

**OPERATING UPDATE – JUNE 2009 QUARTER**

During the quarter, the Company continued activating a number of operational adjustments instigated earlier in response to the global economic downturn which commenced late 2008. As a result of this strategy, WebSpy is able to report a net operating cashflow for the quarter of \$130,000. Staff costs have been sharply reduced in the first half of 2009 due to a reduction in staffing levels over the past 6 months.

The Company believes that it is now operating at an appropriate level of staffing for the current economic climate and that product sales have seen a return to stable numbers over the past quarter, although down on the corresponding period last year. WebSpy has adjusted its distribution, pricing and licensing policies to fit the market conditions and is continuing to pursue partner opportunities on the OEM front.

The next quarter will present challenges in the areas of sales in the UK and EU due to the summer holiday season adversely affecting sales in those regions. Despite these challenges, WebSpy will see some further cost savings come about through additional operational adjustments, mainly from reduced occupancy costs in both the UK and Australia.

As advised previously, WebSpy continues its review of a number of investment and expansion opportunities, with particular focus on compatible and complementary businesses.

Jack Andrys
Chief Executive Officer
WebSpy Ltd

Telephone: 08 9321 3322
Facsimile: 08 9321 3377

About WebSpy Ltd

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

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

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	Quarter ended ("current quarter")
60 066 153 982	30 June 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 Months) \$A'000
1.1 Receipts from customers	671	2,045
1.2 Payments for (a) staff costs	(274)	(1,574)
(b) advertising and marketing	(128)	(469)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(163)	(763)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	102
1.5 Interest and other costs of finance paid	-	(2)
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
Net operating cash flows	130	(661)

+ See chapter 19 for defined terms.

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

		Current quarter \$A'000	Year to date (12 Months) \$A'000
1.8	Net operating cash flows (carried forward)	130	(661)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(8)	(27)
	(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	(8)	(27)
1.14	Total operating and investing cash flows	122	(688)
	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	122	(688)
1.21	Cash at beginning of quarter/year to date	1,026	1,823
1.22	Exchange rate adjustments to item 1.21	(11)	2
1.23	Cash at end of quarter	1,137	1,137

+ 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	(65)
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions	
	<div style="text-align: center;"> Directors' remuneration - (65) </div>	

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	-	-
3.2 Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

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

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	1,137	1,026
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		1,137	1,026

Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
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: **30 July 2009**
 Chief Executive Officer

Print name: **Jack Andrys**

+ 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.

+ See chapter 19 for defined terms.