
SEPTEMBER 2010 QUARTERLY REPORT COMMENTARY AND BUSINESS UPDATE

WebSpy business unit

WebSpy's Internet and reporting products unit continued its focus on stabilising revenue in its move towards a channel only sales model across the business unit. During the quarter, WebSpy completed the shift from perpetual sales to 100% subscription and increased its global pricing structure by 10-20% effective 1 September 2010.

With the recent changes to the WebSpy business model already having a positive effect, the Group expects this business unit to improve performance in the 2011 financial year.

Marketboomer business unit

The September quarter was a period of consolidation for the Marketboomer business unit. Whilst the Marketboomer business unit demonstrated growth in transaction numbers this quarter, spend through the system was down on the previous quarter. This is partly due to a seasonal reduction in spend, generally lower spend by Marketboomer clients all round due to the ongoing depressed economic climate and the loss of some buyers in the Middle East.

Cost reduction initiative

In response to the challenging economic climate and its impact on Marketboomer client spend through the system, the Marketboomer management team implemented a series of cost reduction initiatives aimed at reducing annual expenditure within the Marketboomer business unit by over A\$1.3m per annum. The cost reduction initiatives included:

- Targeted redundancies within business units where the current revenue generated no longer justified the headcount;
- Consolidation of some Marketboomer offices where it was deemed that services could be provided to clients at lower cost from other offices without degradation of service quality or by working with partners to take over some 'on the ground' services required by clients;
- Consolidation of some business functions within the Group where it was deemed these functions could be performed with fewer resources or from a lower cost jurisdiction.



Whilst the planning and execution of these cost reduction measures took place in the September quarter, the realisation of the savings will start to be experienced by the Group in the December quarter and will be fully realised by the March 2011 quarter.

In addition to these cost reduction measures, in October 2010, the Company completed placements to sophisticated investors of 15 million fully paid ordinary shares at an issue price of \$0.02 per share with free attaching options exercisable at \$0.02 each and with a 3 year term on a one for one basis to raise \$300,000. These funds will be applied to the expansion of the Marketboomer business unit, ongoing R&D work and to supplement the Company's working capital.

Business Development

A reseller agreement was signed on 1 September 2010 with a new partner in the UK, Intuitas Technologies Limited trading as 'Marketboomer Hospitality UK'. Induction training of this new partner has taken place as well as orientation meetings with existing clients in the UK and Ireland. Initial sales presentations have resulted in some promising new sales opportunities which it is hoped will materialise in the following quarter.

Other sales leads in Asia and the Middle East continue to show strong interest with sales expected in the December quarter.

Meetings conducted with prospects in the US continue to demonstrate promise for a potential deployment of Marketboomer in the US in 2011.

New sales and client implementations

3 Starwood properties in Malaysia signed with Marketboomer this quarter and new clients signed in previous quarters were deployed successfully during the September 2010 quarter, they included new clients in Thailand (IHG and Starwood) and Malaysia (Starwood).

Achievement of performance hurdle

Following an independent review of transactions processed by the Marketboomer Group (which confirmed that the transactions processed aggregated more than 250,000 in a consecutive 3-month period), it was determined on 23 August 2010 that the Marketboomer Group had achieved one of the performance hurdles pursuant to the share sale agreements in respect of the Marketboomer Group acquisition. As a result, the Company issued 361,565,100 fully paid ordinary shares, representing the contingent consideration payable under those agreements, to the vendors of the Marketboomer Group.



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About WebSpy Ltd

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

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

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

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



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

WEBSPY LTD

ABN

60 066 153 982

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 Months) \$A'000
1.1 Receipts from customers	1,631	1,631
1.2 Payments for		
(a) staff costs	(1,082)	(1,082)
(b) advertising and marketing	(63)	(63)
(c) research and development	(251)	(251)
(d) leased assets	-	-
(e) other working capital	(538)	(538)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	(22)	(22)
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
Net operating cash flows	(323)	(323)

+ See chapter 19 for defined terms.

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

		Current quarter	Year to date
		\$A'000	(3 Months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(323)	(323)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(25)	(25)
	(d) physical non-current assets	(4)	(4)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other	-	-
	Net investing cash flows	(29)	(29)
1.14	Total operating and investing cash flows	(352)	(352)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(352)	(352)
1.21	Cash at beginning of quarter/year to date	731	731
1.22	Exchange rate adjustments to item 1.21	(29)	(29)
1.23	Cash at end of quarter	350	350

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	(111)
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Executive directors' remuneration	-	(100)
Non-executive directors' remuneration	-	(3)
Services provided by director-related entities	-	(8)

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	700	500
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	340	721
4.2 Deposits at call	10	10
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	350	731

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
5.1 Name of entity	Nil	Nil
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: **29 October 2010**
CEO/ Managing Director

Print name: **Declan Monahan**

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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