

ASX RELEASE

31 August 2011

FY11 Results Announcement

Two Way Limited today released its financial report and accounts for the 12 months ending 30 June 2011. The full year results are the strongest on record, with the highlight being a 66% improvement in the net result.

Revenues increased by a total of 13% in the Company's key wagering products, being the TAB Active TV wagering service and the Way2Bet online and mobile wagering portal. However revenues from games declined compared to the previous year, as a result of Austar's decision to switch off all its games services at the end of March 2010. Revenues from ad hoc development projects also declined, due to the timing of the Company's engagement on these projects.

This led to an overall decline of 6% in revenues, which was more than offset by a 10% reduction in expenses. This led to an improvement of 15% in the result prior to abnormals and tax.

There were no abnormal charges this year, following the Board's decisions in previous financial years to carry no intangible assets on the balance sheet. Depreciation charges were also reduced, as a number of tangible assets reached their full written down values during the year.

The Company successfully applied for a research and development tax offset during the year, which provided a cash benefit.

Key Financial Information

	FY11	FY10	% Change
Revenue from ordinary activities	\$ 1.595m	\$ 1.697m	Decreased 6%
Expenses from ordinary activities	\$(2.821m)	\$(3.135m)	Reduced 10%
Loss from ordinary activities	\$(1.226m)	\$(1.438m)	Improved 15%
Abnormals	Nil	\$(1.589m) *	
Tax (including R&D offset)	\$ 0.197m ^	\$(0.023m)	
Net result	\$(1.029m)	\$(3.050m)	Improved 66%

*: being a non-cash impairment charge of \$1.589m against the carrying value of the prepaid wagering fee

^: being a R&D tax offset of \$0.207m, together with a non-material tax expense for a subsidiary



Review of Operations

TAB Active – TV Wagering Service

This was a watershed year for the Company's TV wagering service. Regulatory approval was finally received in Queensland on 30 March 2011, after a delay of many years caused by political sensitivities. The service was launched in Brisbane and the Gold Coast on 20 April. Regulatory approval was received in South Australia two months later, and the service was launched in Adelaide on 9 June.

After the end of the financial year, the service was also launched across the whole of Western Australia on 28 July. As a result, the TAB ACTIVE is now finally available in all mainland States on the Foxtel platform.

The service provides detailed race and wagering information to viewers of the three Sky Racing channels, and also allows account holders of Tabcorp (NSW & VIC), TattsBet (QLD & SA) and Racing and Wagering Western Australia (WA) to access their accounts and place bets.

The service includes a number of unique world-first features, including the fact that it accesses the betting engines of multiple wagering operators in multiple jurisdictions, as noted above. A further unique feature is that the service handles both tote and fixed odds bets. The addition of fixed odds betting is important, as it continues to be the fastest growing form of betting around Australia. Punters in NSW and Victoria were able to enjoy a choice of fixed odds and tote betting from March 2011. Two Way is currently implementing a further enhancement to the service, to introduce this feature in Queensland and South Australia. This is due to go live prior to the main events of the Spring Racing Carnival.

Chief Executive Officer and Managing Director, Mr Ben Reichel, said "We are very proud of our TV wagering service, which is the most advanced interactive TV service ever deployed in this country, and the best service of its kind in the world.

"By the end of June 2011, more than 16 million bets had been placed through the service, representing more than \$145 million in betting turnover. The vast bulk of this betting up to June 2011 has come from metropolitan Sydney and Melbourne only, due to the political delays we have experienced in rolling out our service around the country. However we have finally overcome those delays, and the service is now live and linked in to Australia's three largest TAB operators.

"The upcoming Spring Racing Carnival represents a once-a-year opportunity to drive turnover growth through our service on a national basis. To do so will require an effective marketing campaign, and we are working with our partners at Tabcorp, TattsBet, RWWA and Foxtel to implement that campaign."

Way2Bet – Wagering Portal

The Way2Bet wagering portal continues to grow strongly, with revenue up by 62% on the previous financial year. This online and mobile service provides a range of information to "help punters bet better", including odds comparisons from leading bookmakers, free form guides, and sports and racing tips.



In August 2010, the service was enhanced with the introduction of a premium ratings and tipping service, in conjunction with respected racing expert Michael Fraser. This is the first premium service available through the portal, which allows Two Way to earn revenue directly from end users. This supplements the various forms of advertising and commission revenue that Two Way earns from its bookmaker partners.

Mr Reichel said “Way2Bet will be the focus of a number of product developments and enhancements in the FY12 year, with deployments planned for both smart phones and smart TVs. The wagering portal continues to have good strategic value to Two Way, and we will continue to build its brand in the marketplace.

“As a result of our relationships with bookmakers, and our expertise in TV wagering, we were successful in signing long-term exclusive deals during the year with both Sportingbet and Betfair to operate smart TV betting services. Both of these services are in production, and are due to be deployed in the near future. Two Way is actively pursuing a number of similar opportunities with other leading wagering operators.”

Way2Play – Games Services

As noted above, revenue through the Company's interactive TV games services declined compared to the previous year, which included nine months of revenue from the Austar service that was cancelled in March 2010. However the Company continues to work closely with Sky New Zealand to grow the subscriber base, and a number of successful marketing campaigns have been conducted by both companies.

Mr Reichel said: “Interactive TV games channels continue to work well in all jurisdictions where they are supported by pay TV broadcasters. A number of new opportunities are opening up to deploy our games on IPTV and smart TV platforms, and we will be working to seize those opportunities.”

Other Revenue

The Company continued to bid for and successfully complete a number of ad hoc development projects for its partners, primarily Foxtel and Austar. Due to the nature of these projects, they do not usually provide recurring revenue, and the revenue from them fluctuates from year to year.

Operating Costs

Licence fees were up 57% on the previous year, but this was due to the successful settlement negotiated with Two Way Media (UK) during the year. As a result of this settlement finalised in January 2011, the Company no longer has to pay any further licence fees, but retains the right to use any technology sourced from Two Way Media in perpetuity.

With the growth of the TV wagering service, and in particular the expansion into other States, telecommunications costs were up 12%. Other operating costs (before depreciation & amortisation) were reduced in a number of areas, resulting in total operating costs of \$2.8m, essentially unchanged from the prior year.



Depreciation & Amortisation

Depreciation and amortisation charges decreased dramatically (by 92%) on the prior year. As noted in the FY10 results, the Company's decision in December 2009 to write down the carrying value of the prepaid wagering fee to zero resulted in there being no further amortisation charges from January 2010. Depreciation charges also declined 71% during the year, as a number of the Company's fixed assets reached their full written down values.

R&D Tax Offset

The Company applied for and successfully claimed a tax offset for R&D expenditure incurred in the FY10 financial year. The tax offset is effectively a cash refund available to small companies who have incurred eligible R&D expenditure in the previous financial year. The tax offset received in November 2011 for the FY10 financial year was \$0.207m.

Summary and Outlook

Chairman of Two Way, Mr Stuart McGregor, said: "We are now finally in a position to demonstrate the potential of our TV wagering technology, having overcome multiple obstacles in order to deploy it on a national basis. These obstacles included commercial, technical, regulatory, and political issues.

"The ongoing commitment of the Board and staff has been crucial in overcoming those obstacles, and we have now put the Company into a unique position in the Australian wagering landscape. We are the only company with a live betting service linked in to the betting engines of all major TABs, and we are now operating our service in the five mainland States.

"In addition we are continuing to develop our Way2Bet wagering portal, and to deploy our expertise in TV-based interactivity on new platforms, such as IPTV and smart TVs.

"In order to fully exploit the opportunity ahead of us with our national TV wagering service, we do need to be in a position to commit funds to a marketing campaign. We continue to hold positive discussions with a number of potential investors in order to secure those funds, and we will keep the market informed of progress."

For further information:

Ben Reichel
Chief Executive Officer and Managing Director
Phone: +612 9017 7000 or 0412 060 281



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 TattsBet 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, TattsBet, Sportingbet, Betfair, FOXTEL, Austar, Optus TV and Sky New Zealand.

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



TWO WAY LIMITED & CONTROLLED ENTITIES

ABN 28 007 424 777

ASX Preliminary final report – 30 June 2011

Lodged with the ASX under Listing Rule 4.3.A

This information should be read in conjunction with the 30 June 2011 Annual Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Two Way Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Information

ABN 28 007 424 777

Directors

Mr Stuart James McGregor

(Non-Executive Chairman)

Mr Benedict Paul Reichel

(Managing Director)

Mr Christopher Roberts Grant-Foster

(Non-Executive Director)

Company Secretary

Mr Rointon Gerald Nugara

Registered Office

Suite 2.05

55 Miller Street

Pymont NSW 2009

Bankers

Bankwest

Share Register

Boardroom Pty Limited

Level 7, 207 Kent Street

Sydney NSW 2000

Auditors

William Buck

Results for Announcement to the Market

Revenue from ordinary activities	Decreased	6%	To	1,595,288
Loss from ordinary activities	Decreased	15%	To	(1,225,857)
Net Loss after income tax expense	Decreased	66%	To	(1,029,197)

Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2011

Previous Corresponding Period: Year ended 30 June 2010

Review of Operations

A summary of consolidated revenues and results is set out below:

	Consolidated 2011 \$	2010 \$
Revenue		
Service	1,567,651	1,656,081
Interest – other persons	27,637	40,865
Total revenue	1,595,288	1,696,946
Employee benefits expenses	(1,517,769)	(1,566,862)
Finance costs	-	-
Depreciation and amortisation	(28,071)	(334,905)
Operations and administration	(1,275,305)	(1,232,990)
Impairment losses	-	(1,589,148)
Loss before income tax	(1,225,857)	(3,026,959)
Income tax expense attributable to subsidiary	(10,629)	(23,039)
R&D tax offset	207,289	-
Net loss attributable to members	(1,029,197)	(3,049,998)

Comments on the operations and results of those operations are set out in the attached ASX release entitled **“Two Way Limited – FY11 Results Announcement”**.

**1. PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2011**

	Note	Consolidated 2011 \$	2010 \$
Revenue	5.1	1,595,288	1,696,946
Employee benefits expense		(1,517,769)	(1,566,862)
Depreciation and amortisation		(28,071)	(334,905)
Professional and consulting fees		(191,848)	(159,897)
Licence fees		(284,155)	(193,582)
Marketing and promotions		(69,727)	(219,060)
Telecommunications and hosting		(423,043)	(378,615)
Administration expenses		(56,695)	(76,124)
Other expense from ordinary activities		(249,837)	(205,712)
Impairment of assets	5.5	-	(1,589,148)
Loss before income tax		(1,225,857)	(3,026,959)
Income tax expense attributable to subsidiary	5.2	(10,629)	(23,039)
R&D tax offset		207,289	-
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(1,029,197)	(3,049,998)
Overall Operations			
Basic earnings per share (cents per share)	5.6	(0.51)	(1.68)
Diluted earnings per share (cents per share)	5.6	(0.51)	(1.68)

The above preliminary consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

2. PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated 2011 \$	2010 \$
CURRENT ASSETS			
Cash	5.4	234,588	742,581
Receivables		137,384	160,560
Other		38,794	53,752
TOTAL CURRENT ASSETS		410,766	956,893
NON-CURRENT ASSETS			
Property, plant and equipment		24,336	46,139
TOTAL NON-CURRENT ASSETS		24,336	46,139
TOTAL ASSETS		435,102	1,003,032
CURRENT LIABILITIES			
Payables		150,243	243,935
Provisions		220,031	164,739
TOTAL CURRENT LIABILITIES		370,274	408,674
NON-CURRENT LIABILITIES			
Provisions		41,600	73,469
TOTAL NON-CURRENT LIABILITIES		41,600	73,469
TOTAL LIABILITIES		411,874	482,143
NET ASSETS		23,228	520,889
EQUITY			
Contributed equity		48,743,742	48,220,435
Reserves	5.7	51,000	81,402
Accumulated losses	5.8	(48,771,514)	(47,780,948)
Parent entity interest		23,228	520,889
TOTAL EQUITY		23,228	520,889

The above preliminary consolidated statement of financial position should be read in conjunction with the accompanying notes.

3. PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
Balance at 1.7.2009	55,050,871	(44,790,110)	(7,838,491)	114,879	2,537,149
Shares issued during the year	1,091,930	-	-	-	1,091,930
Loss attributable to members of parent entity	-	(3,049,998)	-	-	(3,049,998)
Employee share options issued	-	-	-	25,683	25,683
Employee share options lapsed or cancelled	-	59,160	-	(59,160)	-
Share issue expense	-	-	(83,875)	-	(83,875)
Balance at 30.06.2010	56,142,801	(47,780,948)	(7,922,366)	81,402	520,889
Balance at 1.7.2010	56,142,801	(47,780,948)	(7,922,366)	81,402	520,889
Shares issued during the year	565,039	-	-	-	565,039
Loss attributable to members of parent entity	-	(1,029,197)	-	-	(1,029,197)
Employee share options issued	-	-	-	8,229	8,229
Employee share options lapsed or cancelled	-	38,632	-	(38,632)	-
Share issue expense	-	-	(41,732)	-	(41,732)
Balance at 30.06.2011	56,707,840	(48,771,514)	(7,964,098)	51,000	23,228

The above preliminary consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**4. PRELIMINARY CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 JUNE 2011**

	Note	Consolidated 2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,679,954	1,735,126
Payments to suppliers and employees		(2,741,423)	(2,993,684)
Interest received		29,175	40,858
Net cash used in operating activities	5.3	(1,032,292)	(1,217,700)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(5,280)	(2,530)
Net cash used in investing activities		(5,280)	(2,530)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity raising activities		565,039	1,091,930
Payment of share issue expenses		(35,460)	(83,875)
Net cash provided by (used in) financing activities		529,579	1,008,055
Net increase (decrease) in cash & cash equivalents held		(507,993)	(212,175)
Cash and cash equivalents at the beginning of the year		742,581	954,756
Cash and cash equivalents at the end of the year	5.4	234,588	742,581

The above preliminary consolidated cash flow statement should be read in conjunction with the accompanying notes.

**5. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated 2011 \$	2010 \$
Note 5.1: Revenue			
Revenue from operating activities			
- Service revenue		1,567,651	1,656,081
- Interest – other persons		27,637	40,865
Total revenue from continuing operations		1,595,288	1,696,946
Total revenue		1,595,288	1,696,946
Note 5.2: Income tax expense			
Prima facie income tax/ (credit) calculated at 30% on the operating loss		(367,757)	(908,088)
Tax effect of:			
Share-based payments		(9,121)	(10,043)
Other non-deductible items		(17,532)	(12,026)
Add deferred tax asset not brought to account		405,039	953,196
Income tax expense attributable to subsidiary		10,629	23,039
Note 5.3: Reconciliation of net loss after tax to net cash inflow from operating activities			
Loss after income tax		(1,029,197)	(3,049,998)
Non-cash flows in loss from ordinary activities			
Depreciation and amortisation		28,071	334,905
Foreign exchange loss		1,444	1,897
Impairment losses		-	1,589,148
Net employee options expensed		8,229	25,683
Change in assets and liabilities			
(Increase) / decrease in receivables		23,175	27,638
(Increase) / decrease in prepaids		-	-
(Increase) / decrease in other assets		14,959	7,471
Increase / (decrease) in trade creditors and accruals		(93,692)	(186,512)
Increase / (decrease) in provisions		14,719	32,069
Increase / (decrease) in income tax payable		-	-
Net cash inflow from operating activities		(1,032,292)	(1,217,700)

	Note	Consolidated	
		2011 \$	2010 \$
Note 5.4: Cash assets			
Cash at bank		234,588	742,581

Note 5.5: Prepaid wagering fee

Cost		-	5,600,000
Accumulated amortisation		-	(1,545,035)
Accumulated impairment losses	(a)	-	(4,054,965)
Net carrying value		-	-

(a) As reported in the Company's 30 June 2010 Annual Report, a review of the carrying value of the prepaid wagering fee paid to Foxtel was performed in accordance with the provisions of *AASB 136 Impairment of Assets*. Subsequent to this review, the Directors determined that the current carrying value of the asset be fully expensed at 31 December 2009, resulting in an impairment loss of \$1,589,148. The write down in the value of the prepaid wagering fee was a non-cash item and had no impact on the ongoing operations, and did not adversely affect the prospects of the Company's TV wagering service.

Note 5.6: Earnings per share

(a) Net Loss / earnings used in the calculation of basic EPS	(1,029,197)	(3,049,998)
(a) Net Loss / earnings used in the calculation of diluted EPS	(1,029,197)	(3,049,998)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	202,296,202	191,086,373
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	202,296,202	191,086,373
(c) Classification of securities		

The ownership-based remuneration scheme with 1,360,800 vested options remaining unconverted at year-end is not included in the calculation of basic or diluted EPS as the issue of shares is contingent upon future events. As at reporting date, conditions which would result in the issue of shares had not been satisfied.

Note 5.7: Reserves

Employee options reserve	51,000	81,402
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During the year, 529,200 options (\$31,632) from the Company's 2008 options plan lapsed.

	Note	Consolidated	
		2011 \$	2010 \$
Note 5.8: Accumulated losses			
Accumulated losses at the beginning of the financial year		(47,780,948)	(44,790,110)
Accumulated losses for the current year		(1,029,197)	(3,049,998)
Employee options lapsed – written back to accumulated losses		38,632	59,160
Accumulated losses at the end of the financial year		(48,771,514)	(47,780,948)

Note 5.9: NTA backing

	Consolidated	
	2011	2010
Net tangible asset backing per ordinary share	<u>0.01 cents per share</u>	<u>0.27 cents per share</u>

Note 5.10: Events occurring after the reporting period

The Company closed a non-renounceable rights issue on 22 July, and raised \$315,000 before underwriting costs. The proceeds were received on 29 July, and will be used to fund working capital, and in particular, the Company's planned marketing campaign for its TV wagering service, which is now available on a national basis.

As disclosed to the market in June, a potential strategic investor is currently conducting due diligence on the Company. This may lead to a further placement of capital in the near future, which would increase the financial flexibility of the Company.

Note 5.11: Audit

This report is based on accounts which are currently in the process of being audited.

6. BASIS OF PREPARATION OF PRELIMINARY FINAL REPORT

This general purpose financial report for the reporting period ended 30 June 2011 has been prepared in accordance with requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements.

The financial report complies with the Australian Accounting Standards, which include equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2011 and any public announcements made by Two Way Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This preliminary final report including the commentary on Group results was approved pursuant to a resolution of the board of directors on 19 August 2011.