

ASX RELEASE**28 January 2011****Cash Flow Statement and Investor Update**

Two Way Limited attaches its cash flow statement for the quarter ended 31 December 2010.

Investor Update – Performance of TV Wagering Service

Turnover through the Company's TV wagering service, TAB ACTIVE, in the December quarter was up 15% on the September quarter. Turnover in the October month was the highest on record, at \$6,229,597.

The full betting service is currently available to FOXTEL and Optus TV subscribers in Sydney and Melbourne only. As at the end of December 2010:

- Total turnover through the service has now exceeded \$117 million.
- More than 13.1 million bets in total have been placed through the service, with more than 1.8 million in the December quarter alone.
- The average number of bets per day during the quarter was 20,027. This was an increase of 16% on the September 2010 quarter, and 1% on the December 2009 quarter.
- The average bet size for the quarter was \$8.98. This was a very slight increase (less than 1%) on the September 2010 quarter, but was 6% down on the December 2009 quarter.

Compared to the results from one year ago, the factor that stands out is the decline in average bet size. While punters are maintaining or increasing the number of bets placed, they appear to have reduced the size of those bets. This may be a reflection of general economic conditions, which is also evident in reports of the decline in general retail spending.

Management also considers that the growth of the TAB ACTIVE service has been slowed down by Tabcorp's delay in adding fixed odds betting to the service. This form of betting has supplied all of Tabcorp's turnover growth in recent times, and is being heavily promoted. All other Tabcorp wagering channels, including retail outlets in New South Wales, now offer the option of tote or fixed odds betting on races. Punters now expect to be provided with the option of tote or fixed odds betting, no matter which method they use to place bets.

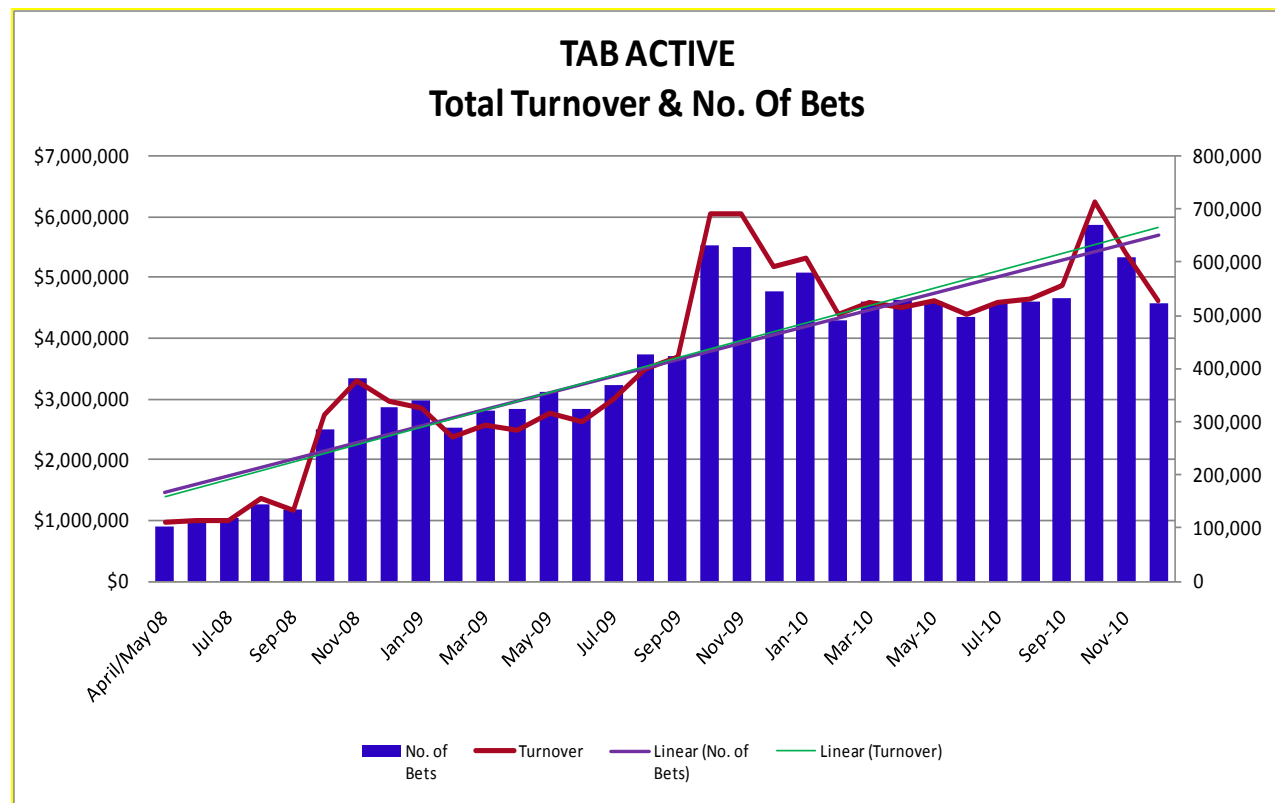
Fixed odds betting via TAB ACTIVE was expected to be made available by Tabcorp in February 2011. While Two Way has completed all technical work required, technical issues at the Tabcorp end have caused the launch date to slip to 8 March 2011.

The Company continues to liaise with the Queensland Government and UNiTAB in its ongoing efforts to obtain final regulatory approval to launch the service in Queensland and South Australia. Two Way understands that all required information has been provided, and all technical assessment work has been completed, and is not aware of any further obstacles to a decision.



Launch of the service in Western Australia is subject to completion by Racing and Wagering Western Australia of technical works that have been delayed by their major betting engine replacement project. As a result, launch is currently expected in May 2011.

The graph below shows the overall trend in turnover through the service, and the number of bets per month, as at the end of the December quarter.



Cash flow statement for the quarter ending 30 June 2010 (attached)

Key details are as follows:

1. **Receipts from customers** \$505,000

Receipts from customers during the quarter reached their highest level ever.

Cash receipts from the TV wagering service were up 11% on the prior quarter. This is not unexpected, given the impact of the Spring Racing Carnival.

Way2Bet recorded its best quarterly results to date, with an increase of 57% on the September quarter. Key factors include increased patronage of the Way2Bet site, and significantly higher win rates for many of our corporate bookmaker clients (resulting in increased commissions to Way2Bet).

Revenue receipts from a number of one-off development projects were also settled during the quarter.



2. **Net operating cash flow** (\$146,000)

Quarterly operating cash flow was favourably impacted by a number of specific items, including the receipt of an R&D expenditure rebate for the 2009/10 financial year, and reimbursement from TAB ACTIVE partners for their share of marketing costs associated with the Spring Racing Carnival.

This was offset by a temporary increase in licence fees, which totalled \$196,000 for the quarter, as a result of the Company's favourable renegotiation of its licensing arrangement with Two Way Media. Only one further payment (of \$80,000) is due at the end of January 2011. After that no further licence fees are payable, although the licences will become perpetual.

The Company's annual insurance policies were also paid during the quarter, although the overall cost of these has been greatly reduced.

The Company continues its focus on tight cost control.

3. **Net financing cash flow** \$540,000

During the quarter, the Company successfully raised \$400,000 via a share placement to sophisticated and professional investors. A further \$165,000 was raised via a share purchase plan, from existing eligible shareholders of the Company. The funds, less share issue expenses, will be used primarily for working capital.

4. **Total net cash flow** \$392,000

5. **Cash on hand** \$763,000

For further information:

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ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way creates advanced interactive media and gambling applications. Our competitive strengths include our specialised expertise, patented technology, and library of interactive applications, which can be deployed on TV, mobile or internet.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) and FOXTEL, which has now been extended to include Racing and Wagering Western Australia (RWWA) and UNiTAB Limited (ASX:TTS). Two Way has the potential to establish similar relationships with other wagering and broadcasting partners throughout Australia and overseas.

Our interactive wagering technology offers advanced betting features and related information, and utilises the latest synchronisation techniques to enhance the user experience. This technology can be applied to both racing and sports betting applications.



Our Way2Bet portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile platforms at www.way2bet.com.au and way2bet.mobi.

Two Way's products are currently being deployed by leading wagering and interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, RWWA, UNiTAB, Sportingbet, FOXTEL, Austar, Optus TV and Sky New Zealand.

To learn more about Two Way visit www.twowaytv.com.au



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000 Amended 30/9/2001, 24/10/05, 17,12/10

Name of entity

TWO WAY LIMITED

ABN

28 007 424 777

Quarter ended ("current quarter")

31 December 2010

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	505	881
1.2 Payments for (a) staff costs	(373)	(771)
(b) advertising & marketing	(12)	(71)
(c) R&D rebate	207	207
(d) leased assets	(1)	(2)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	14
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – licence fees	(196)	(233)
Other – consultants' fees	(50)	(101)
Other – rental costs	(25)	(51)
Other – telecommunications	(114)	(233)
Other expenses	(93)	(157)
Net operating cash flows	(146)	(517)

+ 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)	(146)	(517)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	(2)	(2)
(e) other non-current assets		
(f) short term deposit		
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 (provide details if material)		
Net investing cash flows	(2)	(2)
1.14 Total operating and investing cash flows		
Cash flows related to financing activities		
1.15 Proceeds from issue of shares, options, etc	565	565
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other – share issue expenses	(25)	(25)
Net financing cash flows	540	540
Net increase (decrease) in cash held	392	21
1.21 Cash at beginning of quarter/year to date	371	742
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	763	763

+ 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	52
1.25	Aggregate amount of loans to the parties included in item 1.11	N/A
1.26	Explanation necessary for an understanding of the transactions Included in Staff Costs in Item 1.2 are Board Fees paid to non-executive directors or their related entities amounting to \$51,806	

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

- 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

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

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	0	0
3.2 Credit standby arrangements	N/A	
3.3 Explanation necessary for understanding transactions		

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	763	371
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.23)	763	371

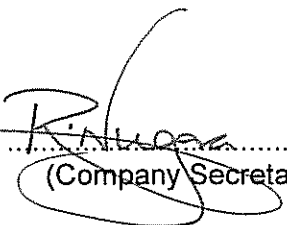
Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

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: 28 January 2011
(Company Secretary)

Print name: Rointon Nugara