



ACQUISITION

WebSpy Limited (**WebSpy** or the **Company**) is pleased to announce that it has entered into Share Sale Agreements under which it will acquire a 100% interest in the Marketboomer group of companies, Marketboomer Pty Ltd and Ortas Enterprises Limited, which own the global Marketboomer business and assets (the **Acquisition**). For more information about Marketboomer, visit www.marketboomer.com.

The Acquisition signifies a broadening of the Company's focus into an associated internet based procurement and materials management business. The Marketboomer business is highly complementary to the current principal activity of WebSpy. The Acquisition therefore provides significant synergy benefits and strategic expansion opportunities for WebSpy and sets a sound foundation for earnings growth.

Acquisition Highlights

- **The Acquisition has the potential to substantially enhance cashflow, revenue and generate profitable operations for the WebSpy group in FY2010.**
- **The consideration for the Acquisition of \$4,765,651 is to be satisfied by the issue of 115,000,000 fully paid ordinary shares and 361,565,100 deferred fully paid ordinary shares (see details below).**
- **Approximately 92% of the consideration shares will be subject to a voluntary escrow period.**
- **The Marketboomer group's significant customer base represents a captive market for WebSpy's products which offer further cost savings and productivity improvements.**
- **WebSpy will potentially gain additional operational and development capability in Europe, the Middle East, China and South East Asia.**
- **The WebSpy group will integrate both management and technical development resources (as relevant) offering opportunities for significant improvements to intellectual property, sales and marketing and administration with a flow on benefit of reduction in indirect and overhead costs.**



The Marketboomer Business

Marketboomer Pty Ltd (**MBA**) was incorporated in 1997. In 2000 St George Bank and another institutional investor, Menzies Technologies, each took a 20% stake in the Company with a significant capital injection. This, combined with a further \$2.5 million from the Australian Federal Government's R&D Start Program, enabled it to develop its e-commerce platform and to commence commercialisation.

Ortas Enterprises Limited (**Ortas**) was incorporated in 2004 and is the parent company to the wholly owned entities which operate the Marketboomer business internationally.

MBA and Ortas (together, the **Marketboomer Group**) own the global Marketboomer business and assets (**Marketboomer**). 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.

The Marketboomer Group has invested over \$10 million to date in product development, both to keep up to date with changes in technology trends and standards, as well as to build scale and capacity into the platform. MBA is a Federal Government Endorsed Supplier and a member of the Australian Technology Showcase.

Internationalisation of the Marketboomer business commenced in 2004 and the Marketboomer Group now has offices in Australia, Ireland, China, the United Arab Emirates and Singapore. New clients have been established in New Zealand, Thailand, Saudi Arabia and Indonesia in early 2009.

Currently, the Marketboomer Group works primarily with hospitality and food service businesses (both buyers and suppliers) of all sizes, large and small, independents and groups. Its clients are significant operators of the hotel and catering industry – Starwood (including the brands Sheraton, Westin, Le Meridien and Four Points), InterContinental Hotel Group (including the brands InterContinental, Holiday Inn and Crowne Plaza), Jumeirah, Emirates Airline Catering, Hyatt, Four Seasons, Mirvac and more. The Marketboomer Group is also working with businesses outside the hospitality sector and future markets are expected to include industrial catering, health care, education and government. The Marketboomer solution can be applied to any industry sector.

In calendar 2008, the procurement technology for the Marketboomer business processed 700,000 transactions representing \$300m of purchasing for buyers in seven countries, and delivered substantial and directly quantifiable cost savings to its customers in the hospitality industry. Currently, the Marketboomer application is accessed by over 14,000 users in approximately 5,500 businesses. The Marketboomer Group's business model is built on utilising the Internet to deliver its software as a service application and its revenue comprises a percentage of transaction values.

Marketboomer's application has been architected on highly scalable technologies and the Marketboomer Group maintains an ongoing development program to keep its product abreast of technology trends and capable of supporting increasing transaction volumes.

Marketboomer typically reduces its buy side clients procurements costs by between 8 and 20% and additionally creates process savings and efficiencies of 20% or more within the procurement function.

Financial information on the Marketboomer Group will be included in the Notice of Meeting and the accompanying Independent Expert's Report to be sent to shareholders shortly.



Consideration for the Acquisition

The consideration for the Acquisition is \$4,765,651 to be satisfied by the issue of 115,000,000 fully paid ordinary shares in the Company (**Shares**) and 361,565,100 deferred Shares (**Deferred Shares**) (together, the **Consideration Shares**) at a deemed issue price of 1 cent per Consideration Share. The Consideration Shares to be issued to the major vendors (representing approximately 92% of the total number of the Consideration Shares) are subject to the voluntary escrow restrictions as set out below:

- 25% of the Consideration Shares held by each major vendor will be restricted for 6 months from allotment in respect of the Shares and 6 months from completion of the Acquisition in respect of the Deferred Shares;
- 25% of the Consideration Shares held by each major vendor will be restricted for 12 months from allotment in respect of the Shares and 12 months from completion of the Acquisition in respect of the Deferred Shares; and
- 50% of the Consideration Shares held by each major vendor will be restricted for 24 months from allotment in respect of the Shares and 24 months from completion of the Acquisition in respect of the Deferred Shares.

The Deferred Shares will be issued to the vendors of the Marketboomer Group upon the occurrence of one of the following events within three years of the settlement date of the Acquisition:

- a) revenue from the Marketboomer Group for three consecutive months aggregates to more than \$1,875,000;
- b) processed transactions from the Marketboomer Group for three consecutive months aggregate to more than 250,000 transactions; or
- c) an entity not associated with any of the vendors of the Marketboomer Group makes a takeover bid for all of the issued shares in WebSpy.

If these events do not occur within a three year period from the settlement date of the Acquisition, the Deferred Shares will not be allotted.



Reasons for the Acquisition

- (a) The Marketboomer Group has made significant capital investment to achieve substantial growth in the past three years. The Acquisition will provide WebSpy with the opportunity to participate in future rapid growth in the Marketboomer business.
- (b) The substantial Marketboomer customer base represents a strategic and natural market for WebSpy's software products. Both the WebSpy and Marketboomer products are B2B and based around Internet and large data manipulation with high transaction levels. Both products are well trusted and provide a great lead in for the other within a business, whilst being complementary in the areas of cost management and productivity improvement.
- (c) The Marketboomer Group has a highly experienced management and a software development team located in Australia and overseas. WebSpy's software development capability will be complemented by the Marketboomer's team and cost efficiencies will be generated by the Acquisition. WebSpy will have an opportunity post Acquisition to take particular advantage of some overseas development facilities being used by Marketboomer.
- (d) The Acquisition has the potential to generate a substantially higher level of earnings and cash flow for WebSpy from the operations of the Marketboomer business as well as improve the net assets of WebSpy. This advantage will improve WebSpy's financing capacity to fund future expansion and new business.
- (e) The Marketboomer Group has established marketing presence in Australia, Ireland, China, Indonesia, Thailand, Saudi Arabia, the UAE and Singapore. The additional marketing centres will strengthen the marketing resource of WebSpy for its own software products. WebSpy on the other hand has been operating in the United States for nearly 10 years and will be able to assist the entry of the Marketboomer business into the region.
- (f) The corporate, development and administrative cost overheads of WebSpy will be spread over a greater number of business units, hence potentially improving cost efficiencies.
- (g) The Marketboomer Group is well acquainted with the use of channel marketing for online services. This will be a critical component of WebSpy's marketing approach in the future.
- (h) The Marketboomer Group is working on a new distribution model (under the brand "Tell-More-Sell-More") that could significantly increase the number of suppliers using its technology. WebSpy believe that this has the potential to offer a ready market for its own product.
- (i) The Acquisition represents a significant increase in the scale of activities and operations of WebSpy. In the absence of the Acquisition, WebSpy would continue to invest in its monitoring, analysis and reporting software business and this approach would be more gradual and likely to require significant further capital.

Reasons against the Acquisition

- (a) The interest of the Company's shareholders in WebSpy will be diluted upon the issue of the Consideration Shares.
- (b) There can be no guarantee that the value of the WebSpy shares will increase following completion of the Acquisition.
- (c) WebSpy operates in a different software sector to Marketboomer. Shareholders of WebSpy may not wish to diversify from WebSpy's core business and/or participate in the Marketboomer business.



Shareholder Approvals

Completion of the Acquisition requires the approval of the Company's shareholders for the following regulatory purposes:

- a) approval is required pursuant to Section 611 Item 7 of the Corporations Act because the issue of Shares and Deferred Shares to shareholders of the Marketboomer Group will result in them having a voting power in the Company of greater than 20%; and
- b) approval is required pursuant to ASX Listing Rule 11.1.2 because the proposed Acquisition will result in a significant change in the scale of the Company's activities.

Proposed Board Changes

Subject to settlement of the acquisition of MBA, the Company has agreed to appoint Mr Declan Monahan and Mr Kim Redstall as directors of the Company. Mr Monahan will join the board of WebSpy as an Executive Director and will be in charge of international expansion and new markets development.

Mr Monahan has a Degree in Management, a Masters Degree in Management Information Systems and over 20 years in a variety of senior management roles in the hospitality, education and IT sectors. Mr Monahan has substantial experience establishing, running and expanding businesses in an Australasian, Middle Eastern and European context. He has strong business development skills and significant expertise in selling and implementing eCommerce systems within complex regional and international businesses

Mr Kim Redstall will also join the board of WebSpy as a Non-Executive Director on completion of the transaction. Mr Redstall is the principal of Technology Capital, a specialist corporate advisory firm focused on mergers, acquisitions and related transactions within the technology sector and has over 20 years' experience with a range of private and public companies in the IT Industry. In addition to founding several start-ups, he has held a variety of sales, management and consulting roles in various IT businesses in both Australia and New Zealand. Mr Redstall has significant operational, sales, marketing, merger and acquisition and management experience in the technology industry. He is a Graduate Member of the Australian Institute of Company Directors.

Directors Recommendation

In reaching their decision to enter into the Agreements, the Directors considered the Company's strategic alternatives and had regard to both the advantages and disadvantages of the Acquisition as set out above.

The proposal to enter into the Agreements was voted on by the Company's Directors and carried on a 3:2 basis.

Shareholders are recommended to read the Notice of Meeting to be sent out shortly to WebSpy shareholders in full, including the Independent Expert's Report which shall accompany the Notice, before forming an opinion on the merits of the Acquisition.



Conclusion

The Company regards this transaction to be a positive step towards generating sustainable growth in revenue and earnings in the future and will contribute significant working capital generated from its operations.

The Company is in the process of preparing a notice of meeting to seek the shareholder approvals set out above. The notice of meeting will be accompanied by an independent report on the transaction by BDO Kendalls Corporate Finance (WA) Pty Ltd. This report will include comprehensive financial details and analysis of the proposed transaction and provide an independent opinion on whether the proposed transaction is fair and reasonable. It is anticipated that the general meeting will be held in November 2009.



Jack Andryś

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 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>

