
JUNE 2010 QUARTERLY REPORT COMMENTARY AND BUSINESS UPDATE

The June quarter was a period of continuing investment in and growth of both the Marketboomer and WebSpy operating businesses.

WebSpy Business Unit

With the Marketboomer acquisition now well bedded down, the entire WebSpy team is fully focused on maximising growth and revenue. WebSpy's products for the reporting on organisational Internet use have continued to attract global customers looking to understand web and email traffic flow. The products are plugging holes in other vendors' appliances and products by offering a rich report which can be understood by both managers and individuals.

Some key customers added over this period include:

- a Sydney based national TV station;
- US based global corporation with over 40,000 employees, reporting on 475 departments for the purpose of on-charging internet cost to the departments;
- an Australian national law firm;
- over a dozen UK, US and Australian government departments; and
- a French financial institution with a global footprint commenced a paid trial.

WebSpy commenced a move towards annual recurring subscriptions for its products (as opposed to the perpetual or non-recurring) sales just over one year ago. The Company is currently witnessing its first series of customers renewing their annual subscriptions at a success rate of over 75%. By the end of 2010 this transition to subscriptions for the WebSpy suite of products will have been completed, which will continue to see an increase in base recurring revenue complementing ongoing new sales.

In addition, the Company has embarked on a channel sales strategy, electing to now sell via resellers, rather than directly to customers as had previously been the case. This renewed engagement with the IT reseller and VAR community has been enthusiastically received, with a number of resellers having either received or being scheduled to receive technical and sales training in support of their marketing efforts. Whilst this strategy has only been implemented in Australia and Asia to date; planning has commenced to adopt the same approach in EMEA and the Americas.



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As an extension of this, WebSpy is currently negotiating distribution and reseller agreements with several high profile global IT distribution businesses serving Australian, American, Asian, and European markets. It is intended that once these relationships are secured, that the distributors will add substantial leverage to the sales efforts of the WebSpy business unit, and WebSpy will provide sales and technical resources to enable the distributors to in turn maximise the commercial opportunity with their reseller base.

In addition, the Company has been exploring OEM partnerships whereby the WebSpy products can be offered as a recommended reporting solution for manufacturers of security appliances and other software security solutions. This approach is also gaining traction with current opportunities being progressed in Australia, the USA and Europe.

As a result of these changes, the Company is seeing a positive trend in continuing revenue growth for the WebSpy business unit.

Marketboomer

The Marketboomer business unit is continuing to demonstrate ongoing growth in transaction numbers driven by a combination of increased utilisation by existing clients as well as new clients either signing with or going live on the Marketboomer platform.

Increased focus on business development activities has resulted in the development of a strong sales pipeline with prospects showing interest in Australia, Singapore, Thailand, Hong Kong, the UK and USA.

During the quarter, Marketboomer was a Gold sponsor of the China Hotel Investment Conference held in Shanghai between 12 and 14th May 2010 (chinahotelconference.com) and was pleased with the interest shown by conference participants in the Company's procurement and materials management solution. Marketboomer will engage in further targeted sponsorship of key hospitality industry events during the 2011 financial year.

With regards to Marketboomer's distributors, a reseller agreement has been negotiated with a potential partner in the UK and it is expected that this will be executed by the end of this month with sales expected within the following two quarters.

The US continues to show promise with some early prospects progressing their review of the Marketboomer system.

New client implementations

New clients signed in the December and March 2010 quarters were deployed successfully during the June 2010 quarter. They included new clients in the UK (Spur Restaurants), Dubai (Bin Hendi and the Els Club), Singapore (IHG) and China (Starwood). Further deployments will continue to take place in the September 2010 quarter, with confirmed new clients in Thailand, Malaysia, Australia and New Zealand thus far.

Appointment of CEO

As announced to the market on 18 March 2010, the Board appointed Mr Declan Monahan, the incumbent Managing Director of Marketboomer to the role of CEO and Managing Director of WebSpy Limited, subject to the execution of an employment agreement. This was finalised and announced to the market on 2 June 2010.

Cash Consumption

The Board continues to recognise the growth potential exhibited by the Marketboomer business and remains committed to funding its ongoing expansion, both in the areas of additional sales and key account management positions, aimed at maximising new sales opportunities and extracting additional revenue from existing customers.

There is further investment planned in the development of new features and capabilities of the Marketboomer platform, including the ability to add significant scalability to the Marketboomer system and thus ensuring its ability to meet an anticipated, significant ramp up in transaction numbers and users as the business grows further.

The ramp up in the expansion of the Marketboomer business is anticipated to be a gradual process, but the additional development work being undertaken is already fully committed. As a result, it is anticipated that the Marketboomer business will move to a period of increased cash consumption whilst this projected growth is funded and ongoing R&D work is undertaken.

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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/>

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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 June 2010

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	1,680	4,776
1.2 Payments for (a) staff costs	(1,151)	(2,633)
(b) advertising and marketing	(116)	(396)
(c) research and development	(242)	(765)
(d) leased assets	-	-
(e) other working capital	(694)	(2,243)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	4	44
1.5 Interest and other costs of finance paid	(50)	(143)
1.6 Income tax credit received (R&D tax offset)	-	-
1.7 Other	-	-
Net operating cash flows	(569)	(1,360)

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

		Current quarter	Year to date
		\$A'000	(12 Months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(569)	(1,360)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	(6)	(100)
	(d) physical non-current assets	(14)	(73)
	(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 (cash acquired on acquisition of subsidiary)	-	427
	Net investing cash flows	(20)	254
1.14	Total operating and investing cash flows	(589)	(1,106)
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	250	500
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other	-	-
	Net financing cash flows	250	500
	Net increase (decrease) in cash held	(339)	(606)
1.21	Cash at beginning of quarter/year to date	1,000	1,137
1.22	Exchange rate adjustments to item 1.21	70	200
1.23	Cash at end of quarter	731	731

+ 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	(174)
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	-	(120)
Non-executive directors' remuneration	-	(13)
Services provided by director-related entities	-	(41)

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	-	-

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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	721	990
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)	731	1,000

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: **30 July 2010**

CEO/ Managing Director

Print name: **Declan Monahan**

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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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