



ASX RELEASE

15 SEPTEMBER 2005

CONVERSION OF CONVERTIBLE NOTE

Thursday, 15 September 2005 (Perth, Western Australia): The Company has received a valid request for the conversion of one of two convertible notes issued and announced December 2004 each valued at \$100,000. Baracus Pty Ltd has requested the conversion of its \$100,000 Convertible Note, and as a result of the conversion, 5,829,016 shares have been issued at a strike price of 1.716 cents per share. The calculation is in accordance with the Terms and Conditions of the Convertible Note and represents a weighted average price calculation discounted to 80% of market price.

An Appendix 3B is attached to this Announcement applying to ASX for quotation of the shares above.

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About WebSpy Ltd

WebSpy LTD (ASX:WSY), is a Perth based software developer distributing its products via its three offices which also include Seattle and London. WebSpy's products include internet and email monitoring and management software, together with asset management products for the oil and gas industry. The Company started operations in 1994 and has continued to expand its product offerings internationally under the brand names WebSpy® and Inspection Manager™.

For more information on WebSpy, please visit www.webspy.com

For more information on Inspection Manager, please visit www.inspectionmanager.com

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

WEBSPY LIMITED

ABN

60 066 153 982

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|----------------------------|
| 1 | +Class of +securities issued or to be issued | Shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 5,829,016 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Fully paid ordinary |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes</p>												
<p>5 Issue price or consideration</p>	<p>Issue price of \$0.01716 per share</p>												
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>Conversion of \$100,000 convertible note</p>												
<p>7 Dates of entering +securities into uncertificated holdings or dispatch of certificates</p>	<p>15 September 2005</p>												
<p>8 Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)</p>	<table border="1"> <thead> <tr> <th data-bbox="686 1388 941 1433">Number</th> <th data-bbox="941 1388 1279 1433">+Class</th> </tr> </thead> <tbody> <tr> <td data-bbox="686 1433 941 1512">113,291,521</td> <td data-bbox="941 1433 1279 1512">Ordinary fully paid shares</td> </tr> <tr> <td data-bbox="686 1512 941 1624">21,492,501</td> <td data-bbox="941 1512 1279 1624">Options exercisable at 8 cents each on or before 31 May 2006</td> </tr> <tr> <td data-bbox="686 1624 941 1736">6,000,000</td> <td data-bbox="941 1624 1279 1736">Options exercisable at 4.5 cents ea. on or before 31 December 2005</td> </tr> <tr> <td data-bbox="686 1736 941 1848">8,000,000</td> <td data-bbox="941 1736 1279 1848">Options exercisable at 5.5 cents ea. on or before 31 December 2006</td> </tr> <tr> <td data-bbox="686 1848 941 1960">8,000,000</td> <td data-bbox="941 1848 1279 1960">Options exercisable at 7.0 cents ea. on or before 31 December 2007</td> </tr> </tbody> </table>	Number	+Class	113,291,521	Ordinary fully paid shares	21,492,501	Options exercisable at 8 cents each on or before 31 May 2006	6,000,000	Options exercisable at 4.5 cents ea. on or before 31 December 2005	8,000,000	Options exercisable at 5.5 cents ea. on or before 31 December 2006	8,000,000	Options exercisable at 7.0 cents ea. on or before 31 December 2007
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+ See chapter 19 for defined terms.

	Number	+Class
9 Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	6,000,000	Options exercisable at 4.5 cents ea. on or before 31 December 2005
	8,000,000	Options exercisable at 5.5 cents ea. on or before 31 December 2006
	8,000,000	Options exercisable at 7.0 cents ea. on or before 31 December 2007
10 Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11 Is security holder approval required?	N/A
12 Is the issue renounceable or non-renounceable?	
13 Ratio in which the +securities will be offered	
14 +Class of +securities to which the offer relates	
15 +Record date to determine entitlements	
16 Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	.
17 Policy for deciding entitlements in relation to fractions	
18 Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	

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New issue announcement

- | | | |
|----|---|--|
| 19 | Closing date for receipt of acceptances or renunciations | |
| 20 | Names of any underwriters | |
| 21 | Amount of any underwriting fee or commission | |
| 22 | Names of any brokers to the issue | |
| 23 | Fee or commission payable to the broker to the issue | |
| 24 | Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders | |
| 25 | If the issue is contingent on ⁺ security holders' approval, the date of the meeting | |
| 26 | Date entitlement and acceptance form and prospectus will be sent to persons entitled | |
| 27 | If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders | |
| 28 | Date rights trading will begin (if applicable) | |
| 29 | Date rights trading will end (if applicable) | |
| 30 | How do ⁺ security holders sell their entitlements <i>in full</i> through a broker? | |
| 31 | How do ⁺ security holders sell <i>part</i> of their entitlements through a broker and accept for the balance? | |
| 32 | How do ⁺ security holders dispose of their entitlements (except by sale through a broker)? | |
| 33 | ⁺ Despatch date | |

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

(If the additional securities do not form a new class, go to 43)

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

Questions 38 to 42 - Not Applicable

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.

+ See chapter 19 for defined terms.

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- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under section 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the securities to be quoted, it has been provided at the time that we request that the securities be quoted.
- If we are a trust, we warrant that no person has the right to return the securities to be quoted under section 1019B of the Corporations Act at the time that we request that the securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: 15 September 2005
Managing Director

Print name: **Jack Andrys**

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