

**ASX RELEASE**

**31 January 2012**

**Cash Flow Statement and Investor Update**

Two Way Limited attaches its cash flow statement for the quarter ended 31 December 2011.

**Investor Update – Performance of TV Wagering Service and Way2Bet Portal**

Two Way continues to build on its unique position as 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).

Performance of the TV wagering service during the December quarter was strong, with good growth recorded in both turnover and usage. A comprehensive marketing campaign during the Spring Racing Carnival was a key driver for the results. Turnover in the established States of New South Wales and Victoria totaled \$13,774,654 for the quarter, up almost 10% on the previous quarter. The newer States of Queensland, South Australia and Western Australia also recorded very strong growth (albeit from a lower base), with turnover for all three States totaling \$746,020 for the quarter, up 88%. Total turnover for the YTD period was \$27,471,460.

Fixed odds betting, which continues to be the fastest growing form of betting for all TABs, is now available via our service in New South Wales, Victoria, Queensland and South Australia.

Two Way continues to monitor Foxtel's bid to acquire Austar, which is currently being reviewed by regulators. If the acquisition is approved, the Company 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 Company's Way2Bet online and mobile wagering portal posted record revenues of \$98,950 for the quarter, up 52% on the September quarter. The result is all the more impressive given current marketing spend is minimal. The Company is currently undertaking a detailed review of the portal and how it is marketed, with a view to greatly enhancing revenue growth.

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

Key details are as follows:

1. **Receipts from customers** \$385,000

Overall customer receipts were up 3% on the previous quarter.

Cash receipts from the TV wagering service were up 15%, whilst New Zealand games service receipts remained essentially flat.

Way2Bet receipts were down 18%, despite the stronger revenue results noted above. This was due to a delayed settlement of invoices by a few corporate bookmaker clients, all of which were subsequently settled in early January.

2. **Net operating cash flow** (\$228,000)

Net operating cash flow improved 29% on the previous quarter. However, included in this result was a receipt for \$202k relating to the Company's successful application for a refundable tax offset under the Federal Government's Research & Development Tax Concession scheme. Excluding this amount, net operating cash flow was largely driven by the comprehensive Spring Racing Carnival marketing campaign noted above (\$169k).

Other key expenditure lines such as staff costs and telecommunications were down 9% and 7% respectively on the prior quarter, reflecting the Company's continued focus on tight cost control.

3. **Total net cash flow** (\$79,000)

Capital raising activities provided net proceeds (after share issue expenses) of \$179k during the quarter. The Company's shareholders approved a further investment of \$950k by Main Ace Investment Limited, with a potential additional \$840k in options, at the Company's Annual General Meeting in November 2011. \$50k of the first \$200k instalment was received early in December (and is thus reflected in this quarterly cash flow statement), and the remaining \$150k was received in January 2012 (with 10m shares and 315k options being issued at that point). Between February and August 2012, Main Ace will inject a further \$750k cash (and receive 37.5m shares 18.75m options in return) as part of its cornerstone investment.

On 19 December 2011, the Company announced it had entered into a share subscription agreement with Priority One Network Group ("PON"), a public company currently seeking a compliance listing on the Australian Securities Exchange. The terms of the agreement require PON to pay Two Way a total of \$1,401,184, comprising \$1m in cash and 1,337,281 PON shares valued at 30 cents per share. In return, Two Way is to issue 35,029,614 fully paid ordinary shares to PON, valued at 4 cents per share.

A partial payment of \$150k was received in December, and PON has also issued the required \$401,184 in PON shares to Two Way. PON will pay Two Way the remaining \$850,000 cash on or before 28 February 2012, at which point Two Way will issue the 35,029,614 fully paid ordinary shares to PON per the terms of the share subscription agreement.

4. **Cash on hand** **\$359,000**

Subsequent to the reporting period, the Company received \$150,000 from Main Ace Investment Limited (as part of that company's cornerstone investment outline in section 3, above).



## Outlook

The Company continues to broaden its already extensive range of interactive technologies into the IPTV space, as evidenced by its recent announcement on 20 January 2012 that it had signed a binding agreement with LG Electronics Australia Pty Ltd ("LGE") for distribution of the Company's IPTV wagering applications on LGE's range of smart TV's, Blu-ray players and home theatre systems. This implements the exclusive deals signed by Two Way with leading wagering operators, Sportingbet Australia and Betfair, to build and operate TV wagering services.

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### 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](http://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, Sky New Zealand and LG Electronics.

To learn more about Two Way visit [www.twowaytv.com.au](http://www.twowaytv.com.au)

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# 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")

31 December 2011

### 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	385	761
1.2 Payments for		
(a) staff costs	(351)	(736)
(b) advertising & marketing	(169)	(189)
(c) research & development	202	202
(d) leased assets	(1)	(2)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	3	8
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Telecommunications Costs	(125)	(260)
Other – Consultants' Fees	(68)	(129)
Other – Rental Costs	(25)	(50)
Other Expenses	(79)	(153)
<b>Net operating cash flows</b>	<b>(228)</b>	<b>(548)</b>

+ 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)	<b>(228)</b>	<b>(548)</b>
<b>Cash flows related to investing activities</b>		
1.9 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		
<b>Net investing cash flows</b>	<b>0</b>	<b>0</b>
<b>1.14 Total operating and investing cash flows</b>		
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from capital raising	200	765
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	(51)	(92)
<b>Net financing cash flows</b>	<b>149</b>	<b>673</b>
<b>Net increase (decrease) in cash held</b>	<b>(79)</b>	<b>125</b>
1.21 Cash at beginning of quarter/year to date	438	234
1.22 Exchange rate adjustments to item 1.20		
<b>1.23 Cash at end of quarter</b>	<b>359</b>	<b>359</b>

+ 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	39
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 \$39,481.
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**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

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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

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+ 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	359	438
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter</b> (item 1.23)	<b>359</b>	<b>438</b>

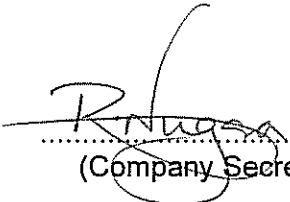
**Acquisitions and disposals of business entities**

	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 January 2012  
(Company Secretary)

Print name: Rointon Nugara