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29 March 2010

ASX Ltd
 Exchange Plaza
 2 The Esplanade
 PERTH WA 6000

Attn: Ms Elizabeth Harris

Dear Ms Harris

APPENDIX 3Y – CHANGE OF DIRECTOR'S INTEREST NOTICE – MR THOMAS MCGELLIN

We acknowledge receipt of your letter dated 25 March 2010 in relation to the Appendix 3Y lodged on 17 March 2010 and the letter dated 17 March 2010.

We acknowledge that lodgement of the notifications of the respective changes of interest occurred outside the prescribed five business day notification period.

In response to your questions, we advise as follows:

1. At the time of the trades in August 2009, the Company had entered into a deed with Mr McGellin requiring him to advise the Company of any change of interest within three business days of the change (**ASX Disclosure Deed**). In addition, the Company had **Dealing Rules for Employees and Directors (Dealing Rules)** in effect at that time. Pursuant to those Dealing Rules, employees and directors are not permitted to deal in Company securities during defined Non Trading Periods, including the period from 1 July to the day of the announcement of annual results. In addition, the Dealing Rules contain specific procedures pursuant to which employees and directors are required to notify the Company prior to dealing in the Company's securities.

We note, when the Company was notified by Mr McGellin in March 2010 of an off-market acquisition of shares, a reconciliation of Mr McGellin's holdings was completed for the purposes of preparing his Appendix 3Y. It was at this time that the trades of August 2009 were brought to the Company's attention and Mr McGellin was requested to respond to the matter.

As noted in the letter dated 17 March 2010, Mr McGellin advised he had intended to move shares between indirect holdings and instructed his broker accordingly. As Mr McGellin believed there was no change in his overall relevant interest he did not believe he was obliged to notify the Company of the trades. He has since acknowledged that the trades resulted in a change in notifiable interests of 51,500 shares.





As advised in the letter dated 17 March 2010, the correction was made immediately upon the Company becoming aware of Mr McGellin's earlier trades in Company securities.

2. In order to fulfil its obligations under Listing Rule 3.19B, the Company has entered into an ASX Disclosure Deed with Mr McGellin as described above. Consequently, the Company has made Mr McGellin aware of the Listing Rule requirements in this regard. In addition, the requirement under the Dealing Rules to notify the Company prior to dealing in the Company's securities serves to remind directors to advise the Company before a change in relevant interest is effected. We further note that a standing agenda item at the monthly Board meetings is confirmation of directors' current shareholdings and relevant interests, at which time each director confirms there has been no change in their notifiable interests.
3. The Company believes its existing notification procedures are adequate and has reinforced the relevant requirements to Mr McGellin, emphasising the importance of complying with the Dealing Rules and advising of changes in relevant interests in accordance with the ASX Disclosure Deed. We note that the standing agenda item mentioned above continues to be discussed at every monthly Board meeting.

Mr McGellin has acknowledged his failure to:

- exercise care in ensuring the transfer between indirect interests in August 2009 was effected correctly;
- comply with the Dealing Rules, specifically:
 - trading in Company securities in August 2009, during a defined Non Trading Period under the Dealing Rules;
 - failure to follow the notification procedures as set out in the Dealing Rules; and
- comply with the ASX Disclosure Deed, the Dealing Rules and notify the Company of his change of interest within three business days of the off-market acquisition of shares on 3 March 2010.

Mr McGellin has also given the Board his assurances that all future trades in the Company's securities – directly or indirectly - will be conducted in line with all required procedures.

Yours sincerely

Karen Logan
Company Secretary



**ASX**

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25 March 2010

Ms Karen Logan
Company Secretary
Webspy Limited
Level 3 9 Colin Street
WEST PERTH WA 6000

Dear Karen

**Webspy Limited (the "Company")
Appendix 3Y – Change of Director's Interest Notice – Mr Thomas McGellin**

We refer to the following;

1. The Appendix 3Y lodged by the Company with ASX Limited ("ASX") on 17 March 2010 for Mr Thomas McGellin with respect to acquisitions by Mr McGellin of shares in the Company on 10 August 2009, 12 August 2009 and 3 March 2010;
2. The letter dated 17 March 2010 released by the Company to the market on 17 March 2010 with respect to the Appendix 3Y;
3. Listing rule 3.19A which requires an entity to tell ASX the following:

3.19A.1 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the following times.

- On the date that the entity is admitted to the official list.
- On the date that a director is appointed.

The entity must complete Appendix 3X and give it to ASX no more than 5 business days after the entity's admission or a director's appointment.

3.19A.2 A change to a notifiable interest of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust). The entity must complete Appendix 3Y and give it to ASX no more than 5 business days after the change occurs.

3.19A.3 The notifiable interests of a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) at the date that the director ceases to be a director. The

entity must complete Appendix 3Z and give it to ASX no more than 5 business days after the director ceases to be a director.

4. Listing rule 3.19B which states as follows.

An entity must make such arrangements as are necessary with a director of the entity (or in the case of a trust, a director of the responsible entity of the trust) to ensure that the director discloses to the entity all the information required by the entity to give ASX completed Appendices 3X, 3Y and 3Z within the time period allowed by listing rule 3.19.A. The entity must enforce the arrangements with the director.

5. The Companies Update dated 27 June 2008, reminding listed entities of their obligation to notify ASX within 5 business days of the notifiable interests in securities held by each director and outlining the action that ASX would take in relation to breaches of listings rules 3.19A and 3.19B.

As the Appendix 3Y indicates changes in Mr Mc Gellin's notifiable interest occurred on 10 August 2009, 12 August 2009 and 3 March 2010, Appendices 3Y should have been lodged with the ASX by no later than 17 August 2009, 19 August 2009 and 10 March 2010 respectively. As the Appendix 3Y with respect to all three transactions was lodged on 17 March 2010 it appears that the Company may be in breach of listing rules 3.19A and/or 3.19B.

Please note that ASX is required to record details of breaches of the listing rules by listed companies for its reporting requirements.

ASX reminds the Company of its contract with ASX to comply with the listing rules. In the circumstances ASX considers that it is appropriate that the Company make necessary arrangements to ensure there is not a reoccurrence of a breach of the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: "Director Disclosure of Interests and Transactions in Securities - Obligations of Listed Entities", we ask that you answer each of the following questions:

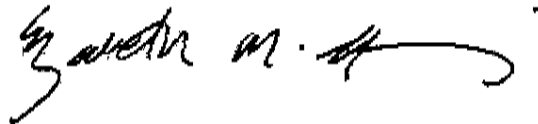
1. Please advise why Mr McGellin was not aware of his obligations under the Listing Rules in August 2009. Please refer to the Company's procedures in place at that time.
2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A? Please provide details of the Company's documented procedures referred to in the Company's letter released to the market on 17 March 2010.
3. If the current arrangements are inadequate or not being enforced, what additional steps does the Company intend to take to ensure compliance with listing rule 3.19B?

Your response should be sent to me email at Elizabeth.Harris@ASX.com.au or by facsimile on facsimile number (08) 9221 2020. It should not be sent to the Company Announcements Office.

A response is requested as soon as possible and, in any event, not later than **3:00pm WST on Monday 29 March 2010**.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a form suitable for release and should separately address each of the questions asked. If you have any queries or concerns, please contact me immediately

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Elizabeth Harris', with a long horizontal flourish extending to the right.

Elizabeth Harris
Senior Adviser, Issuers (Perth)