has held a variety of sales, management and consulting roles in various IT businesses in both Australia and New Zealand. Mr Redstall is a Graduate Member of the Australian Institute of Company Directors.

Clause 3.4 of the Constitution states that the Company may appoint a person as a director by an ordinary resolution passed in a general meeting. Subject to completion of the MBA Agreement, the Directors support the election of Mr Declan Monahan and Mr Kim Redstall to the Board and believe it is in the best interests of Shareholders that they be appointed as directors.

### **3. ENQUIRIES**

Shareholders are invited to telephone the Company on (08) 9321 3322 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

**Agreements** means the MBA Agreement and the Ortas Agreement.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

**ASX Listing Rules** or **Listing Rules** means the Listing rules of ASX.

**Board** means the board of directors of the Company.

**Company** and **WebSpy** means WebSpy Limited ABN 60 066 153 982.

**Consideration Shares** means the Shares and the Deferred Shares to be issued to the Marketboomer Vendors in accordance with the terms of the Agreements.

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Deferred Share** means a Share which may be issued to the Marketboomer Vendors in accordance with the terms of the Agreements.

**Directors** mean the current directors of the Company.

**Explanatory Statement** means the explanatory statement to the Notice of Meeting.

**Independent Expert** means BDO Kendalls Corporate Finance (WA) Pty Ltd.

**Independent Expert's Report** means the independent expert's report prepared by the Independent Expert which is set out in Annexure B to this Notice of Meeting.

**Major MBA Vendor** means a shareholder of MBA indicated as such in Annexure A.

**Major Ortas Vendor** means a shareholder of Ortas indicated as such in Annexure A.

**Marketboomer** means the business operated by the Marketboomer Group, as described in section 1.3 of the Explanatory Statement.

**Marketboomer Vendors** means the shareholders of MBA and Ortas, as set out in Annexure A.

**Marketboomer Group** means MBA and Ortas.

**MBA** means Marketboomer Pty Ltd (ACN 079 803 473).

**MBA Agreement** means the share sale agreement between the Company and MBA dated 9 October 2009, as summarised in section 1.2.1 of the Explanatory Statement.

**Meeting** or **General Meeting** means the meeting convened by the Notice of Meeting.

**Notice of Meeting** means this notice of general meeting including the Explanatory Statement.

**Ortas** means Ortas Enterprises Limited (a company incorporated in Cyprus having company number HE 152 112).

**Ortas Agreement** means the share sale agreement between the Company and Ortas dated 9 October 2009, as summarised in section 1.2.2 of the Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Transaction** means the generation of either a purchase order or an invoice within the Marketboomer system, either by a supplier or buyer or their representatives or agents.

**WST** means Western Standard Time.

## ANNEXURE A

### THE MARKETBOOMER GROUP AND THE MARKETBOOMER VENDORS

Marketboomer Group	Marketboomer Vendors	No. of Shares	No. of Deferred Shares	Total
Marketboomer Pty Ltd ACN 079 803 473	Kerkow Investments Limited*	10,232,134	32,170,283	42,402,417
	Remellon Investments Limited*	7,963,577	25,037,839	33,001,416
	Nobium Investments Limited*	15,900,464	49,991,764	65,892,228
	Four Green Houses Pty Ltd*	5,936,038	18,663,165	24,599,203
	Gyaneshwar, Nathan & Paula*	2,413,169	7,587,109	10,000,278
	Bimputor Pty Ltd	5,795,567	18,221,520	24,017,087
	Kimbilan Pty Ltd	275,791	867,100	1,142,891
	Cameron, Simon Alexander*	3,015,399	9,480,548	12,495,947
	Sarcam Pty Ltd*	1,017,430	3,198,847	4,216,277
	Monahan, Declan & Orla*	2,052,130	6,451,986	8,504,116
	Aisling Monahan ATF Inspiration Superannuation Fund*	148,810	467,867	616,677
	Benson, Georgette – Executor Est AR Benson	258,716	813,414	1,072,130
	Benson, Georgette Ruby	258,716	813,414	1,072,130
	Akira Kanoh	456,089	1,433,964	1,890,053
	Foster, Andrew	194,974	613,008	807,982
	Kipping, Susanna	108,400	340,813	449,213
	Ramirez, Joselito	73,394	230,754	304,148
	Hansen, Brett	100,730	316,701	417,431
	Santos, Jonathan	26,545	83,458	110,003
	Pizzamiglio, Anthony	26,545	83,458	110,003
	Basha, Shireen	21,719	68,284	90,003
	Read, Zoe	20,512	64,490	85,002
	Wai, Basil	18,099	56,903	75,002
	Chuck, James	19,305	60,697	80,002
	Egert, Colin	18,099	56,903	75,002
	Sauer, Guido	18,099	56,903	75,002
	Espinosa, Marisa	16,892	53,110	70,002
	Song, John	16,892	53,110	70,002
	Jankovics, Danny	21,434	67,389	88,823
	Huang, Jun	9,653	30,349	40,002
	Sutton, Kain	9,653	30,349	40,002
	Donohoe, John	12,066	37,936	50,002
	Baird, Kirsten	9,653	30,348	40,001
	Foster, Glen	64,098	201,529	265,627
Berry, Luke	60,966	191,681	252,647	
Robertson, Kim	55,382	174,124	229,506	
Golding, David	19,305	60,697	80,002	
Bailey, Leanne	10,512	33,050	43,562	
Lewis, Nicole	10,140	31,881	42,021	
Cannon, Chris	23,630	74,293	97,923	
Kim, Young Jin	15,521	48,800	64,321	
	<i>Sub-total – Marketboomer Pty Ltd</i>	<i>56,726,248</i>	<i>178,349,838</i>	<i>235,076,086</i>

## ANNEXURE A

### The Marketboomer Group and the Marketboomer Vendors (cont'd)

Ortas Enterprises Limited (incorporated in Cyprus) Company No. HE 152 112	Kerkow Investments Limited*	11,456,620	36,020,121	47,476,741
	Remellon Investments Limited*	8,496,313	26,712,785	35,209,098
	Nobium Investments Limited*	17,004,281	53,462,213	70,466,494
	Astromesogios Overseas Ltd as trustee for the Tamburlaine Trust*	18,472,779	58,079,238	76,552,017
	Philippa Katherine Gail Webb*	1,585,046	4,983,455	6,568,501
	Conor and Dawn Lawler	675,975	2,125,297	2,801,272
	Dragon Crest Holdings Limited	466,190	1,465,722	1,931,912
	Kelly Leong	116,548	366,431	482,979
	<i>Sub-total - Ortas Enterprises Limited</i>	<i>58,273,752</i>	<i>183,215,262</i>	<i>241,489,014</i>

\* Indicates a Major MBA Vendor or a Major Ortas Vendor, as the context requires.

<b>Total Consideration Shares</b>				
	Marketboomer Pty Ltd	56,726,248	178,349,838	235,076,086
	Ortas Enterprises Limited	58,273,752	183,215,262	241,489,014
	<b>Total</b>	<i>115,000,000</i>	<i>361,565,100</i>	<i>476,565,100</i>



## **ANNEXURE B**

### **INDEPENDENT EXPERT'S REPORT**

**FINANCIAL SERVICES GUIDE  
AND  
INDEPENDENT EXPERT'S REPORT  
WEBSPY LIMITED  
9 OCTOBER 2009**



**BDO Kendalls**



## Financial Services Guide

9 October 2009

**BDO Kendalls Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ("**BDO Kendalls**" or "**we**" or "**us**" or "**ours**" as appropriate) has been engaged by WebSpy Limited ("**WebSpy**") to provide an independent expert's report on the proposed acquisition of the business and assets of the Marketboomer Group of Companies ("**Marketboomer**"). You will be provided with a copy of our report as a retail client because you are a shareholder of WebSpy.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Kendalls Corporate Finance (WA) Pty Ltd is a member firm of the BDO Kendalls network in Australia, a national association of separate partnerships and entities. The financial product advice in our report is provided by BDO Kendalls Corporate Finance (WA) Pty Ltd and not by BDO Kendalls or its related entities. BDO Kendalls and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO Kendalls (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## **Fees, Commissions and Other Benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$30,000.

Except for the fees referred to above, neither BDO Kendalls, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

We have received a fee from WebSpy for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Kendalls Corporate Finance (WA) Pty Ltd, PO Box 7426 Cloisters Square, Perth WA 6850.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

### *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“**FOS**”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561.

Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

**WEBSPY LIMITED**  
**INDEPENDENT EXPERT'S REPORT**  
**TABLE OF CONTENTS**

1.	INTRODUCTION .....	1
2.	SUMMARY AND OPINION.....	1
3.	SCOPE OF THE REPORT .....	4
4.	OUTLINE OF THE TRANSACTION .....	6
5.	PROFILE OF WEBSPY LIMITED .....	7
6.	PROFILE OF MARKETBOOMER .....	11
7.	ECONOMIC AND INDUSTRY ANALYSIS.....	19
8.	VALUATION APPROACH ADOPTED .....	25
9.	VALUATION OF WEBSPY .....	26
10.	VALUATION OF MARKETBOOMER .....	31
11.	IS THE TRANSACTION FAIR? .....	37
12.	IS THE TRANSACTION REASONABLE? .....	38
13.	CONCLUSION .....	41
14.	SOURCES OF INFORMATION .....	41
15.	INDEPENDENCE .....	42
16.	QUALIFICATIONS .....	42
17.	DISCLAIMERS AND CONSENTS .....	42

**APPENDIX 1 – GLOSSARY**

**APPENDIX 2 – VALUATION METHODOLOGIES**

**APPENDIX 3 - ASSESSMENT OF THE APPROPRIATE DISCOUNT RATE**



9 October 2009

[bdo@bdo.com.au](mailto:bdo@bdo.com.au)  
[www.bdo.com.au](http://www.bdo.com.au)

The Directors  
WebSpy Limited  
Level 3, 9 Colin Street  
West Perth, Australia 6005

ABN 27 124 031 045  
AFS Licence No. 316158

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. INTRODUCTION

On 9 October 2009, WebSpy Limited ("**WebSpy**" or "**the Company**") announced a proposal to acquire the business and assets of the Marketboomer Group of Companies ("**Marketboomer**") by the issue of WebSpy Shares ("**the Transaction**"). The consideration ("**the Consideration**") offered to the vendors of Marketboomer ("**the Vendors**") is 115,000,000 WebSpy fully paid ordinary shares and 361,565,100 WebSpy deferred fully paid ordinary shares.

### 2. SUMMARY AND OPINION

#### 2.1 Purpose of the report

The directors of WebSpy have requested that BDO Kendalls Corporate Finance (WA) Pty Ltd ("**BDO Kendalls**") prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the Transaction is fair and reasonable to the non-associated shareholders of WebSpy ("**Shareholders**").

Our Report is prepared pursuant to section 611 of the Corporations Act in order to assist the Shareholders in their decision whether to approve the Transaction.

Our Report is to be included in the Explanatory Memorandum for WebSpy to be sent to all Shareholders to assist them in deciding whether to approve the Transaction.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ("**ASIC**") Regulatory Guide 111 ("**RG 111**"), 'Content of Expert's Reports' and Regulatory Guide 112 ("**RG 112**") 'Independence of Experts'.

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- ◆ How the value of the assets being acquired compares to the value of the consideration to be paid for the assets;
- ◆ The likelihood of a superior alternative strategy being available to WebSpy;
- ◆ Whether a premium for control is being offered in relation to the issue of WebSpy shares, and whether this is appropriate;
- ◆ The position of Shareholders should the Transaction not proceed;
- ◆ Alternatives available to Shareholders;

- ◆ Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction.

### 2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to Shareholders. In our opinion, the Transaction is fair because the value of Marketboomer is more than the value of the consideration issued to the Vendors. We have concluded that the Transaction is reasonable because the advantages of the Transaction are greater than the disadvantages of the Transaction.

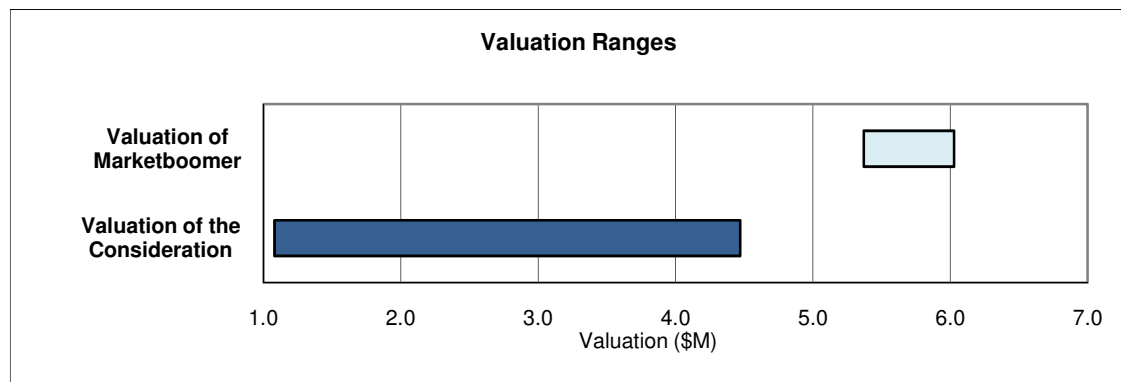
We believe that the Directors would be justified in recommending that Shareholders vote in favour of the Transaction.

### 2.4 Fairness

In Section 9 we determined that the Consideration payable by WebSpy compares to the value of Marketboomer, as detailed hereunder.

Valuation	Low \$	Preferred \$	High \$
Value of the Consideration (Section 9)	1,081,034	4,479,712	4,479,712
Valuation of Marketboomer(Section 10)	5,369,560	5,680,693	6,027,036

These valuation ranges are graphically presented as follows:



The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Transaction is fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in Sections 12 of this report, in terms of both

- ◆ advantages and disadvantages of the Transaction; and
- ◆ alternatives to the Transaction, including the position of Shareholders if the Transaction does not proceed.

In our opinion, the position of Shareholders if the Transaction proceeds is more advantageous than the position of Shareholders if the Transaction does not proceed. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Transaction is reasonable for Shareholders.

The advantages and disadvantages that we have considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
12.4.1	The Transaction is Fair	12.5.2	Dilution of the interest of existing shareholders
12.4.2	Acquisition of a new business with positive earnings before interest, taxation and depreciation	12.5.2	Shift away from WebSpy's core business
12.4.3	Acquisition of a new business with minimal cash out flows		
12.4.4	Increase in net assets after the Transaction and Market Capitalisation		
12.4.5	Synergies between Marketboomer and WebSpy		

Other key matters we have considered include:

Section	Description
12.1	No alternative offers
12.2	If the Transaction does not proceed, WebSpy will continue with its current operations and evaluate future opportunities as presented.



### 3. SCOPE OF THE REPORT

#### 3.1 Purpose of the Report

The current shareholders of Marketboomer (and their associates) do not own any shares in WebSpy. Section 606 of the Corporations Act Regulations expressly prohibits the acquisition of shares by a person if that acquisition will result in that person (or someone else) holding an interest in 20% or more of the issued shares of a public company, unless a full takeover offer is made to all shareholders.

Section 611 permits such an acquisition if the shareholders of that entity have agreed to the issue of such shares. This agreement must be by resolution passed at a general meeting at which no votes are cast in favour of the resolution by any party who is associated with the party acquiring the shares, or by the party acquiring the shares. Section 611 states that shareholders of the company must be given all information that is material to the decision on how to vote at the meeting.

Regulatory Guide 74 issued by ASIC deals with "Acquisitions Agreed to by Shareholders". It states that the obligation to supply shareholders with all information that is material can be satisfied by the non-associated directors of WebSpy, by either:

- ◆ undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- ◆ by commissioning an Independent Expert's Report.

The directors of WebSpy have commissioned this Independent Expert's Report to satisfy this obligation.

#### 3.2 Regulatory guidance

The Corporations Act 2001 ("**the Act**") does not define the meaning of "fair and reasonable". In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in Regulatory Guide 111: 'Content of Expert Reports' ("**RG 111**"). This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. RG 111 suggests that where a transaction is a control transaction it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Transaction is a control transaction as defined by RG 111. As such, in determining whether in our opinion it is fair and reasonable to Shareholders we have considered any control premium that has been paid for Marketboomer in Section 12.

### 3.3 Adopted basis of evaluation

RG 111 states that an offer is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of an alternative offer.

Having regard to the above, BDO Kendalls has completed this comparison in two parts:

- ◆ A comparison between the value of Marketboomer and the value of the Consideration payable by WebSpy (fairness – see Section 11 “Is the Transaction Fair?”); and
- ◆ An investigation into other significant factors to which Shareholders might consider, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 12 “Is the Transaction Reasonable?”).

**4. OUTLINE OF THE TRANSACTION**

WebSpy will acquire 100% of the business and assets of Marketboomer for the following consideration;

- ◆ 115,000,000 WebSpy fully paid ordinary shares;
- ◆ 361,565,100 deferred WebSpy shares (“**the Deferred Shares**”)

The Deferred Shares will be allotted upon the occurrence of the following events (“**the Deferred Events**”):

- ◆ If revenue from the Marketboomer business for three consecutive months aggregates more than \$1,875,000; or
- ◆ Processed transactions from the Marketboomer business for three consecutive months aggregate more than 250,000 transactions.

If these events do not occur within three years from the date of Completion of the Transaction, the allotment of Deferred Shares will not occur.

	Prior to the Transaction	%	Immediately after the Transaction	%	Deferred Events Completed	%	Deferred Events not Completed	%
Current Shareholders	119,141,275	100.00	119,141,275	50.88	119,141,275	20.00	119,141,275	50.88%
The Vendors	~	~	115,000,000	49.12	476,565,100	80.00	115,000,000	49.12%
<b>Total Shares on Issue</b>	<b>119,141,275</b>	<b>100.00</b>	<b>234,141,275</b>	<b>100.00</b>	<b>595,706,375</b>	<b>100.00</b>	<b>234,141,275</b>	<b>100.00</b>

## **5. PROFILE OF WEBSPY LIMITED**

### **5.1 History**

WebSpy was incorporated in 1996 as Livingstone Resources Limited. In May 2000 it changed its name to WebSpy Limited. WebSpy is a global provider of monitoring, analysis and reporting software for internet, email and network usage. WebSpy's business was established in 1996 and now has offices located in the United States, United Kingdom and Australia.

WebSpy provides internet management software to organisations. WebSpy software enables organisations to make informed decisions by providing risk management functions and monitoring employee internet and network use. WebSpy software helps to limit and control recreational use of the internet by employees as well as provide network monitoring. The network monitoring function provides insight into the health of an organisation's IT system.

WebSpy's solutions analyse the raw data (log files) that common network devices, such as web servers, email servers, and security devices produce. The majority of competing log file analysers are hard-coded to analyse a particular log file type. This means that in order to meet reporting requirements, organisations must use various software packages to analyse different log file types. WebSpy products overcome this limitation by providing a composite view through reporting on multiple devices or log file types.

WebSpy's clients include government departments, educational institutions and commercial organisations of varying size. WebSpy's client base covers all industries in more than 120 countries worldwide.

WebSpy's product catalogue features two main analysis and reporting solutions, Analyzer and Vantage. WebSpy also offers a variety of optional add-ins and tools. The solutions are unobtrusive, scalable and available in different ranges to suit any organisational size or budget.

**5.2 Historical Balance Sheet**

	Audited as at 30 June 2009	Audited as at 30 June 2008	Audited as at 30 June 2007
	\$	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1,136,621	1,823,149	173,803
Trade and other receivables	258,794	699,732	884,047
Inventories	~	10,599	27,928
Prepayments	14,816	27,697	16,710
<b>Total Current Assets</b>	<b>1,410,231</b>	<b>2,561,177</b>	<b>1,102,488</b>
<b>NON CURRENT ASSETS</b>			
Trade and other receivables	16,860	~	16,860
Property, plant and equipment	46,028	46,824	80,908
<b>Total Non Current Assets</b>	<b>62,888</b>	<b>46,824</b>	<b>97,768</b>
<b>Total Assets</b>	<b>1,473,119</b>	<b>2,608,001</b>	<b>1,200,256</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	247,378	279,806	413,875
Short-term provisions	64,054	110,299	178,722
<b>Total Current Liabilities</b>	<b>311,432</b>	<b>390,105</b>	<b>592,597</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	42,582	~	5,546
<b>Total Non Current Liabilities</b>	<b>42,582</b>	<b>~</b>	<b>5,546</b>
<b>Total Liabilities</b>	<b>354,014</b>	<b>390,105</b>	<b>598,143</b>
<b>Net Assets</b>	<b>1,119,105</b>	<b>2,217,896</b>	<b>602,113</b>
<b>EQUITY</b>			
Issued Capital	17,500,386	17,500,386	17,500,386
Reserves	(103,440)	(109,857)	(62,383)
Retained losses	(16,277,841)	(15,172,633)	(16,835,890)
<b>Total Equity</b>	<b>1,119,105</b>	<b>2,217,896</b>	<b>602,113</b>

Source: WebSpy Annual Reports for the year ended 30 June 2009, 2008 and 2007.

### 5.3 Historical Income Statements

	Year Ended 30 June 2009	Year Ended 30 June 2008	Year Ended 30 June 2007
	\$	\$	\$
<b>Revenue from continuing operations</b>	1,402,544	1,586,876	1,855,224
Cost of sales	(90,959)	(94,333)	(103,596)
<b>Gross profit</b>	<b>1,311,585</b>	<b>1,492,543</b>	<b>1,751,628</b>
Other Income	30,654	121,537	43,653
Corporate and administrative	(741,169)	(635,987)	(386,463)
Technical expenses	(350,036)	(125,513)	(73,176)
Marketing and selling expenses	(1,239,299)	(1,316,207)	(1,290,110)
Research & development expenses	(211,196)	(389,795)	(307,363)
<b>Results from operating activities</b>	<b>(1,119,461)</b>	<b>(853,422)</b>	<b>(261,831)</b>
Finance Income	101,445	3,677	6,055
Finance Expense	(2,007)	~	(4,032)
<b>Net financing costs</b>	<b>99,438</b>	<b>3,677</b>	<b>2,023</b>
<b>Profit/(loss) before income tax</b>	<b>(1,105,208)</b>	<b>(849,745)</b>	<b>(259,808)</b>
Income tax credit	~	309,229	352,709
Profit/(loss) from continuing operations	(1,105,208)	(540,516)	92,901
Profit from discontinued operations	~	2,203,773	294,230
<b>Profit/(loss) for the year</b>	<b>(1,105,208)</b>	<b>1,663,257</b>	<b>387,131</b>

Source: WebSpy Annuals Reports for the year ended 30 June 2009, 2008 and 2007.

### 5.4 Commentary on Historical Balance Sheet and Historical Profit and Loss

The global financial crisis has had a significant impact on the profitability of WebSpy. Revenue has been negatively affected since October 2008. During the 2009 financial year, WebSpy incurred redundancy and restructuring costs relation to in the Perth, US and UK offices.

Profit from discontinued operations relates to the Netlink business which WebSpy disposed of during the 2008 financial year for a consideration of \$2 million.

## 5.5 Capital Structure

The share structure of Webspay as at 7 October 2009 is outlined below:

	Number
Total Ordinary Shares on Issue	119,141,275
Top 20 Shareholders	82,856,505
Top 20 Shareholders - % of shares on issue	69.56%

Source: Webspay Share Registry as at 7 October 2009

The range of shares held in Webspay as at 7 October 2009 is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	33	29,958	0.03%
1,000-5,000	100	323,941	0.27%
5,001-10,000	90	765,140	0.64%
10,001-100,000	299	11,050,664	9.28%
100,001 – and over	95	106,971,572	89.79%
<b>TOTAL</b>	<b>617</b>	<b>119,141,275</b>	<b>100.00%</b>

Source: Webspay Share Registry as at 7 October 2009

The ordinary shares held by the most significant shareholders as at 7 October 2009 are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Kim Hin Malaysia Sdn Bhd	16,282,500	13.67
Johnnie Seng Huat Chua	13,685,167	11.49
Jack Paul Andrys	8,043,678	6.75
Gibson Cap PI	5,849,754	4.91
Bills Brook PL	4,224,982	3.55
Total Top 5	48,086,081	40.37
Other Shareholders	71,055,194	59.63
<b>Total Ordinary Shares on Issue</b>	<b>119,141,275</b>	<b>100</b>

Source: Webspay Share Registry as at 7 October 2009

Webspay has no options on issue.

## 6. PROFILE OF MARKETBOOMER

Marketboomer provides internet based procurement and materials management systems. Marketboomer provides clients with tools, information and control to transition from their current traditional approach to procurement to an integrated software procurement solution. 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.

Marketboomer was incorporated in 1997. In 2000, St George Bank Limited and Menzies Technologies Limited acquired a collective 40% shareholding in the company. This provided Marketboomer with capital of \$5.0 million. The company also received \$2.5 million from the Australian Federal Government under the R&D Start Program. These capital injections were used by Marketboomer to develop its e-commerce platform and commence commercialisation of its system.

Marketboomer has offices in Australia, Ireland, China, the United Arab Emirates and Singapore. New clients were established in Saudi Arabia and Indonesia during 2009.

Marketboomer works primarily in the hotel and hospitality businesses. Several of Marketboomer's key customers include:

- ◆ Starwood (including the brands Sheraton, Westin, Le Meridian and Four Points);
- ◆ InterContinental Hotel Group (including the brands InterContinental, Holiday Inn and Crown Plaza);
- ◆ Hyatt;
- ◆ Four Seasons; and
- ◆ Mirvac.

Marketboomer is also working with businesses outside the hospitality sector using its current procurement software and future markets are expected to include health care, airlines, education and government.

In 2008, Marketboomer's procurement technology processed 700,000 transactions representing \$300m of purchases utilising Marketboomer's software. The Marketboomer application is accessed by over 14,000 users in approximately 5,500 businesses.

### 6.1 Dynamic Trading Engine ("DTE")

Marketboomer's DTE is a patented business process to enable buyers and sellers to buy and sell at an optimal level. It is a component that saves Marketboomer customers time and ensures best purchasing practice and sound financial standards are applied to every order placed.

Marketboomer's buyers and suppliers apply rules and settings within the Marketboomer systems to determine how they prefer to do business. Examples of these rules are:

#### Buyers

- ◆ Preferred Suppliers (there may be many for the same product)
- ◆ Product specifics i.e. product specifications including brand preference
- ◆ Internal spending limits
- ◆ Maximum deliveries per order
- ◆ Delivery Date
- ◆ Acceptable substitute products



## Suppliers

- ◆ Price structures for each Buyer
- ◆ Product specifics i.e. product specifications including brand preference
- ◆ Delivery Charges
- ◆ Minimum order size
- ◆ Delivery Date
- ◆ Volume pricing i.e. different price based on quantity purchased

These and any other rules are configured in the Marketboomer systems and when a buyer enters the quantities of products they wish to procure the DTE then runs and creates the optimum order/s based on the buyer and supplier rules at that point in time. This ensures the buyer places orders at the best price available from the suppliers they are willing to deal with. It also ensures that suppliers only receive orders from approved buyers that abide by their minimum quantity rules etc.

In summary the DTE looks at all business rules of both Buyer and Supplier and recommends the optimal order/s to fill a Buyer's requirements while abiding by both sets of rules.

### 6.2 Marketboomer's Central Catalogue

The Central Catalogue ("the Central Catalogue") allows Marketboomer's DTE to run and directly compare pricing across complex transactions buyers make with multiple suppliers. It also enables anyone within Marketboomer systems to directly report on and compare purchasing activity and pricing information across multiple business units and in fact across the whole Marketboomer community.

The Central Catalogue system allows the Marketboomer software to map products from all Marketboomer users to a single unique identifier to allow direct comparisons within the Marketboomer database. Marketboomer fully automates this for the end user and this technology allows real time product and trend analysis.

### 6.3 Revenue and Markets

As discussed below, Marketboomer's model for revenue generation is different in Australia than the model that has been adopted for its overseas operations. This is the result of a strategic review prior to Marketboomer's overseas expansion in 2006.

#### 6.3.1 Australian Revenue Model

##### 6.3.1.1 Purchaser Fees

The model deployed in Australia is a multi-year contract with Purchaser Zone clients who pay on a per user basis to use the system either annually or quarterly in advance. Additional charges apply for the use of other modules such as invoicing and inventory.

The client fee varies by contract. For example, certain hotel groups, pay fees based on the number of hotel rooms and includes access for a defined number of suppliers; other groups are a variant of this because it requires their suppliers to be charged separately. Incremental revenue opportunities are available by offering services such as data management, support and training and intra-system advertising.

##### 6.3.1.2 Supplier Fees

Suppliers pay a success fee for orders they receive. Marketboomer hosts the supplier's product in its virtual catalogue system but the supplier is only charged if it receives an order.

This charge varies depending on the transmission mode the supplier nominates (e.g. AUD\$2.95 per fax, AUD\$1.65 per email or internet transmission). In certain instances, suppliers have negotiated alternate contracts which are based on a period fee, monthly or annually per purchaser serviced.

### 6.3.2 Overseas Revenue Model

In countries other than Australia, Marketboomer operates a hybrid revenue model. Suppliers pay a 2.5% fee when they win business via Marketboomer’s Dynamic Trading Engine. Alternatively, buyers pay a small transaction fee when they process purchase orders to sole suppliers (contracted suppliers specified by the purchaser). Both buyers and suppliers are charged an initial implementation/training and setup fee.

### 6.3.3 Other Revenue

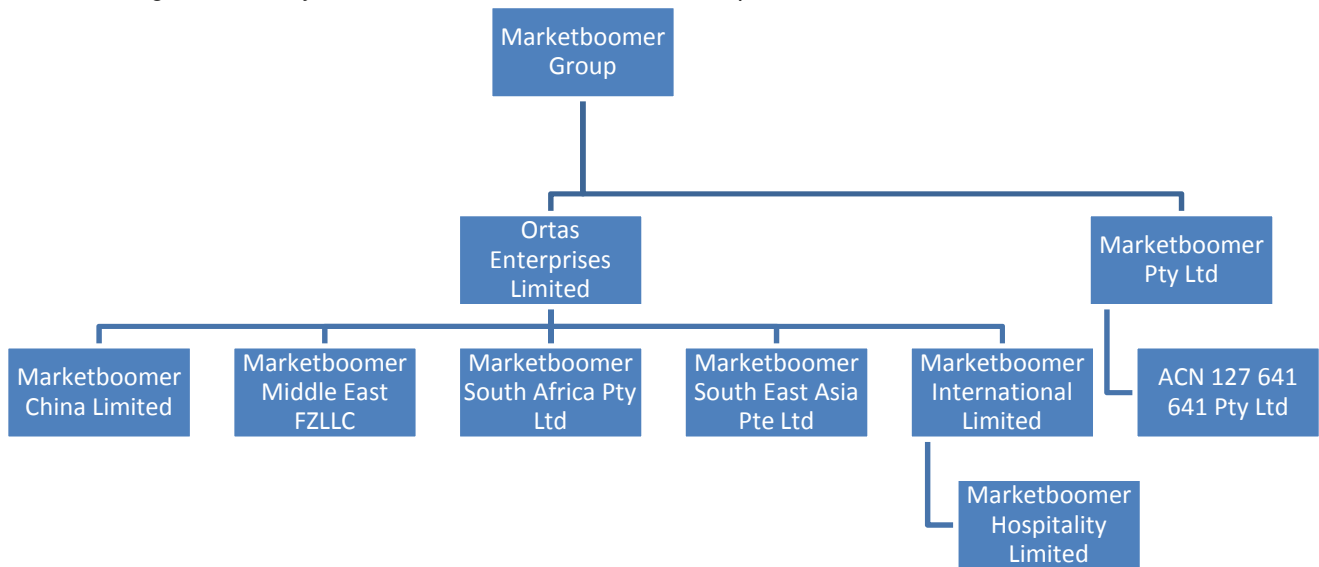
In addition to the core revenue streams above, Marketboomer also derives revenue from catalogue management, supplier engagement and online advertising. The data held by Marketboomer relates to market pricing and transaction information which is of great value to market participants. Data for price indices will be established and sold for any of the product ranges traded. Manufacturers will be able to view market share and penetration statistics as well as receive rapid feedback on the effectiveness of product launches and product promotions.

### 6.3.4 Capital Structure

The Marketboomer Group currently comprises of the following entities:

Entity	Country of Incorporation
Marketboomer Pty Ltd	Australia
ACN 127 641 641	Australia
ORTAS Enterprises Limited	Cyprus
Marketboomer South East Asia Pte. Ltd.	Singapore
Marketboomer South Africa (Pty) Ltd	South Africa
Marketboomer Middle East PZ LLC	United Arab Emirates
Marketboomer International Limited	Ireland
Marketboomer Hospitality Limited	Ireland
Marketboomer China Limited	China

Diagrammatically the structure of Marketboomer is represented as below;



The Australian and New Zealand operations of Marketboomer are conducted out of Marketboomer Pty Ltd and the international operations sit within Ortas Enterprises Limited.

### 6.3.4.1 Share Structure Marketboomer Pty Ltd

MBA Share Structure	Shares
A class (Ordinary non voting)	800,000
Ordinary Voting Shares	10,480,537
<b>Total Shares</b>	<b>11,280,537</b>

Source: ASIC as 30 September 2009

Marketboomer Pty Ltd has two types of shares on issue, ordinary shares and non-voting shares. The major shareholders within each class are shown as below:

Class A Shareholders	Shares
Simon Cameron	200,000
Declan Monahan	200,000
Four Green Houses Pty Ltd	200,000
Internet Advertising Technologies Limited	200,000
A class (Ordinary non voting)	800,000

Source: ASIC as 30 September 2009

Top 5 Ordinary Shareholders	Shares
Internet Advertising Technologies Limited	6,664,607
Bimputor Pty Ltd	1,200,821
Four Green Houses Pty Ltd	829,926
Nathan Gyaneshawar	500,000
Declan Monahan	225,194
<b>Total Top 5 Ordinary Shareholders</b>	<b>9,420,548</b>
Other Ordinary Shareholders	1,059,989
<b>Total Ordinary Shares</b>	<b>10,480,537</b>

Source: ASIC as 30 September 2009

### 6.3.4.2 Ortas Enterprises Limited Share Structure

Ortas Enterprises	Shares
Kerkow Investments Limited	983
Remellon Investments Limited	729
Nobium Investments Limited	1,459
The Tamburlaine Trust	1,585
Philippa Katherine Gail Webb	136
Conor and Dawn Lawler	58
Dragon Crest Holdings Limited	40
Kelly Leong	10
<b>Total Ortas Enterprises Limited</b>	<b>5,000</b>

Source: Marketboomer International

### 6.3.5 Key Management

#### 6.3.5.1 Marketboomer Australia Pty Ltd

The Directors of Marketboomer Australia are as follows;

- ◆ David Mayman
- ◆ Peter Mayman
- ◆ Nathan Gyaneshwar

The key management personnel of Marketboomer Australia Pty Ltd are;

- ◆ Simon Cameron, Chief Operating Officer
- ◆ Nathan Gyaneshwar, Chief Executive Officer

#### 6.3.5.2 Ortas Enterprises Limited

The Directors of Ortas Enterprises are as follows;

- Tasos Coucounis
- Chariclia Papageorgiou

The key management personnel of Ortas Enterprise Limited are

- ◆ Declan Monahan, Managing Director
- ◆ Conor Lawler – Chief Financial Officer
- ◆ Chris Webb, General Manager – Middle East
- ◆ Anson Lau – General Manager – China
- ◆ Kelly Leong – Regional Operations Manager – South East Asia

### 6.4 Marketboomer Staff Numbers

Location	Staff Numbers
Australia	22
Middle East	8
Ireland/United Kingdom	6
China	10
South East Asia	4
<b>Total</b>	<b>50</b>

Marketboomer staff numbers are primarily concentrated in Australia due to the fact that Marketboomer only expanded overseas in 2006.

## 6.5 Historical Financial Statements

	Unaudited for the year ended 30 June 2009 A\$	Unaudited for the year ended 30 June 2008 A\$
<b>Revenue</b>		
Merchant fees	3,632,024	4,037,865
Other fees	659,884	244,476
<b>Total Revenue</b>	<b>4,291,908</b>	<b>4,282,341</b>
<b>Less cost of Goods Sold</b>		
Commission fees and customer rebates	(742,347)	(710,513)
<b>Total Cost of Goods Sold</b>	<b>(742,347)</b>	<b>(710,513)</b>
<b>Gross Profit</b>	<b>3,549,561</b>	<b>3,571,828</b>
Administrative and operational expenses	(3,396,487)	(3,126,291)
Borrowing expenses	(114,905)	(129,923)
Depreciation expense	(44,951)	(50,285)
<b>Total Expenditure</b>	<b>(3,556,343)</b>	<b>(3,306,499)</b>
<b>Profit /(loss) for the year</b>	<b>(6,782)</b>	<b>265,329</b>
<b>Earnings before interest and tax depreciation and amortisation</b>	<b>153,074</b>	<b>445,537</b>

Source: Marketboomer Management Accounts

Revenue during the 2009 financial year was lower than the 2008 financial year due to lower expenditure by Marketboomer's hotel client base. This is the result of weak economic conditions due to the global financial crisis. Other fees relate to implementation fees which Marketboomer charges new clients for installing the Marketboomer software at their premises.

Administrative and operation expenses increased due to expenditure associated with Marketboomer's expansion into the Middle East, South East Asia and China. Borrowing expenditure relates to loans from directors.

During the financial year 2009, Marketboomer incurred legal fees of \$70,000 in relation to the structuring of Ortas Enterprises Limited.

Marketboomer	Consolidated	
	Unaudited as 30 June 2009	Unaudited as at 30 June 2008
	A\$	A\$
<b>CURRENT ASSETS</b>		
Cash & cash equivalents	641,996	802,466
Trade and other receivables	1,126,594	1,101,609
<b>Total Current Assets</b>	<b>1,768,590</b>	<b>1,904,075</b>
<b>NON CURRENT ASSETS</b>		
Property plant & equipment	165,774	148,479
Intangible assets	2,076,885	15,624
<b>Total Non Current Assets</b>	<b>2,242,659</b>	<b>164,103</b>
<b>TOTAL ASSETS</b>	<b>4,011,249</b>	<b>2,068,178</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,829,232	1,673,288
<b>Total Current Liabilities</b>	<b>1,829,232</b>	<b>1,673,288</b>
<b>TOTAL LIABILITIES</b>	<b>1,829,232</b>	<b>1,673,288</b>
<b>NET ASSETS</b>	<b>2,182,017</b>	<b>394,890</b>
<b>EQUITY</b>		
Issued capital	6,794,124	6,781,443
Reserves	1,549,452	(231,777)
Accumulated profit/(loss)	(6,161,559)	(6,154,776)
<b>TOTAL EQUITY</b>	<b>2,182,017</b>	<b>394,891</b>

Source: Marketboomer Management Accounts

Intangible assets and reserves increased during the 2009 financial year. The major items within Marketboomer's intangible assets consist of the following items;

- ◆ Product Development Cost (\$555,225)
- ◆ Intellectual Property (\$1,508,880)

During FY2009, Marketboomer undertook a significant upgrade of the functionality of Marketboomer's software. The product development costs consisted primarily of payroll expenses incurred in relation to this upgrade during FY2009..

During FY2009, Marketboomer recognised the value of its central catalogue database on the balance sheet. This recognition was represented by a corresponding adjustment to reserves.

Trade and other payables include an unsecured loan of \$997,000.

## **7. ECONOMIC AND INDUSTRY ANALYSIS**

### **7.1 Current Economic conditions**

After almost two years of decline, there are signs that the global economy is beginning to stabilise. Global industrial production and international trade activity have increased after recent declines. Sentiment appears to be improving and economic growth rates are being revised upwards. Led by an improvement in bank lending and expansionary fiscal policy, economic recovery is particularly evident in China. By comparison, economic conditions remain weak in most advanced economies, particularly the US, but the rate of contraction is slowing.

The domestic economy has been particularly resilient to the challenging economic conditions caused by the global downturn. December 2008 and March 2009 quarter GDP data and general information circulating in the economy suggests that the contraction of the Australian economy will be modest compared to the strong contractions in most other countries. This resilience is the result of a number of contributing factors discussed below.

Firstly, Australia has a strong financial system. Australian banks have low exposure to risky assets, are well capitalised and have remained profitable throughout the downturn. In addition to this, the Australian government guaranteed bank deposits and banks' wholesale funding. Collectively, these factors have allowed Australian banks to maintain their high credit ratings and to access capital funding. The health of the Australian financial sector is supporting credit availability, private investment and general economic stability.

Secondly, the Reserve Bank of Australia ("RBA") and the Australian government have been proactive in their response to the global downturn. The RBA has reduced the official cash rate from 7.25% in March 2008 to 3% in April 2009. The health of Australian banks means that most of this reduction in the cash rate has been passed on to the end borrower. The Australian government's fiscal policy has been expansionary through its stimulus package, first home buyer's grant and planned infrastructure investment. These expansionary measures have increased household disposable income levels and as a result, household consumption has been stronger in Australia than it has been in many other countries.

The third factor that has contributed to the relatively good performance of the Australian economy is the strong recovery of China's economy. China's share of Australian merchandise exports has increased from 15% to 20% in the past two years. While most countries have recorded significant falls in their exports, Australian exports have increased slightly over the past 12 months. In addition to this, commodity prices are continuing to improve.

Another contributor to the performance of the Australian economy is the recovery of equity and real estate markets. Both of which have improved significantly from their recent lows. This environment has reversed much of the decline in household wealth that occurred during 2008 and early 2009. As a result, improved investor and consumer sentiment is having a flow on effect to other sectors of the economy.

The outlook for the Australian economy is far more optimistic than that for many other developed countries. Australia's trade relationship with China and China's strong economic performance are likely to provide some insulation from the weak economic conditions that are expected for the rest of the world. However, it is important to realise that China exports many products that are discretionary in nature and is therefore not insulated from the economic issues that affect the global economy.

Driven by low interest rates and the government's first home buyer's grant, housing construction is forecast to increase during the second half of 2009. Business investment



relative to GDP will continue to be low compared to historical levels but still well above levels expected in other countries. It is forecast that household consumption will slow as the effects of the federal government's stimulus package subside. Despite this, investment in public infrastructure is expected to more than offset declines in other areas. The RBA forecast that the Australian economy will grow at a rate of 0.5% for 2009 and expects growth to strengthen during 2010.

## 7.2 Industry analysis

### 7.2.1 Information Technology

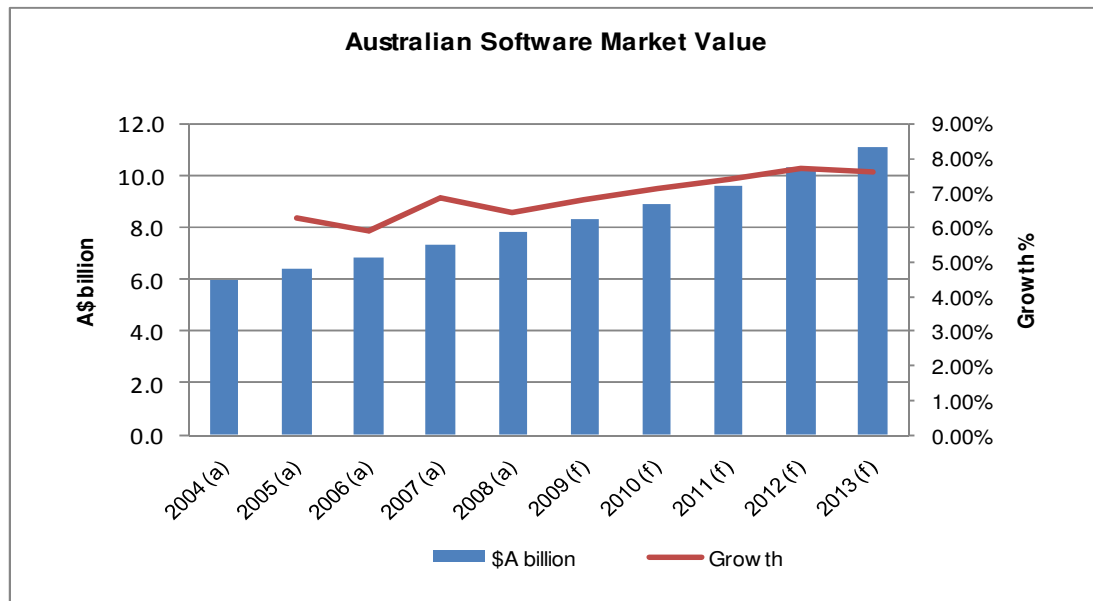
WebSpy and Marketboomer operate in the computer software industry and more specifically, the application development software industry. The application development industry involves developing software applications for commercial and residential use. Companies operating in the application development software market have a large target audience due to the fact that software can be implemented in a wide range of industries dependent on the needs of the buyers. In addition, software development companies are not bound by geographical barriers as software is often transferred over the internet.

Software development companies are heavily dependent on skilled employees and the computer hardware that is utilised by their clients or perspective clients. This is because skilled employees are required to develop software and the client's computer hardware necessitates how well this software will work. Capital requirements are generally low, making the barriers to entry low. However, newcomers to the industry generally must choose their market segment carefully, as certain areas within the Australian and global markets have very strong incumbents.

The availability of broadband internet in recent years has facilitated the distribution of computer software via the internet. This has allowed software to be purchased, delivered, and updated irrespective of physical location.

### 7.2.2 Industry Turnover and Forecasts

Australian software industry revenue grew at an average rate of 6.3% per annum between 2004 to 2008. This is illustrated in the graph below. Datamonitor has forecast the industry to keep growing as more businesses turn to IT applications to stream line business processes.



Source: Datamonitor, includes foreign software providers

^ Market value figures are assessed at manufacturer selling price, based on revenues from software sales and licenses.

### 7.2.3 Major ASX Listed Software Companies

As noted in the graph Section 7.2.2, the volume of software services revenue in Australia is significant, being approximately \$8 billion in 2008. The ten largest ASX listed software services companies are shown below below.

	Market Capitalisation (\$)	Trailing 12 Month Revenue (\$)	Description
Technology One Limited	274.05M	114.14M	Technology One Limited is a developer and distributor of financial management and accounting software with operations in Australia and New Zealand. The company also develops software for the higher education sector.
Reckon Limited	203.69M	71.68M	Reckon Limited distributes, publishes, supports and markets financial management software in Australia.
Data#3 Limited	107.01M	529.67M	Data#3 Limited provides Information Technology (IT) solutions to business and government markets in Australia. These solutions integrate equipment and software from leading suppliers with Data#3's own design, management, installation and support services
eServGlobal Ltd	88.58M	147.25M	eServGlobal Ltd. develops and markets computer software. The company develops billing, customer relations, email, and network optimisation software for telecommunications services providers.
Pro Medicus Limited	70.70M	15.31M	Pro Medicus Limited develops and supplies proprietary software and IT solutions for large medical corporations and individual medical group practices.
Integrated Research Limited	66.72M	42.68M	Integrated Research Limited develops, sells and supports system and application management software products. The group's software is used by customers for a variety of services, including storage management, data collection and performance tracking.
Objective Corporation Limited	47.09M	38.98M	Objective Corporation Limited manufactures knowledge management application software. The company's products allow users to access and manage word processing documents, spreadsheets, web page content and e-mails.
GBST Holdings Limited	46.09M	63.55M	GBST Holdings Limited provides transactions technology solutions for the financial services industry in the Asia Pacific region. The company's products include GBST Advisor, an interactive client management system.
Adacel Technologies Limited	45.25M	55.28M	Adacel Technologies Limited is a developer of complex, real-time automation, communications and simulation software and systems. The company's software is primarily utilised by air traffic controllers and satellite-based air traffic automation systems.
ISS Group Limited	33.41M	18.27M	ISS Group Limited is an enterprise and industrial software solutions provider primarily to customers in the oil, gas and mineral industries. The company's software solutions provide customers with real time production process analysis and consulting services.

#### 7.2.4 Procurement in the Hotel Industry

Marketboomer operates in the hotel industry and specifically, the procurement requirements of the hotel industry.

The global hotel industry in which Marketboomer operates in comprises of hotels, resorts and cruise liners, with hotels and motels making up 90% of the industry by value. The industry grew at a compound annual growth rate of 7% for the five years to 2008, generating total revenues last year of \$564.8 billion. This growth is forecast to decelerate in coming years with revenue set to increase by around 22% by 2013 to a value of \$689.5 billion (*Global Hotels, Resorts & Cruise Lines Industry Profile*, Datamonitor, March 2009).

The world hotel market stands at 450,000 properties with 129.6 million rooms, according to In-Stat research (a division of Reed Elsevier).

The global hotel industry is capital, management, marketing, personnel, technology and energy intensive. As a consequence, particularly of the high up front capital requirements, barriers to entry are moderate. Coupled with high sensitivity to economic conditions and customers that are price sensitive, branding is a key focus in a market heavily fragmented despite the presence of a few large players.

Due to the competitive nature of the industry and the low cost to customers of switching between providers, there is considerable impetus on achieving cost savings wherever practical without jeopardising quality of service. Thus there is much focus on the efficiency of procurement systems in the industry which has seen the adoption of sophisticated technology in the area.

Procurement is the acquisition of goods or services at the lowest overall cost, giving regard to price, quantity, frequency, availability and time. Procurement systems seek to achieve the lowest practical cost of acquisition by presenting a range of supply costs from which an optimal choice can be made. This is of paramount importance in the hotel industry due to the wide range of products and services required in day to day business, from portion control salt packets to IT support to capital assets. The development of E-procurement systems has sought to provide the most cost effective platform for the procurement process.

The major area of competitions in the form of e-procurement that Marketboomer faces comes from an extension of an Enterprise Resource Planning (“ERP”) solutions and/or inventory solution vendors.

The major multinationals operating within ERP arena include software companies such as SAP and Oracle. SAP and Oracle’s procurement offering is more general in nature i.e. enabling e-procurement for any type of business.

Marketboomer also faces competition from ERP/inventory/hotel management software solutions that provide a full range of modules for complete hotel management.

Examples of inventory system vendors servicing the hotel and hospitality market include the following organisations;

- ◆ Micros System Inc;
- ◆ Adaco Services LLC; and
- ◆ Morton Bay Technology Pty Ltd.

Apart from direct solutions for the hotel industry, there also a significant number of e-procurement providers servicing businesses of all sizes ranging from industry heavyweight, through to start-ups.. The major providers for e-procurement are listed below;

- ◆ Ariba Inc;
- ◆ Global eProcure Inc;
- ◆ Zycus Inc;
- ◆ Baseware Corporation; and
- ◆ Emptoris Inc.

## 8. VALUATION APPROACH ADOPTED

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- ◆ Net Tangible Assets on a going concern basis (“**NTA**”)
- ◆ Quoted Market Price Basis
- ◆ Capitalisation of future maintainable earnings (“**FME**”)
- ◆ Discounted Cash Flow (“**DCF**”)

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

### 8.1 Valuation of WebSpy

In our assessment of the value of WebSpy shares we have employed the following methodologies:

- ◆ Net Tangible Asset basis
- ◆ Quoted Market Price Basis

We have chosen these methodologies for the following reasons:

- ◆ WebSpy’s shares are traded on the ASX. This means there is a regulated, liquid and observable market on which WebSpy’s shares are traded. In order for the quoted market price to be considered appropriate the company’s shares should be liquid and the market should be fully informed as to WebSpy’s activities. We have considered these factors in Section 9.2.
- ◆ WebSpy does not have a history of profitability or positive cash flow. As such, we are unable to use an earnings based or discounted cash flow based methodology to value WebSpy
- ◆ WebSpy has a net tangible asset backing and has a significant cash asset backing when compared to other assets

### 8.2 Valuation of Marketboomer

We have utilised the discounted cash flow methodology to assess the value of Marketboomer shares. We have adopted this methodology because Marketboomer has a history of positive cash flow and Marketboomer has provided us with their financial statements for the forecast to 30 June 2013.

As a secondary cross check we have valued Marketboomer on the net tangible asset basis..

## 9. VALUATION OF WEBSPY

### 9.1 Net Tangible Asset Valuation of WebSpy

We have undertaken a valuation of WebSpy using the net tangible assets methodology. In adopting this method, we have considered the balance sheet of WebSpy as at 30 June 2009. We have also considered whether the carrying value any of WebSpy's assets or liabilities, as shown on the balance sheet, differs from net realisable values.

	Audited as at 30 June 2009 \$	Realisable Value \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	1,136,621	1,136,621
Trade and other receivables	258,794	258,794
Prepayments	14,816	14,816
<b>Total Current Assets</b>	<b>1,410,231</b>	<b>1,410,231</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	16,860	16,860
Property, plant and equipment	46,028	46,028
<b>Total Non Current Assets</b>	<b>62,888</b>	<b>62,888</b>
<b>Total Assets</b>	<b>1,473,119</b>	<b>1,473,119</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	247,378	247,378
Short-term provisions	64,054	64,054
<b>Total Current Liabilities</b>	<b>311,432</b>	<b>311,432</b>
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	42,582	42,582
<b>Total Non Current Liabilities</b>	<b>42,582</b>	<b>42,582</b>
<b>Total Liabilities</b>	<b>354,014</b>	<b>354,014</b>
<b>Net Assets</b>	<b>1,119,105</b>	<b>1,119,105</b>
<b>Shares on issue (shares)</b>		119,141,275 shares
<b>Net Realisable Value per share (\$)</b>		\$0.0094

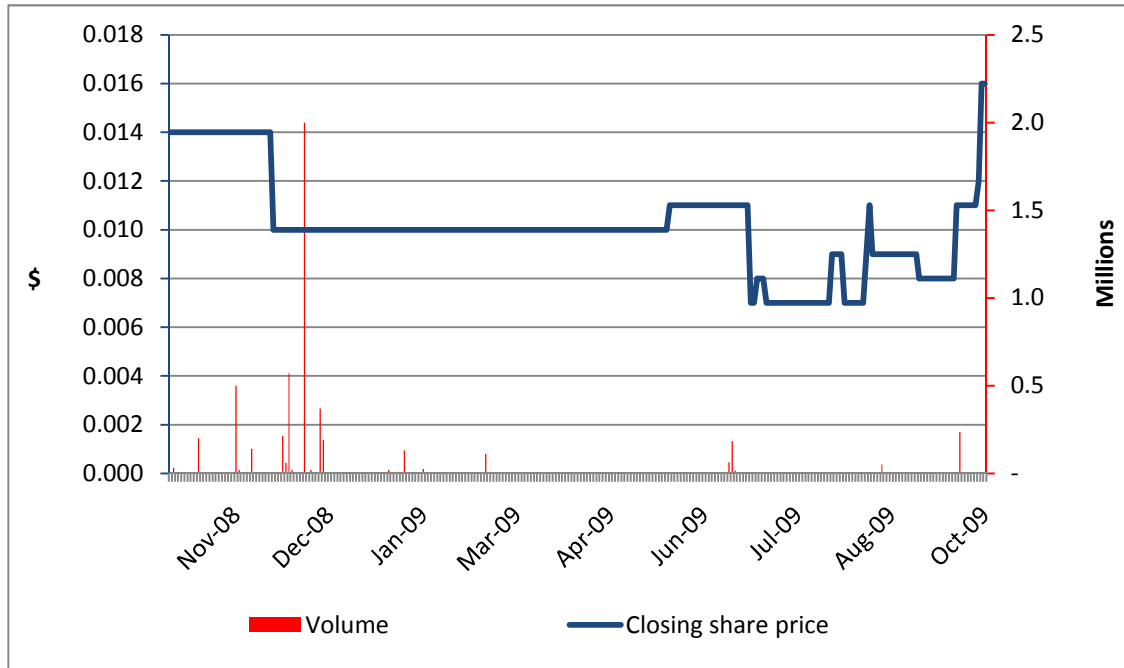
In our assessment, we have considered the value of the software applications that WebSpy develops. On the basis that the WebSpy's products have a history of loss making, we have not assigned any value to the software applications.

Based on 119.1 million shares on issue in WebSpy at the date of this report, the value per WebSpy share, equates to a NTA backing of \$0.0094 or 0.94 cents per share.

### 9.2 Quoted Market Price for WebSpy Shares

To provide a comparison to the valuation of WebSpy in Section 9.1, we have also assessed the market price for WebSpy share.

The following chart provides a summary of the share price movement over the past year.



The daily price of WebSpy shares from 7 October 2008 to last trading day prior to announcement of the Transaction has ranged from a high of \$0.016 on 6 October 2009 to a low of \$0.007 on 13 August 2009.

To provide further analysis of the market prices for WebSpy share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 8 October 2009.

WebSpy Share Price	10 Days	30 Days	60 Days	90 Days
8 October 2009				
Closing Share Price	\$0.0160			
Weighted Average Price	\$ 0.0117	\$0.0092	\$ 0.0081	\$ 0.0081

The above weighted average prices are prior to the date of the announcement of the Transaction, to avoid the influence of any increase in price of WebSpy shares that has occurred since the offer was announced.



An analysis of the volume of trading in WebSpy shares for the twelve months to 7 October 2009 is set out below:

	Share price low \$	Share price high \$	Cumulative Volume traded	As a % of Issued capital
1 day	\$0.0160	\$0.0160	~	0.00%
1 week	\$0.0100	\$0.0160	239,000	0.12%
1 month	\$0.0080	\$0.0160	899,000	0.46%
3 months	\$0.0070	\$0.0160	4,347,594	2.23%
6 months	\$0.0070	\$0.0160	4,524,994	2.32%
12 months	\$0.0070	\$0.0160	4,697,494	2.41%

This table indicates that WebSpy shares display a low level of liquidity, with 2.41% of the Company’s current issued capital being traded in a twelve month period. For the quoted market price methodology to be reliable there needs to be a ‘deep’ market in the shares. In the case of WebSpy this is not the case as illustrated in the above table.

The ASX market pricing reflects the value of an individual parcel of Webspy shares. The Transaction will involve the vendors of Marketboomer acquiring a controlling stake in Webspy. Typically when a controlling stake is acquired a control premium is paid, reflecting the amount acquirers are willing to pay to exert full control of all the operational and financial aspects of the target company. To acquire a 100% shareholding and the benefits that come with this, the acquirer will have to pay a “premium for control”. The premium for control reflects the additional value that attaches to a controlling interest compared to the value of a minority interest as demonstrated in normal share market trading. In making our assessment of the value of a Webspy share we have considered it not applicable to apply a control premium to due to lack of liquidity in relation to the Webspy share price.

Our assessment is that a range of values for WebSpy shares based on market pricing, after disregarding for post announcement pricing from 7 October 2009, is between \$0.0081 and \$0.0117.

### 9.3 Assessment of WebSpy Value

The results of the valuations performed are summarised in the table below:

Valuation	Value per share WebSpy	
	Low	High
Net tangible assets (Section 9.1)	\$0.0094	\$0.0094
ASX market prices (Section 9.2)	\$0.0081	\$0.0117

Based on the results above, the value of a WebSpy share is \$0.0094.

In assessing the above valuation range, which is primarily based on the NTA multiple valuation methodology, we have considered the following:

- ◆ Cash and receivables account for the majority of the assets on the balance sheet; and
- ◆ The WebSpy shares quoted on the ASX displays a low level of liquidity

### 9.4 Assessment of Consideration to paid to the Vendors

WebSpy will acquire 100% of the business and assets of the Marketboomer for the following consideration;

- ◆ 115,000,000 WebSpy fully paid ordinary shares;
- ◆ 361,565,100 WebSpy Deferred Shares

The Deferred Shares will be acquired upon the occurrence of the following events:

- ◆ Revenue for three consecutive months aggregates more than \$1,875,000; or
- ◆ Processed transactions for three consecutive months aggregate more than 250,000 transactions.

If these events do not occur within 3 years from the acquisition of the shares, they will not be allotted.

Under these terms and conditions, the minimum number of ordinary WebSpy shares that will be issued to the vendors of Marketboomer is 115,000,000 and the maximum number of ordinary WebSpy shares that will be issued to Marketboomer is 476,565,100.

Marketboomer has provided BDO Kendalls with financial model detailing forecast revenue and transaction volumes that are expected for the financial years from June 2010 until 30 June 2013. Based on these forecasts, Marketboomer expects that both revenues and transaction volumes will exceed the Deferred Hurdles. As a result, in making our analysis in regards to the shares which are to be issued to the vendors, we have assumed that the Deferred Hurdles are met.

Valuation	Low	Preferred	High
	Net tangible assets per WebSpy share (Section 9.1)	\$0.0094	\$0.0094
Shares Issued to the Vendors	115,000,000	476,565,100	476,565,100
<b>Value of the Consideration</b>	<b>\$1,081,000</b>	<b>\$4,479,712</b>	<b>\$4,479,712</b>

On this basis, in our opinion the value of the Consideration is between \$1.08 million and \$4.48 million, with a preferred value of \$4.48 million. This is based on the assumption that the forecasts provided by Marketboomer satisfactorily meet the Deferred Hurdles as such, the Deferred Shares are likely to be allotted.

## 10. VALUATION OF MARKETBOOMER

### 10.1 Discounted Cash Flow Valuation of Marketboomer

The method which we have adopted in valuing Marketboomer is the discounted cash flow method. The discounted cash flow method estimates the fair market value by discounting the future cash flows arising from the project to their net present value (“NPV”). To value Marketboomer in this way requires the determination of the following:

- ◆ future cash flows; and
- ◆ an appropriate discount rate to be applied to the cash flows.

Our consideration of each of these factors is presented below:

#### Future Cash Flows

The management of Marketboomer has prepared a detailed cash flow model for Marketboomer (“the Model”). The Model assumes that Marketboomer is acquired by WebSpy and as a result the Model is representative of WebSpy on a post Transaction basis. We have reviewed the Model and the material assumptions that underpin it. The model extends to 30 June 2013.

We have not undertaken a review of the cash flow forecasts in accordance with Australian Auditing Standards and do not express an opinion on the reasonableness of the assumptions or their achievability. However, nothing has come to our attention as a result of our procedures to suggest that the assumptions on which the forecasts are based have not been prepared on a reasonable basis.

We have undertaken an analysis of the Model that included:

- ◆ reviewing the financial model provided by Marketboomer’s management;
- ◆ reviewing the reasonableness of the assumptions adopted by Marketboomer; and
- ◆ preparing our own adjusted cash flow model (“the Adjusted Model”).

### 10.2 Assumptions

We have set out the key assumptions used in the Adjusted Model below:

#### Revenue

Revenue in the model is driven by four key drivers being;

- ◆ Number of client site equivalents
- ◆ Average Expenditure per Client
- ◆ Revenue growth rates
- ◆ Client growth rates

#### Client Site Equivalents

Marketboomer currently services the hospitality industry through its implementation of the Marketboomer software at its customers sites. Within the Adjusted Model, customers are represented by client site equivalents. Each client site equivalents represents one client site based on average revenue received by Marketboomer from a client site. It should be noted

that client site equivalents are not equal to the number of hotel sites at which the Marketboomer software is implemented as some hotel sites may have larger or small revenue bases compared to the average Marketboomer customers.

Marketboomer	June 2010	June 2011	June 2012	June 2013	Terminal
Client Sites Equivalents	192	202	213	224	224

Source: the Adjust Model

The Adjusted Model assumes the following growth in room rates for client sites by location.

Site	Growth Rate
Australia and New Zealand	4 percent per annum
Middle East	6 percent per annum
Asia	6 percent per annum
Europe	6 percent per annum

The Adjusted Model assumes that the Australian and New Zealand markets will grow slowly with an annual growth rate of 4 percent growth in the number of client.

As Marketboomer only commenced in international operations in June 2006, the Adjusted Model assumes a stronger growth rate of 6 percent within Marketboomer’s international operations. The Adjusted Model makes the assumption that a significant international contract recently won by Marketboomer is maintained throughout the life of the Adjusted Model.

The model assumes that there will be no growth in client sites in assessing the terminal value of Marketboomer.

### Average Expenditure per Client

Marketboomer receives revenue dependent on the amount of client expenditure through the Marketboomer software.

The Adjusted Model assumes that on average, each client site equivalent will purchase the equivalent of AUD\$127,000 of goods and services through the Marketboomer software in the first period of the Adjusted Model, being September 2009. After this period, the Adjusted Model assumes the following growth rates in expenditure by Marketboomer’s client base.

Year	Growth Rate
2010	2.80%
2011	6.00%
2012	6.00%
2013	6.00%

### **Cost of Sales and Administration Overheads Expenses**

Within the Adjusted Model, the major expenses are as follows;

- ◆ Staff Cost in regards to implementation, customer support, business development, software development and administration;
- ◆ Hosting and communication costs;
- ◆ Information technology infrastructure costs;
- ◆ Promotional Costs; and
- ◆ Administration related costs including rent, insurance and legal fees.

The Adjusted Model assumes a redeployment of development staff from Australia to China commencing in the 2010 financial year.

### **Capital Expenditure**

The model assumes capital expenditure based on a rate of 1.25% of revenue.

### **Loan Repayment**

Marketboomer has an outstanding balance of AUD\$997,000 of an unsecured loan. We understand that if the Transaction proceeds, this loan will have repayment terms of the following basis;

- ◆ The loan will be interest free;
- ◆ The loan will be repaid only after 2 years from the completion of the Transaction;
- ◆ The monthly amount of each repayment of the loan shall be the lesser of:
  - \$50,000; or
  - 15% of the net operating cash surplus generated by the Marketboomer business.

The Adjusted Model assumes that the loan is repaid according to these assumptions.

### **Tax Losses**

The model assumes effective tax structuring to utilise AUD\$4.8M of losses within Marketboomer's Australian entity and that these tax losses continue to be available following the Transaction.

### **Discount Rate**

A discount rate of between 16.86% and 19.62% has been used.

In selecting this range of discount rates we have considered:

- ◆ The specific business and financing risks of Marketboomer;
- ◆ Marketboomer's future cost of debt if the Transaction proceeds; and
- ◆ Marketboomer's future level of financial gearing if the Transaction proceeds.

A detailed explanation of how we determined this discount range is provided in Appendix 3.

**Terminal Value**

We have assumed a zero growth rate in determining the terminal value of Marketboomer. We have made this assumption on the basis that the number of new customers Marketboomer is able to acquire will slow down as Marketboomer's marketing efforts saturate the market, increased competitive pressures from rival competitors and effects of obsolescence in the Marketboomer software.

### 10.3 Sensitivity Analysis

We have analysed the key assumptions of the Model and have prepared sensitivities on the NPV. The table below summarises the change in value that result from a change in key assumptions.

Valuation of Marketboomer	Discount rate				
	16.86%	18%	18.24%	19.00%	19.62%
	\$	\$	\$	\$	\$
<b>Base case</b>	6,027,036	5,738,248	5,680,693	5,505,316	5,369,560
<b>Change in Client Site Equivalent Growth per annum</b>					
Increase by 10%	6,208,315	5,909,549	5,850,010	5,668,598	5,528,181
Decrease by 10%	5,848,769	5,569,800	5,514,198	5,344,760	5,213,591
<b>Change in Revenue Spend per Client Equivalent Site</b>					
Increase by 10%	8,727,973	8,325,319	8,245,077	8,000,586	7,811,347
Decrease by 10%	3,510,922	3,323,764	3,286,426	3,172,580	3,084,376
<b>Cost of Goods Sold</b>					
Increase by 10%	5,649,027	5,373,585	5,318,653	5,151,190	5,021,479
Decrease by 10%	6,580,109	6,269,184	6,207,224	6,018,438	5,872,318
<b>Administration and Overhead Costs</b>					
Increase by 10%	4,058,243	3,846,857	3,804,695	3,676,154	3,576,581
Decrease by 10%	8,126,121	7,751,602	7,676,970	7,449,582	7,273,589
<b>Foreign Exchange</b>					
Favourably fluctuates by 10%	6,395,576	6,088,475	6,027,277	5,840,814	5,696,494
Unfavourably fluctuates by 10%	5,660,100	5,389,605	5,335,688	5,171,381	5,044,176

The valuation of Marketboomer is sensitive to an increase or decreases in the amount of spending per client equivalent site. This is because Marketboomer's international model is based on percentage of expenditure per client site any increase or decrease in customer spending directly affect Marketboomer's profitability.

Marketboomer is also sensitive to movements in the administrative and overheads cost. This is evident noted by the comparable high ratio of administrative and overheads cost to gross profits noted in section 6.5. Marketboomer is not sensitive to the effect of foreign currency translation due to the fact that Marketboomer has both revenues and costs denominated in foreign currencies.



### Marketboomer Valuation Summary

Based on the analysis above, we have adopted a value range for Marketboomer of between \$4.5M and \$5.1M. This valuation is based on the DCF per share methodology using a discount rate of between 16.86% to 19.62%. We have also taken into account the above sensitivities in this valuation.

#### 10.4 Net Tangible Asset Valuation

Marketboomer	Unaudited as 30 June 2009 A\$	Net Realisable Value (low) as 30 June 2009 A\$	Net Realisable Value (high) as 30 June 2009 A\$
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	641,996	641,996	641,996
Trade and other receivables	1,126,594	1,126,594	1,126,594
<b>Total Current Assets</b>	<b>1,768,590</b>	<b>1,768,590</b>	<b>1,768,590</b>
<b>NON CURRENT ASSETS</b>			
Property plant & equipment	165,774	165,774	165,774
Intangible assets (i)	2,076,885	0	2,076,885
<b>Total Non Current Assets</b>	<b>2,242,659</b>	<b>165,774</b>	<b>2,242,659</b>
<b>TOTAL ASSETS</b>	<b>4,011,249</b>	<b>1,934,364</b>	<b>4,011,249</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables (ii)	1,829,232	1,829,232	1,829,232
<b>Total Current Liabilities</b>	<b>1,829,232</b>	<b>1,829,232</b>	<b>1,829,232</b>
<b>TOTAL LIABILITIES</b>	<b>1,829,232</b>	<b>1,829,232</b>	<b>1,829,232</b>
<b>NET ASSETS</b>	<b>2,182,017</b>	<b>105,132</b>	<b>2,182,017</b>

- (i) Intangible assets relate to capitalised expenditure in relation to Marketboomer's catalogue system and product development cost. Our low value reflects a nil value whilst our high value reflects Marketboomer's internal management valuation of its inventory cataloguing system and its product development costs.
- (ii) We have noted in section 10.2.1 that the unsecured loan of \$997,000 having certain deferred conditions on which these loans are to be repaid. For the purposes of our net asset valuation we have adopted the loan at face value.

On a net asset basis, we have valued Marketboomer at between \$105,132 to \$2,182,017, with a preferred value of \$2,182,017 to reflect the current carrying value of these intangible assets.

### 10.5 Marketboomer Valuation Summary

Valuation	Low \$	Preferred \$	High \$
Discounted Cash flow	5,369,560	5,680,693	6,027,036
Net Tangible Asset	105,132	2,182,017	2,182,017

We have preferred the discounted cash flow approach in valuing Marketboomer. The discounted cash flow approach reflects the future earnings of Marketboomer and reflects Marketboomer's expansion plans and growth rates. We have valued Marketboomer between \$5,369,560 to \$6,027,036 with a preferred value of \$5,680,693.

### 11. IS THE TRANSACTION FAIR?

Valuation	Low \$	Preferred \$	High \$
Value of the Consideration (Section 9)	1,081,000	4,479,712	4,479,712
Valuation of Marketboomer(Section 10)	5,369,560	5,680,693	6,027,036

As the value of the Consideration is less than the value of Marketboomer we consider the Transaction fair to the non-associated shareholders of WebSpy.

**12. IS THE TRANSACTION REASONABLE?****12.1 Alternative Proposal**

We are unaware of any alternative proposal that might offer the Shareholders of WebSpy a premium over the value ascribed to that resulting from the Transaction.

**12.2 Implications of the Proposal not being approved**

If the Transaction does not proceed, WebSpy will continue with its current operations and evaluate future opportunities as presented.

**12.3 Advantages and Disadvantages**

We have considered the position of Shareholders if the Transaction becomes effective and have taken into account the advantages and disadvantages of the Transaction in this assessment.

We have assessed that in all cases the advantages and disadvantages of the Transaction not becoming effective are the inverse of the Transaction becoming effective. Thus for simplicity of evaluation of the Transaction we have set out the significant factors only in the context of the Transaction becoming effective.

If the Transaction is approved, in our opinion, the potential advantages to the Shareholders include those listed in the table below:

## 12.4 Advantages

	Advantages	Description
12.4.1	The Transaction is Fair	As set out in Section 12, the Transaction is fair to Shareholders. Regulatory Guide 111 states that a Transaction is reasonable if it is fair.
12.4.2	Acquisition of a new business with positive earnings before interest, taxation and depreciation	<p>Marketboomer had positive EBITDA results for 2009 and 2008 of \$153,074 and \$445,537 respectively. WebSpy does not have a history of EBITDA positive results. Introducing a positive EBITDA company may lead to a rerating on WebSpy's share price.</p> <p>Should the Transaction proceed, the lender to an unsecured loan to Marketboomer has agreed to the loan repayment terms stipulated in Section 10. These conditions mean that repayment terms and interest payments on director related loan will be deferred and will further free up cash flow for the combined entity.</p>
12.4.3	Acquisition of a new business with minimal cash out flows	The acquisition of Marketboomer is based entirely on the issue of shares in WebSpy to the Vendors. As a result, WebSpy's consolidated net asset position will increase after the Transaction.
12.4.4	Increase in net assets after the Transaction and Market Capitalisation	The acquisition of Marketboomer is based entirely on the issue of shares in WebSpy to the Vendors. As a result, WebSpy's consolidated net asset position will increase after the Transaction.
12.4.5	Synergies between Marketboomer and WebSpy	<p>If the Transaction proceeds, there will be possible synergies between Marketboomer and WebSpy as listed below;</p> <ul style="list-style-type: none"> <li>◆ WebSpy will gain access to Marketboomer's customer base. This may result in additional sales of both WebSpy and Marketboomer products due to the Company having a complimentary service offering;</li> <li>◆ Marketboomer has established market presence in Australia, Ireland, China, Indonesia, Thailand, Saudi Arabia, the United Arab Emirates and Singapore. Thus, the Transaction will expose WebSpy to an international client base; and</li> <li>◆ Marketboomer is proficient in the use of channel marketing for online services. This will provide WebSpy with an avenue for marketing in the future.</li> <li>◆ WebSpy will be able to utilise Marketboomer's software development teams</li> </ul>

## 12.5 Disadvantages

	Disadvantages	Description
12.5.1	Dilution of the interest of existing shareholders	<p>The Transaction will require WebSpy to issue 115,000,000 to the Vendors. This will dilute the current shareholder base of WebSpy by 49.1 percent. There are also Deferred Shares forming part of the acquisition consideration that are subject to Deferred Hurdles. If these Deferred Hurdles are met, dilution of current WebSpy shareholders may be as much as 80 percent.</p> <p>The Vendors will have effective control of WebSpy. The Vendors will have the power to control the financial and operations aspects of WebSpy and be able to control dividend policies. The Vendors will also have the right to appoint two directors to the board of WebSpy.</p> <p>In addition, the Vendors will have the ability to pass special resolutions if they are issued with more 75 percent of the shares on issue. Special resolutions include but are not limited to;</p> <ul style="list-style-type: none"> <li>◆ Giving different dividend rights or shares in the same asset class;</li> <li>◆ Selective reduction of share capital.</li> </ul> <p>The Vendors will also have the ability to pass ordinary resolutions. Ordinary resolutions include but are not limited to:</p> <ul style="list-style-type: none"> <li>◆ election/re-election of directors;</li> <li>◆ appointment of an auditor;</li> <li>◆ acceptance of reports at the annual general meeting;</li> <li>◆ the ability to make strategic or commercial decisions; and</li> <li>◆ the ability to increase or decrease the number of directors in the Company.</li> </ul>
12.5.2	Shift away from WebSpy's core business	<p>WebSpy operates in a different software sector to Marketboomer. Shareholders of WebSpy may not want to diversify away from WebSpy's core offering.</p>

**13. CONCLUSION**

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is fair and reasonable to the non-associated shareholders of WebSpy.

**14. SOURCES OF INFORMATION**

This report has been based on the following information:

- ◆ financial statements for WebSpy and Marketboomer for the financial years ended 30 June 2007, 2008 and 2009;
- ◆ Marketboomer forecasts for the period to 30 June 2013;
- ◆ the draft notice of meeting;
- ◆ agreements between WebSpy and Marketboomer;
- ◆ background information on Marketboomer;
- ◆ details of significant customer and supplier contracts that WebSpy and Marketboomer have entered into;
- ◆ synergies that are expected between WebSpy and Marketboomer if the Transaction proceeds
- ◆ share registry information; and
- ◆ discussions with the directors and management of WebSpy and other information provided by them.

**15. INDEPENDENCE**

BDO Kendalls Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$30,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Kendalls Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has been indemnified by WebSpy in respect of any claim arising from BDO Kendalls Corporate Finance (WA) Pty Ltd's reliance on information provided by the Marketboomer, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Kendalls Corporate Finance (WA) Pty Ltd has considered its independence with respect to WebSpy and Marketboomer and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Kendalls Corporate Finance (WA) Pty Ltd's opinion it is independence of WebSpy and Marketboomer and their respective associates.

Neither the two signatories to this report nor BDO Kendalls Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with WebSpy, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to WebSpy and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

**16. QUALIFICATIONS**

BDO Kendalls Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Kendalls Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Kendalls Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were assisted by members of BDO Kendalls staff in preparation of the Report.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and Member of the Institute of Chartered Accountants in Australia. He has over twenty years experience working in the audit and corporate finance fields with BDO Kendalls and its predecessor firms in London and Perth. He has been responsible for over 100 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 10 years in the Audit and Assurance and Corporate Finance areas.

**17. DISCLAIMERS AND CONSENTS**

This report has been prepared at the request of WebSpy for inclusion in the Explanatory Memorandum which will be sent to all WebSpy Shareholders. WebSpy engaged BDO

Kendalls Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the acquisition of Marketboomer.

BDO Kendalls Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Kendalls Corporate Finance (WA) Pty Ltd.

BDO Kendalls Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

BDO Kendalls Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of WebSpy or Marketboomer. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The forecasts provided to BDO Kendalls Corporate Finance (WA) Pty Ltd by WebSpy, Marketboomer and its advisers are based upon assumptions about events and circumstances that have not yet occurred. Accordingly, BDO Kendalls Corporate Finance (WA) Pty Ltd cannot provide any assurance that the forecasts will be representative of results that will actual be achieved. BDO Kendalls Corporate Finance (WA) Pty Ltd disclaims any possible liability in respect of these forecasts.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of WebSpy, or any other party.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Kendalls Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO KENDALLS CORPORATE FINANCE (WA) PTY LTD**



**Sherif Andrawes**  
Director



**Adam Myers**  
Associate Director  
Authorised Representative



**Appendix 1 – Glossary of Terms**

Reference	Definition
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO Kendalls	BDO Kendalls Corporate Finance (WA) Pty Ltd
DCF	Discounted Future Cash Flows
The Deferred Hurdles	The conditions that stipulate whether the Deferred Shares that will be converted to WebSpy fully paid ordinary shares, being: <ul style="list-style-type: none"> <li>◆ Revenue from the Marketboomer business for three consecutive months aggregates more than \$1,875,000; or</li> <li>◆ Processed transactions for the Marketboomer business for three consecutive months aggregate more than 250,000 transactions.</li> </ul>
Deferred Shares	The Deferred Shares that will allotted as WebSpy fully paid ordinary shares upon the occurrence of the following events: <ul style="list-style-type: none"> <li>◆ Revenue from the Marketboomer business for three consecutive months aggregates more than \$1,875,000; or</li> <li>◆ Processed transactions for three consecutive months aggregate more than 250,000 transactions.</li> </ul> <p>If these events do not occur within a three year period they will not be allotted.</p>
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FMD	Future Maintainable Dividends
FME	Future Maintainable Earnings
Marketboomer	The businesses and assets of the Marketboomer group of companies
Marketboomer Group of Companies	As defined with section 4 of this report
MEE	Multiple of Exploration Expenditure
NTA	Net Tangible Assets
Our Report	This Independent Expert's Report prepared by BDO Kendalls
RG111	Regulatory Guide 111
RG112	Regulatory Guide 112
ROC	Return of Capital
Shareholders	Shareholders of WebSpy not associated with Marketboomer
The Act	The Corporations Act
The Company	WebSpy Limited
The Consideration	The consideration offered to the vendors of the Marketboomer Group of Companies being, 115,000,000 ordinary shares and 361,565,100 Deferred shares in WebSpy
The Transaction	The proposal by WebSpy Limited to acquire the business and assets of the Marketboomer Group of Companies for consideration of 115,000,000 ordinary shares and 361,565,100 Deferred shares in WebSpy.
The Vendors	The vendors of the Marketboomer Group of Companies
VWAP	Volume Weighted Average Price
WebSpy	WebSpy Limited

## Appendix 2 – Valuation Methodologies

### Valuation methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

#### Net tangible asset value on a going concern basis (“NTA”)

Asset based methods estimate the market value of an entity’s securities based on the realisable value of its identifiable net assets. Asset based methods include:

- ◆ Orderly realisation of assets method
- ◆ Liquidation of assets method
- ◆ Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity’s valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity’s value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when entities are not profitable, a significant proportion of the entity’s assets are liquid or for asset holding companies.

#### Quoted Market Price Basis

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a “deep” market in that security.

**Capitalisation of future maintainable earnings ("FME")**

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ("**EBIT**") or earnings before interest, tax, depreciation and amortisation ("**EBITDA**"). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

**Discounted future cash flows ("DCF")**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

### Appendix 3 - Assessment of the Appropriate Discount Rate

Determining the correct discount rate, or cost of capital, for a business requires the identification and consideration of a number of factors that affect the returns and risks of a business, as well as the application of widely accepted methodologies for determining the returns of a business.

The discount rate applied to the forecast cash flows from a business represents the financial return that will be before an investor would be prepared to acquire (or invest in) the business.

The capital asset pricing model (“**CAPM**”) is commonly used in determining the market rates of return for equity type investments and project evaluations. In determining a business’ weighted average cost of capital (“**WACC**”) the CAPM results are combined with the cost of debt funding. WACC represents the return required on the business, whilst CAPM provides the required return on an equity investment.

#### Cost of Equity and Capital Asset Pricing Model

CAPM is based on the theory that a rational investor would price an investment so that the expected return is equal to the risk free rate of return plus an appropriate premium for risk. CAPM assumes that there is a positive relationship between risk and return, that is, investors are risk averse and demand a higher return for accepting a higher level of risk.

CAPM calculates the cost of equity and is calculated as follows:

CAPM	
$K_e$	$= R_f + \beta \times (R_m - R_f) + R_a$
Where:	
$K_e$	= expected equity investment return or cost of equity in nominal terms
$R_f$	= risk free rate of return
$R_m$	= expected market return
$R_m - R_f$	= market risk premium
$\beta$	= equity beta
$R_a$	= specific company risk

The individual components of CAPM are discussed below.

#### Risk Free Rate ( $R_f$ )

The risk free rate is normally approximated by reference to a long term government bond with a maturity equivalent to the timeframe over which the returns from the assets are expected to be received. Having regard to the period of the operations we have used the current yield to maturity on the 10 year Commonwealth Government Bond which was 5.43% per annum as at 8 September 2009.

**Market Risk Premium ( $R_m - R_f$ )**

The market risk premium represents the additional return that investors expect from an investment in a well-diversified portfolio of assets. It is common to use a historical risk premium, as expectations are not observable in practice.

We have noted that the current market risk premium is 8%. This has been sourced from Bloomberg. The market risk premium is derived on the basis of capital weighted average return of all members of the S&P 200 Index minus the risk free rate is dependent on the ten year government bond rates. For the purpose of our report we have adopted a market risk premium of 6 to 8 percent.

**Equity Beta**

Beta is a measure of the expected correlation of an investment's return over and above the risk free rate, relative to the return over and above the risk free rate of the market as a whole. A beta greater than one implies that an investment's return will outperform the market's average return in a rising market and underperform the market's average return in a falling market. On the other hand, a beta less than one implies that the business' performance compared to that of a business whose beta is greater than one will provide an inverse relationship in terms of the market's average return.

Equity betas are normally either an historical beta or an adjusted beta. The historical beta is obtained from the linear regression of a stock's historical data and is based on the observed relationship between the security's return and the returns on an index. An adjusted beta is calculated based on the assumption that the relative risk of the past will continue into the future, and hence derived from the historical data. It is then modified by the assumption that a stock will move towards the market over time, taking into consideration the industry risk factors which make the operating risk of the investment project greater or less risky than comparable listed companies when assessing the equity beta for an investment project.

It is important to note that it is not possible to compare the equity betas of different companies without having regard to their gearing levels. Thus, a more valid analysis of betas can be achieved by "ungearing" the equity beta ( $\beta_a$ ) by applying the following formula

$$\beta_a = \beta / (1 + (D/E \times (1-t)))$$

In order to assess the appropriate equity beta for Marketboomer we have also had regard to the equity betas of listed companies involved in similar activities in similar industry sectors. :

Company	Market Capitalisation	Gearred Beta ( $\beta$ )	Gross Debt/Equity (%)	Ungearred Beta ( $\beta_a$ )
<b>Australian Companies</b>				
HOSTECH LTD	10,378,550	0.68	4%	0.66
WEBFIRM GROUP LTD	11,599,500	0.97	0%	0.97
RAZOR RISK TECHNOLOGIES LTD	11,074,190	0.32	0%	0.32
LUMACOM LIMITED	13,474,280	0.99	0%	0.99
PIENETWORKS LTD	8,196,221	0.81	1%	0.80
QRSCIENCES HOLDINGS LTD	11,987,090	1.03	55%	0.75
TECHNICHE LTD	6,686,670	0.46	0%	0.46
MOBILEACTIVE LTD	4,669,167	0.94	0%	0.94
BLAZE INTERNATIONAL LIMITED	7,159,867	0.20	0%	0.20
M2M CORPORATION LIMITED	6,028,822	0.75	61%	0.53
POWERLAN LIMITED	6,024,496	0.18	0%	0.18
INTRAPOWERS LTD	5,893,142	1.14	21%	0.99
ADMEREX LTD	4,544,017	1.00	0%	1.00
ZYLOTECH LTD	3,158,236	0.99	0%	0.99
ASG GROUP LTD	135,886,800	0.93	22%	0.80
UXC LTD	219,616,300	1.17	65%	0.80
<b>International</b>				
ABSOLUTE SOFTWARE CORPORATIO	252,590,000	1.29	0%	1.29
DIGITAL ARTS INC	9,908,613,000	1.00	0%	1.00
DMX TECHNOLOGIES GROUP LTD	209,907,000	0.85	4%	0.83
DOUBLE-TAKE SOFTWARE INC	178,200,000	0.96	0%	0.96
F-SECURE OYJ	420,291,100	0.75	0%	0.75
GREEN PACKET BHD	422,931,500	1.03	46%	0.78
SONICWALL INC	406,047,700	0.86	0%	0.86
SOURCEFIRE INC	507,099,600	1.15	0%	1.15
STONESOFT OYJ	24,067,150	0.50	0%	0.50
UNIT 4 AGRESSO NV	379,881,700	0.99	207%	0.41
<b>Mean</b>	<b>506,769,465</b>	<b>0.84</b>	<b>19%</b>	<b>0.77</b>
<b>Median</b>	<b>12,730,685</b>	<b>0.95</b>	<b>0%</b>	<b>0.80</b>
<b>Weighted average</b>				<b>0.96</b>

Source: Bloomberg

### Selected Beta ( $\beta$ )

In selecting an appropriate Beta for the Marketboomer we have considered the similarities between the Marketboomer and the comparable companies selected above. The comparable similarities and differences note are:

- ◆ the comparable companies' size and market capitalisation
- ◆ the comparable companies' profitability
- ◆ several companies above have been the subject of significant corporation actions

Having regard to the above we consider that an appropriate ungeared beta to apply to the Marketboomer is between 0.77 and 0.96.

Having determined an appropriate ungeared beta it is necessary to regear the beta to reflect the financial gearing of Marketboomer post Transaction. Marketboomer will not have any debt which carries an interest charge post Transaction as noted in Section 10.

### Specific Company Risk Adjustment ( $R_a$ )

We have also factored in an inherent risk adjustment in addition to our cost of equity. This inherent risk adjustment relates to the additional risk Marketboomer has in relation to it listed peers. This inherent risk adjustment is driven from such factors as;

- ◆ Marketboomer being a private unlisted company with limited disclosure;
- ◆ The life cycle of Marketboomer products
- ◆ Dependence on key management

### Cost of Equity

On this basis we have assessed the cost of equity to be:

Input	Value Adopted	
	Low	High
Risk free rate of return	5.43%	5.43%
Equity market risk premium	6.00	8.00
Beta	0.77	0.96
Inherent Risk Adjustment	10.00	10.00
<b>Cost of Equity</b>	<b>19.82%</b>	<b>22.92%</b>

### Weighted Average Cost of Capital

The WACC represents the market return required on the total assets of the undertaking by debt and equity providers. WACC is used to assess the appropriate commercial rate of return on the capital invested in the business, acknowledging that normally funds invested consist of a mixture of debt and equity funds. Accordingly the discount rate should reflect the proportionate levels of debt and equity relative to the level of security and risk attributable to the investment.

In calculating WACC there are a number of different formulae which are based on the definition of cash flows (ie, pre-tax or post-tax), the treatment of the tax benefit arising through the deductibility of interest expenses (included in either the cash flow or discount rate), and the manner and extent to which they adjust for the effects of dividend imputation. The commonly used WACC formula is the post-tax WACC, without adjustment for dividend imputation, which is detailed in the below table.

CAPM	
WACC	= $\frac{E}{E+D} K_e + \frac{D}{D+E} K_d (1-t)$
Where:	
$K_e$	= expected return or discount rate on equity
$K_d$	= interest rate on debt (pre-tax)
T	= corporate tax rate
E	= market value of equity
D	= market value of debt
(1- t)	= tax adjustment

### Gearing

Before WACC can be determined, the proportion of funding provided by debt and equity (ie, gearing ratio) must be determined. The gearing ratio adopted should represent the level of debt that the asset can reasonably sustain (ie, the higher the expected volatility of cash flows, the lower the debt levels which can be supported). The optimum level of gearing will differentiate between assets and will include:

- ◆ the variability in earnings streams;
- ◆ working capital requirements;
- ◆ the level of investment in tangible assets; and
- ◆ the nature and risk profile of the tangible assets.

In determining an appropriate long term gearing level for Marketboomer, we considered the gearing levels for a selection of comparable listed Australian and International software companies as noted in the table above. The table shows that a majority of the comparable companies have minimal or no debt.

We noted that Marketboomer, if the Transaction proceeds, will not hold any debt; similar to most of the comparable companies in table above. Considering the tight global credit markets, we have assumed no debt for Marketboomer in determining an appropriate discount rate.

### Cost of Debt

A cost of debt has been considered not applicable due to the fact that if the Transaction proceeds, Marketboomer will not hold any debt which carries an interest charge.



### Calculation of WACC

Based on the above inputs we have calculated the WACC to be between 19.82% and 22.92%.

Input	Value Adopted	
	Low	High
Cost of equity	19.82%	22.92%
Cost of debt	N/A	N/A
Corporate tax rate	30%	30%
Proportion of debt (D/E+D)	0%	0%
Proportion of equity (E/E+D)	100%	100%
<b>WACC (rounded)</b>	<b>19.82%</b>	<b>22.92%</b>

As we have chosen to perform our modelling in real (not inflation adjusted dollars), it is necessary to convert the WACC obtained above from nominal to real terms. In order to do this we have adopted the Fisher equation, which is defined as:

$$k = (1+r)/(1+i) - 1$$

where:

- k is the real WACC
- r is the nominal WACC, calculated above
- i is the expected inflation rate over the forecast period

The average inflation during the last 10 years in Australia has been 2.82%. Applying the Fisher equation, assuming an inflation rate of 2.5% to 3.0% gives a real post-tax WACC of 10.3% to 13.0%.

Input	Value Adopted	
	Low	High
Cost of equity	16.89%	19.92%

Company	Comparable Company Description
HOSTECH LTD	Hostech Ltd. offers Internet-protocol telephone services to businesses, and installs business telephone equipment.
WEBFIRM GROUP LTD	Webfirm Group Ltd. provides website design solutions. The Company also provides services that include domain registration, site hosting, search engine marketing, content management systems, logo design, copy writing, and site evaluation.
RAZOR RISK TECHNOLOGIES LTD	Razor Risk Technologies Ltd. develops and markets financial software. The Company's software evaluates portfolios under different scenarios into the future to measure risk.
LUMACOM LIMITED	Lumacom Limited is an Australia-based company. During the fiscal year ended June 30, 2008 (fiscal 2008), the Company was engaged in the provision of signage and other infrastructure for outdoor advertising industry; signage for corporate and retail customers, and commercialisation of the business and intellectual property rights relating to the Lumagraph Display technology.
PIENETWORKS LTD	pieNETWORKS Limited is primarily involved in the development, manufacture, installation and management of fully managed and controlled self service Internet access infrastructure and webphones. The Company is engaged in the commercialisation of its Hotspot Webphone Business Plan. The Hotspot Webphone was launched in August 2006. In March 2007, the Company announced its first Hotspot Webphone contract being a six-unit trial with Telecom New Zealand. Subsequent to the fiscal year ended June 30, 2008, the Company announced that it has entered into a Webphone Cooperation Agreement with BBG Global AG. It also entered into a manufacturing service agreement with Startronics Pty Ltd to manufacture the Company's second-generation Webphone.
QRSCIENCES HOLDINGS LTD	QRSciences Holdings Limited is an Australia-based company. The Company is engaged in the investment, development, commercialisation and sale of security-related technologies and products. It is also a re-seller in the Australian region of detection, surveillance and alarm products. The Company's technologies include magnetic sensing technology used to detect explosives, narcotics, weapons and other contraband.
TECHNICHE LTD	Techniche Limited is involved in venture capital investment. The Company holds an interest in Theta Technologies Pty Ltd., which is a software company.
MOBILEACTIVE LTD	MobileActive Limited provides mobile entertainment content services such as ring tones, wallpapers, animations, screen savers, games, music, mini movies and various entertainment products.
BLAZE INTERNATIONAL LIMITED	Blaze International Limited (Blaze) develops software, provides services for entertainment, telecommunication and Internet applications, and is also engaged in mineral exploration. The Company has three distinct areas of business: Famous 3D, PIXe and mineral exploration. Famous 3D is a fully developed suite of animation tools providing solutions to capture facial expressions with lip synchronisation to bring animated characters to life. PIXe is a compression technology that Blaze is developing and commercialising.
M2M CORPORATION LIMITED	M2M Corporation Limited is involved in the integration and commercial utilisation of intellectual property and the direct retail marketing of books and other publications through a subscriber database.
POWERLAN LIMITED	Powerlan Limited is engaged in the provision of software solutions and related services that enable customers to achieve productivity gains. It has three divisions: Clarity, which provides carrier-grade operational support systems and network management systems software solutions for telecommunication companies and enterprises; Converter Technology, which delivers software and services that simplify file migrations and reduce the risks associated with large scale information technology deployment projects, particularly in the Microsoft environment, and IMX Software, which offers software solutions for the travel money, foreign exchange and the international banking industries. In August 2008, the Company acquired a majority shareholding in Omnix Software Ltd. In October 2008, the Company acquired certain customer contracts and assets of Dot Communications Pty Ltd relating to their Viper business, including a source code license to use Dot's Viper Wholesale Service Delivery Platform.
INTRAPOW LTD	IntraPower Limited provides Internet protocol communication products and services to corporations in Australia.
ADMEREX LTD	Admerex Limited is an Australia-based company. The Company is principally engaged in the marketing, licensing, supporting, developing and investing in software solutions and receivables management centres for the banking and financial services, telecommunications and utilities industries and the provision of receivables and risk management consulting services. On July 1, 2008, the Company acquired the collections business of Credit Collection Services Group, Inc. On November 21, 2008, the Company sold its United States business operations to Purlieu Solutions LLC of Georgia (Purlieu). Effective December 18, 2008, it sold its Software business operations to Rubik Financial Limited.
ASG GROUP LTD	ASG Group Limited is an information technology company involved in the outsourcing of computer infrastructure, application development, technical support and systems integration services. The Group also provides Internet and e-commerce security services.
UXC LTD	UXC Limited provides asset and data management for utilities such as electricity distribution, mobile telephony and industrial design.

Company	Comparable Company Description
ABSOLUTE SOFTWARE CORPORATIO	Absolute Software Corporation has developed and markets a software-based monitoring, tracking, theft deterrence and theft recovery service. The Company's CompuTrace Theft Recovery locates and recovers lost and stolen personal computers.
DIGITAL ARTS INC	Digital Arts Inc. develops Internet filtering software for business, private, and educational use. Its product protects users and network from harmful Internet contents and prevents inappropriate usages.
DMX TECHNOLOGIES GROUP LTD	DMX Technologies Group Limited is a computer systems integrator that provides networking, security and software solutions, and e-business transactions platform services. The Company also trades security software.
DOUBLE-TAKE SOFTWARE INC	Double-Take Software Inc. develops, sells and supports software that reduces downtime and protects data for business-critical systems.
F-SECURE OYJ	F-Secure Oyj develops data security products. The Company provides centrally managed security solutions for the mobile enterprise. F-Secure products include anti-virus, file encryption, and network security solutions for desktops, servers, laptops, and
GREEN PACKET BHD	Green Packet Bhd develops mobile Internet infrastructure. The Company provides a range of software solutions for secure network access, WLAN-cellular integration, intelligent roaming, and instant community networks.
SONICWALL INC	SonicWALL, Inc. provides Internet security solutions designed for broadband access customers in the small to medium enterprise, branch office, telecommuter, and education markets. The Company's Internet security appliance is marketed under the SonicWALL
SOURCEFIRE INC	Sourcefire Inc. provides real-time network defense solutions. The Company's solutions encompass hardware and web-based Analysis Interface for real-time and forensic reporting and analysis.
STONESOFT OYJ	Stonesoft Oyj develops computer software security products. The Company markets firewall, virus protection, and encryption products. Stonesoft also provides integrated management and network solutions.
UNIT 4 AGRESSO NV	Unit 4 Agresso NV develops and markets computer software. The Company's software provides for secure e-business transactions and customer relationship management. Unit 4 also produces enterprise software, a complete package for accountants, and software

# PROXY FORM

MR SAM SAMPLE  
UNIT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE WA 6060

## 1. Appointment of Proxy

I/We being a shareholder/s of WebSpy Limited hereby appoint

the Chairman  
of the Meeting

OR

If you are appointing **someone other than** the Chairman of the Meeting, write here the name of the company or person you are appointing;

or, failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if not directions have been given, as the proxy sees fit) at the General Meeting of WebSpy Limited to be held at Level 3, 9 Colin Street, West Perth, Western Australia at 10.00 a.m. (WST) on Monday, 16 November 2009 and at any adjournment of that meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

## 2. Items of Business

Please mark  to indicate your voting directions.

	FOR	AGAINST	ABSTAIN
1. Issue of Shares and Deferred Shares to the Marketboomer Vendors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Election of Mr Declan Monahan as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Mr Kim Redstall as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority.

## 3. Appointment of a Second Proxy

I/We wish to appoint a second proxy

Please mark  if you wish to appoint a second proxy.

AND

%

OR

State the percentage of your voting rights or the number of securities for this Proxy Form.

## 4. Signature of Securityholder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/ Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/ Company Secretary

\_\_\_\_\_  
Contact Name

\_\_\_\_\_  
Contact Daytime Telephone

\_\_\_\_\_  
Date

## HOW TO COMPLETE THE PROXY FORM

### 1. Appointment of Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the company or person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that company or person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company.

If you have appointed a company as your proxy and a representative of that company wishes to attend the meeting, the representative will be required to provide the Company with the appropriate written documentation evidencing that the person is a representative of the proxy. Should you require it, the Company will provide you with an appointment of corporate representative form free of charge. Please contact the Company Secretary if you require an appointment of corporate representative form.

### 2. Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### 3. Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

### 4. Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders must sign.

Power of Attorney: To sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below no later than 48 hours before the commencement of the meeting at 10.00 a.m. (WST) on Monday 16 November 2009. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged by posting, delivery or facsimile to WebSpy Limited:-

PO Box 881  
West Perth WA 6872

Fax: (08) 9321-3377

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from the Company's share registry.

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