



APPENDIX 4C QUARTERLY REPORT OCTOBER – DECEMBER 2006

Wednesday, 31st January 2007 (Perth, Australia): The second quarter activity has seen an encouraging 36% increase on the previous quarter's activity with billings of approximately \$1.2 million compared with the first quarter's billings of approximately \$880,000. A large portion of the activity generating this revenue occurred in the last six weeks of the quarter drawing heavily on the Company's cash resources. The net operating outflow for the quarter was adversely influenced by forward payments of suppliers and contractor payments made in December whilst awaiting project based receipts from major offshore based clients. During the month of January 2007, receipt of debtors amounted to approximately \$617,220.

January has seen an improvement to the cash position with cash at bank of \$264,432 as at today. The Company has also applied for a tax offset rebate of over \$275,000 in respect of the year ended 30 June 2006 and anticipates receiving this amount during the current quarter. As noted in previous ASX updates, the Company has implemented a number of costs savings strategies including the restructure of staffing requirements and the benefits of these strategies are expected to accrue in the coming period. Based on the current level of sales activities and the costs savings achieved, the Company's cash position is expected to continue to improve.

The highlights for quarter covering both the WebSpy and Netlink Inspection business units include:

For the WebSpy business unit

- The deployment into the market of WebSpy Insight a new product launched at SMB Nation in Seattle, to work with Microsoft's Small Business Server.
- The Establishment of a Strategic Distribution Channel into the Middle East.
- WebSpy invited to join Microsoft's US based partner advisory council.

For the Netlink Inspection business unit

- The completion of upgrades to all current software products for Asset Integrity and Asset Risk Management.
- The second and third deployment of Netlink Inspection products into the North Sea and the third deployment in Qatar.

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

Jack Andrys
Chief Executive Officer
WebSpy Ltd
Phone: +618 9321 3322 Email: jack@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

60 066 153 982

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 Months) \$A'000
1.1 Receipts from customers	818	1,802
1.2 Payments for (a) staff costs	(510)	(1,010)
(b) advertising and marketing	(352)	(621)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(149)	(262)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(2)	(3)
1.6 Income tax credit received	-	-
1.7 Other	-	-
Net operating cash flows	(195)	(94)

+ 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 (6 Months) \$A'000
1.8 Net operating cash flows (carried forward)	(195)	(94)
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	(6)	(30)
(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	-	50
1.13 Other (proceeds from Term Deposit)	-	-
Net investing cash flows	(6)	20
1.14 Total operating and investing cash flows	(201)	(74)
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	(6)	(11)
1.19 Dividends paid	-	-
1.20 Other (Release of security from Term Deposit)	-	-
Net financing cash flows	(6)	(11)
Net increase (decrease) in cash held	(207)	(85)
1.21 Cash at beginning of quarter/year to date	287	163
1.22 Exchange rate adjustments to item 1.21	6	8
1.23 Cash at end of quarter	86	86

+ 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	(59)
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors' remuneration	-	(59)
--------------------------------	---	-------------

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	86	287
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	86	287

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: **31 January 2007**
 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.