

ASX RELEASE

31 October 2011

Cash Flow Statement and Investor Update

Two Way Limited attaches its cash flow statement for the quarter ended 30 September 2011.

Investor Update – Performance of TV Wagering Service

In the September quarter, the Company launched its TV wagering service across Western Australia, in partnership with Racing and Wagering Western Australia (RWWA) and Foxtel. The service went live in Western Australia on 28 July.

Following on from the launch of the service in Queensland (20 April) and South Australia (9 June), this means that the Company has achieved a key goal of launching its TV wagering service on a national basis, in partnership with all major TABs. This puts the Company into a unique position in the Australian media and wagering landscape. We are the only company operating a live TV betting service, and the only company with a live betting service of any kind that links into the betting engines of multiple TABs (namely Tabcorp, TattsBet and RWWA).

Usage of the TV wagering service in the newer States of Queensland, South Australia and Western Australia was relatively light, given the start-up nature of the service there. Total turnover in all three States in the quarter was \$403,254. In contrast, turnover in the established States of New South Wales and Victoria totaled \$12,553,662 for the quarter.

It is worth noting that the figure for average bets per day in Western Australia was almost as high as Queensland and South Australia combined. In addition, the average bet size in Western Australia was \$11.99, which is much higher than the average bet size in all other States (which was \$8.75). This is likely to reflect in part the stronger economy in Western Australia. It is also likely to reflect the fact that the Foxtel platform covers the entire State, in contrast to other States, where punters outside the capital cities cannot yet access the service.

Two Way notes that Foxtel has made a proposal to acquire Austar, which is currently being reviewed by regulators. If the acquisition is approved, Two Way considers that this will lead to an opportunity for a major expansion of our service into rural areas and regional centres in all States.

The level of uptake of the service in the newer States illustrates the need for the TV wagering service to be effectively marketed there, in order for potential customers to become aware that it exists. The Company has engaged in a comprehensive marketing campaign during the current Spring Racing Carnival, in partnership with its TAB customers and with Foxtel. This campaign kicked off on 1 October, after the quarter ended, following the receipt of marketing funds from our new cornerstone investor, Mr Gerald Tan of Malaysia and his associates.

The marketing campaign is having the desired effect of significantly increasing the usage of our service, as measured by the number of log-ins to the service. Total log-ins have increased by 33% on the previous month. On Saturdays, which is the biggest betting day, total log-ins have increased by 35%. Growth in log-ins in Queensland and South Australia has been particularly strong, at 89%. Growth in Western Australia has also been very strong at 42%.

At this stage, Two Way does not have turnover or revenue figures for the month of October, as these figures are provided by our TAB partners after the end of each month. However, Two Way has found that increases in log-ins are normally accompanied by commensurate increases in the number of bets, and in total turnover.

Two Way also notes that fixed odds betting, which is the fastest growing form of betting for all TABs, is currently only available via our service in New South Wales and Victoria. In the TattsBet States of Queensland and South Australia, all technical work to add this feature has been completed, and fixed odds betting is ready to go live immediately. However the launch of this feature has been held up by regulatory delays. While the Company had expected the feature to go live prior to the Spring Carnival, it now appears that regulatory approval may be received in early November.

Cash flow statement for the quarter ending 30 September (attached)

Key details are as follows:

1. **Receipts from customers** \$376,000

Overall customer receipts were in line with the previous quarter.

Way2Bet receipts increased significantly (up 45%) on the prior quarter, with many of our corporate bookmaker clients recording significant win rates (resulting in higher commissions for Way2Bet) in June, July and August (the receipts of which were recorded in the September quarter).

Cash receipts from the TV wagering service, and from the New Zealand games service, were essentially flat. Receipts from development projects decreased by 62% (from \$29k for the June quarter to \$11k), due to the ad hoc nature of these projects.

2. **Net operating cash flow** (\$321,000)

The company continues its focus on tight cost control. However, there were a number of additional costs during the quarter. These included: annual ASX listing fees (\$19.5k); some backdated telecommunications charges; and additional investor relations costs.

Marketing expenditure was down on the previous quarter, but has been ramped up in October in the lead up to the Spring Racing Carnival.

3. **Total net cash flow** \$203,000

The Company closed a non-renounceable rights issue on 22 July, and raised \$315,000 before underwriting costs.



On 20 September, the Company announced a cornerstone investment from Mr Gerald Tan of Malaysia and his associates. This involved an initial investment of \$250,000, which is being used to fund the Company's current Spring Racing Carnival marketing campaign. A further investment of up to \$1,790,000 in shares and options is subject to shareholder approval at the Company's upcoming Annual General Meeting.

Share issue expenses of \$41,000, largely relating to the non-renounceable rights issue, were settled during the quarter.

4. **Cash on hand** **\$438,000**

On 28 October, after the end of the quarter, the Company announced a successful research and development tax refund in the amount of \$202,016.

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 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



Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

TWO WAY LIMITED

ABN

28 007 424 777

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	375	375
1.2 Payments for		
(a) staff costs	(385)	(385)
(b) advertising & marketing	(20)	(20)
(c) research & development		
(d) leased assets	(1)	(1)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	5
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Telecommunications Costs	(135)	(135)
Other – Consultants' Fees	(61)	(61)
Other – Rental Costs	(25)	(25)
Other Expenses	(74)	(74)
Net operating cash flows	(321)	(321)

+ 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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	(321)	(321)
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	0	0
(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		
(f) short term deposit		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other – loss on sale of deposits at call		
Net investing cash flows	0	0
1.14 Total operating and investing cash flows		
Cash flows related to financing activities		
1.15 Proceeds from capital raising	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	(41)	(41)
Net financing cash flows	524	524
Net increase (decrease) in cash held	203	203
1.21 Cash at beginning of quarter/year to date	235	235
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	438	438

+ 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	38
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 \$37,682.

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

+ See chapter 19 for defined terms.

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. (See AASB 1026 paragraph 12.2).

	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	438	235
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)	438	235


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: 31 October 2011
(Company Secretary)

Print name: Rointon Nugara