Appendix 4D

Half year Report
to the Australian Stock Exchange

Part 1

Name of Entity	WebSpy Limited
ABN	60 066 153 982
Half Year Ended	31 December 2006
Previous Corresponding Reporting Period	Half year ended 31 December 2005

Part 2 – Results for Announcement to the Market

	$'000	**Percentage increase /(decrease) over previous corresponding period**
Revenue from ordinary activities	1,897	22%
Profit from ordinary activities after tax attributable to members	175	407%
Net Profit attributable to members	175	407%

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

Refer Part 4 for commentary on the results for the half year.

Part 3 – Contents of ASX Appendix 4D

Part 4 – Commentary on Results

During this half year period, the Company has continued the operation of both business units being WebSpy ® Internet Management software and Netlink Inspection, asset Integrity oriented software and services.

The WebSpy® business unit continues to operate from its Perth, Seattle and London offices. The transition from a direct product sales strategy to a channel distribution model is progressing with the appointment of distributers in North America and the Middle East being added. Operational costs reductions within the business unit, which were commenced in the second half of the previous financial year, assisted in providing a positive result for the unit in this period.

The WebSpy® business unit also maintained a good level of product development over the six months and were able to release WebSpy® Insight for Microsoft® SBS, (Small Business Server) product. This was amongst other ongoing development projects.

The Netlink Inspection business unit continued to grow in revenue and staff numbers during the period as a result of strong demand from the oil & gas industry. New clients were added during the period including clients in new regions such as Aberdeen, Scotland, Denmark, and Malaysia. Additional clients were added in established regions such as Qatar, Indonesia and Australia, with work also ongoing for existing clients in those regions.

Netlink Inspection continued working with its JV partner Ionik (JP Kenny Group) on marketing the JV in the North Sea, Asia, Middle East, and Houston. The JV has been actively supporting clients in Indonesia over the period and will be using this activity as a test case to present its services in the other regions over the next 12 months.

Following on from Netlink Inspection establishing its first three clients in the North Sea over the past seven months, it plans to establish an operation base in Aberdeen to support existing clients in the area such as Maersk Oil UK, Nexen, and Maersk Oil Denmark. The base will have the ability to provide additional services revenue whilst fulfilling a support function, but even more importantly will present the opportunity for direct local marketing.

Part 5 – Details Relating to Dividends

Date the dividend is payable	**N/A**
Record date to determine entitlement to the dividend	
Amount per security	
Total dividend	
Amount per security of foreign sourced dividend or distribution	
Details of any dividend reinvestment plans in operation	
The last date for receipt of an election notice for participation in any dividend reinvestment plans	

Part 6 – Net Tangible Assets per Security

	2006	**2005**
Net tangible asset backing per ordinary security	0.34 cents	0.42 cents

Part 7 – Details of Entities Over Which Control has been Gained or Lost

Name of entity (or group of entities)	**N/A**
Date control gained or lost	
Contribution of the controlled entity (or group of entities) to the profit/(loss) from ordinary activities during the period, from the date of gaining or losing control	
Profit (loss) from ordinary activities of the controlled entity (or group of entities) for the whole of the previous corresponding period	
Contribution to consolidated profit/(loss) from ordinary activities from sale of interest leading to loss of control	

Part 8 – Details of Associates and Joint Venture Entities

	Ownership Interest		Contribution to net profit/(loss)	
	2006 %	2005 %	2006 $A'000	2005 $A'000
Name of entity	**N/A**	**N/A**	**N/A**	**N/A**
Associates				
Joint Venture Entities				
Aggregate Share of Losses				

Part 9 – Audit/Review Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited		The accounts have been subject to review	✓
The accounts are in the process of being audited or subject to review		The accounts have not yet been audited or reviewed	

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification: Not applicable
If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification: Not applicable

WEBSPY LIMITED

A.C.N. 066 153 982

Condensed Consolidated Interim Financial Report 31 December 2006

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2006 and the auditor's review report thereon:

1. Directors

The directors of the Company during the half-year and up to the date of this report are:

Name	*Period of directorship*
Mr Jack Paul Andrys *Managing Director*	Director since August 1999
Mr Tom McGellin	Director since May 2004
Mr Joseph Chua	Director since November 2001
Mr Ian Gibson	Director since January 2005

2. Results

The profit after tax of the consolidated entity for the half-year was $175,473 (2005: $34,595).

3. Review of Activities

During this half year period, the Company has continued the operation of both business units being WebSpy ® Internet Management software and Netlink Inspection, asset Integrity oriented software and services.

The WebSpy® business unit continues to operate from its Perth, Seattle and London offices. The transition from a direct product sales strategy to a channel distribution model is progressing with the appointment of distributers in North America and the Middle East being added. Operational costs reductions within the business unit, which were commenced in the second half of the previous financial year, assisted in providing a positive result for the unit in this period.

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Following on from Netlink Inspection establishing its first three clients in the North Sea over the past seven months, it plans to establish an operation base in Aberdeen to support existing clients in the area such as Maersk Oil UK, Nexen, and Maersk Oil Denmark. The base will have the ability to provide additional services revenue whilst fulfilling a support function, but even more importantly will present the opportunity for direct local marketing.

4. Auditor's independence declaration under Section 307C of the Corporations Act 2001

The auditor's declaration is set out on page 3 and forms part of the directors' report for the half-year ended 31 December 2006.

Dated at Perth, Western Australia, this 28th day of February 2007.

Signed in accordance with a resolution of the directors:

Jack Andrys
Managing Director

Grant Thornton

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of WebSpy Limited and its Controlled Entities for the half-year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP
Chartered Accountants

CYRUS PATELL
Partner

Perth, WA
Dated 28 February 2007

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	31 Dec 2006 $	31 Dec 2005 $
Revenue	1,894,701	1,470,488
Cost of sales	(266,250)	(136,792)
Gross profit	1,628,451	1,333,696
Other income	1,861	81,306
Corporate and administrative expenses	(177,830)	(237,024)
Sales and marketing expenses	(989,585)	(1,122,005)
Technical expenses	(133,667)	(107,925)
Research and development expenses	(151,805)	(236,513)
Profit/(loss) from operating activities	177,425	(288,465)
Financing costs	(1,952)	(18,201)
Net financing costs	(1,952)	(18,201)
Profit/(loss) before income tax	**175,473**	**(306,666)**
Income tax	-	341,261
Profit attributable to members of the parent equity	**175,473**	**34,595**
Basic earnings per share (cents)	0.15	0.03
Diluted earnings per share (cents)	0.13	0.02

The income statement is to be read in conjunction with the accompanying notes.

WEBSPY LIMITED

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2006

	Note	31 Dec 2006 $	30 Jun 2006 $
CURRENT ASSETS			
Cash and cash equivalents		86,396	162,733
Trade and other receivables		864,694	645,619
Inventories		29,729	26,541
Other		26,147	30,908
TOTAL CURRENT ASSETS		1,006,966	865,801
NON-CURRENT ASSETS			
Trade and other receivables		16,860	16,860
Property, plant and equipment		87,553	79,779
TOTAL NON-CURRENT ASSETS		104,413	96,639
TOTAL ASSETS		1,111,379	962,440
CURRENT LIABILITIES			
Trade and other payables		549,487	535,594
Interest bearing liabilities	7	11,750	22,960
Provisions		137,084	146,495
TOTAL CURRENT LIABILITIES		698,321	705,049
NON-CURRENT LIABILITIES			
Interest bearing liabilities		13,798	22,186
TOTAL NON-CURRENT LIABILITIES		13,798	22,186
TOTAL LIABILITIES		712,119	727,235
NET ASSETS		**399,260**	**235,205**
EQUITY			
Issued capital	6	17,500,386	17,500,386
Reserves		(53,578)	(42,160)
Accumulated losses		(17,047,548)	(17,223,021)
TOTAL EQUITY		**399,260**	**235,205**

The balance sheet is to be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

	31 Dec 2006 $	31 Dec 2005 $
Cash flows used in operating activities		
Cash receipts from customers	1,869,162	1,755,871
Cash paid to suppliers and employees	(1,902,913)	(2,084,336)
Interest received	-	4,432
Other revenue received	-	70,000
Interest paid	(1,952)	(19,558)
Net cash used in operating activities	**(35,703)**	**(273,591)**
Cash flows used in investing activities		
Payments for property, plant and equipment	(29,588)	(20,132)
Net cash provided by/(used in) investing activities	**(29,588)**	**(20,132)**
Cash flows from financing activities		
Proceeds from borrowings	-	44,873
Payment of finance lease liabilities	(11,209)	(23,215)
Net cash provided by/(used in) financing activities	**(11,209)**	**21,658**
Net decrease in cash and cash equivalents	**(76,500)**	**(272,065)**
Cash and cash equivalents at 1 July	162,733	337,593
Exchange rate adjustment	163	2,517
Cash and cash equivalents at 31 December	**86,396**	**68,045**

The statement of cash flows is to be read in conjunction with the accompanying notes.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2006

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2006	17,500,386	(42,160)	(17,223,021)	235,205
Currency translation differences	-	(11,418)	-	(11,418)
Profit for the period	-	-	175,473	175,473
Balance as at 31 December 2006	**17,500,386**	**(53,578)**	**(17,047,548)**	**399,260**

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
Balance as at 1 July 2005	17,261,804	(7,054)	(16,995,649)	259,101
Currency translation differences	-	2,963	-	2,963
Profit for the period	-	-	34,595	34,595
Conversion of convertible notes to shares	200,000	-	-	200,000
Balance as at 31 December 2005	**17,461,804**	**(4,091)**	**(16,961,054)**	**496,659**

The statement of changes in equity is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

WebSpy Limited (the "Company") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006 is available upon request from the Company's registered office.

2. STATEMENT OF COMPLIANCE

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards AASB 134 Interim Financial Reports and the Corporations Act 2001.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2006.

This consolidated interim financial report was approved by the Board of Directors on 28 February 2007.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the consolidated entity in this consolidated interim financial report are the same as those applied by the consolidated entity in its consolidated financial report as at and for the year ended 30 June 2006.

Financial Position

The financial statements have been prepared on the going concern basis accounting which assumes that the consolidated entity will be able to meet its commitments, realise its assets and discharge its liabilities in the ordinary course of the business.

The consolidated entity's ability to continue as a going concern is contingent upon the continuous support of the entity's creditors as well as the conversion of trade receivables to cash under the normal terms of trade. If this support is not forthcoming and the Company is unable to convert its trade receivables to cash within normal trading terms, as a result the going concern basis may not be appropriate and the entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

4. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 31 December 2006 the consolidated entity acquired assets with a cost of $29,588 (six months ended 31 December 2005: $20,132).

5. SEGMENT REPORTING

Geographical segments

31 December 2006	**Australia** $	**United States** $	**United Kingdom** $	**Consolidated** $
Segment revenue	1,240,454	305,160	351,600	1,897,214
Other unallocated revenue				-
Total revenue				1,897,214
Segment result	159,051	36,177	73,423	268,651
Unallocated revenues and expenses				(93,178)
Profit from ordinary activities before related income tax expense				175,473

5. SEGMENT REPORTING (cont'd)

31 December 2005	Australia $	United States $	United Kingdom $	Consolidated $
Segment revenue	733,418	289,391	517,761	1,540,570
Other unallocated revenue				352,485
Total revenue				1,893,055
Segment result	(345,058)	20,706	116,883	(207,469)
Unallocated revenues and expenses				242,064
Loss from ordinary activities before related income tax expense				34,595

	31 Dec 2006 $	30 Jun 2006 $
6. ISSUED CAPITAL		
Issued and Paid-Up Capital		
119,141,275 (June 2006: 119,141,275) ordinary shares, fully paid	17,500,386	17,500,386

Options

No options to subscribe for ordinary fully paid shares were granted or exercised during the half-year.

The following options lapsed during the half-year:

- 8,000,000 options exercisable at $0.055 each on or before 31 December 2006.

The following options to subscribe for ordinary fully paid shares are outstanding as at balance date:

- 8,000,000 options exercisable at $0.07 each on or before 31 December 2007.

7. INTEREST BEARING LIABILITIES

The following loans and borrowings (non-current and current) were issued and repaid during the six months ended 31 December 2006:

	Carrying amount	Interest rate
Balance at 1 July 2006	22,960	
Repayments		
Finance lease liabilities	(11,210)	8.9%
Balance at 31 December 2006	11,750	

8. SUBSEQUENT EVENT

There are no events subsequent to balance date that would have a material financial effect on the financial statements for the half year ended 31 December 2006.

DIRECTORS' DECLARATION

In the opinion of the directors of WebSpy Limited ("the Company"):

1. the financial statements and notes set out on pages 4 to 9 are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and

   (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia, this 28th day of February 2007.

Signed in accordance with a resolution of the directors:

Jack Andrys
Managing Director

Grant Thornton Western Australian Partnership
ABN 21 965 022 882
Chartered Accountants, Business Advisers and Consultants

Independent Review Report

To the Members of WebSpy Limited

Scope

The half-year financial report and Director's responsibility

We have reviewed the accompanying half-year financial report comprising the balance sheet as at 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a description of accounting policies, other selected explanatory notes to the financial statements and the directors' declaration for the consolidated entity. The consolidated entity comprises both the WebSpy Limited (the Company) and the entities it controlled during that half-year.

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the appropriate accounting policies and reasonable accounting estimates inherent in the half-year financial report.

Review approach

We conducted an independent review where our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410 'Review of an Interim Financial Report Performed by the Independent Auditor of the Entity', in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including, giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 'Interim Financial Reporting and the Corporations Regulations 2001'. As the auditor of WebSpy Limited and its Controlled

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Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of WebSpy Limited and its Controlled Entities is not in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date.

b) complying with Australian Accounting Standard AASB 134 : 'Interim Financial Reporting' and the Corporations Regulations 2001.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without further qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

GRANT THORNTON WESTERN AUSTRALIAN PARTNERSHIP
Chartered Accountants

CYRUS PATELL
Partner

Perth, WA
28 February 2007