ISSUE OF CONVERTIBLE NOTES

Tuesday, 14th December 2004 (Perth, Australia): The Company is pleased to advise that it has issued two convertible notes of $100,000 each with the following terms:

1. The aggregate value of the Notes is $200,000.
2. The Notes are convertible into fully paid shares at 80% of the weighted average market price of the shares in the 5-business day period prior to conversion.
3. The Notes can be converted at any time until 10th December 2005.
4. The Notes carry an interest rate of 9% per annum.
5. Interest is payable on a quarterly basis.

The Notes have been issued to Baracus Pty Ltd, a private investor. Baracus Pty Ltd currently holds 6,569,120 shares in WebSpy Limited and Gibson Capital Pty Ltd.

The purpose of the funds raised is to augment operating working capital over the next 6 months whilst the Company awaits for payments in progress.

The Company's working capital will also be enhanced during the current financial year by the following issues:

a. The final instalment of a 2004 EMDG grant of approximately $80,000 is expected to be received before the end of June 2005.

b. The release of a security deposit of $400,000 in support of certain guarantees.

c. An R&D Concession tax payment of approximately $300,000 is being claimed and is expected to be settled by first calendar quarter 2005.

d. Qatar Tax withholding repayment claimed against a project of approximately $50,000.

The aggregate increase in working capital from the above will markedly improve the Company's working capital position taking into account the Company's improving sales revenues.

About WebSpy Ltd

WebSpy Ltd (ASX:WSY), is a Perth-based software developer and distributor of both internet and email monitoring and management software, together with asset management products for the oil and gas industry. The Company was started in 1994. With sales offices in Seattle and London the company now has over 7000 customers and is enjoying international sales success with its WebSpy® and Inspection Manager™ products.

In May 2004 WebSpy Ltd was ranked 18th in the Deloitte Technology Fast 50 awards, having achieved 189 per cent revenue growth over the last three years. In October 2003 WebSpy Ltd gained 35th position in the BRW FAST 100 list.

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

WebSpy® products

These include:
* WebSpy Analyzer Standard: Internet analysis and reporting tool.
* WebSpy Analyzer Premium and Analyzer Giga: Internet and email analysis and reporting, Giga for enterprise clients.
* WebSpy Live: Real-time Internet monitoring and management.
* WebSpy Sentinel: Full content data capture device.
* Analyzer Standard Suite: Internet analysis tool, incorporating WebSpy Live real-time monitoring.
* Analyzer Premium Suite: Internet and email analysis tool, incorporating WebSpy Live real-time monitoring.
* WebSpy ISA Server Suite: Integrated WebSpy Internet monitoring tool and Microsoft® Internet Security and Acceleration Server 2004, (ISA Server 2004).
* FlowMonitor: The first Windows-based tool to monitor Cisco's NetFlow output.

About Inspection Manager™ Products and Services

Inspection Manager is an Asset Integrity Management System which integrates software and hardware to provide operators and contractors within the oil and gas industry a means to facilitate inspection planning, data collection, management, and assessment; and in turn reporting on the integrity of both offshore and onshore structures. Inspection Services are offered which assist in the training of operators of the Inspection Manager™ products and or the operation of these products and associated activities both onshore and offshore.

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

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