

**ASX RELEASE**

**29 June 2012**

**Merger Implementation Agreement**

Two Way Limited announces that the Company and Priority One Group Network have now signed a binding Merger Implementation Agreement, as anticipated in Two Way's ASX release dated 26 June 2012. A copy of the MIA is attached.

Pursuant to the MIA, the parties are continuing to perform their due diligence investigations.

The anticipated timetable for the transaction is set out in clause 4.6 of the MIA.

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For further information:

Rointon Nugara  
Company Secretary  
Phone: +61 2 9017 7000

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**ABOUT TWO WAY LIMITED (ASX: TTV)**

Two Way creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Our competitive strengths include our specialised expertise, patented technology and library of interactive applications which have been deployed on all devices.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) taking in New South Wales and Victoria in conjunction with FOXTEL, and seen on Sky Racing 1, Sky Racing 2 and Sky Racing World. This has now been extended to include Racing and Wagering Western Australia (RWWA) and TattsBet Limited (ASX:TTS) covering Queensland & South Australia. 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, utilising the red button on the Foxtel remote providing the latest synchronization 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, Centrebet, IAS Bet, Luxbet, Sportingbet, Belfair, Optus TV, LG, Samsung and Sky New Zealand.

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

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# Merger Implementation Agreement

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**Two Way Limited**

ACN 007 424 777

**Priority One Network Group Limited**

ACN 149 674 484

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EXECUTION

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**KEY DETAILS**

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**1**     **Date**                      See Execution on page 33

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**2**     **Parties**

**Two Way**

Name                      Two Way Limited  
                                    ACN 007 424 777  
Address                   Suite 2.05, 55 Miller Street, Pyrmont, New South Wales 2009  
Attention                Company Secretary  
Fax                         +61 2 9017 7001  
Email                      rnugara@TwowayTV.com.au

**Priority One**

Name                      Priority One Network Group Limited  
                                    ACN 149 674 484  
Address                   Unit 1137, 1 Queens Road, Melbourne, Victoria 3004  
Attention                Peter Stafford  
Fax                         +61 3 9863 9556  
Email                      admin@priorityonedebitcard.com

## BACKGROUND

- A Two Way has announced its intention to make an off-market takeover bid for all of the Priority One Shares to effect a merger of Two Way and Priority One.
- B The Directors of Priority One will recommend the merger to Priority One Shareholders.
- C Two Way and Priority One have agreed to co-operate in good faith and undertake certain steps to implement the merger on the terms of this agreement.

## TERMS

### 1 INTERPRETATION

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#### 1.1 Definitions

The following words have the following meanings in this document, unless the context requires otherwise.

**Agreed Announcement** means an announcement regarding the execution of this agreement in the form agreed by the parties.

**Announcement Date** means 26 June 2012 being the date on which Two Way issued the ASX Announcement.

**Approval** means a licence, authority, consent, approval, order, exemption, waiver, ruling or decision.

**Approved Issue** means a Proposed Issue with respect to which Two Way has waived the Issue Conditions in accordance with clause 4.9(b).

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in the Corporations Act, other than the meaning given in section 13 of the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691) or the securities market operated by that company.

**ASX Announcement** means the ASX announcement by Two Way dated 26 June 2012 attached as Annexure A.

**ASX Listing Rules** means the listing rules of ASX.

**Bid** means an off-market takeover bid in accordance with chapter 6 of the Corporations Act under which Two Way offers to acquire all of the Priority One Shares.

**Bid Consideration** means Two Way Shares to be offered to the Priority One Shareholders in the ratio of 7.5 Two Way Shares for every one Priority One Share, provided that, in relation to any Priority One Shareholders resident in jurisdictions outside Australia and New Zealand, the Two Way Shares that would otherwise have been issued to them under the Offer will be issued to a nominee appointed for that purpose by Two Way who will sell those shares on the Priority One Shareholders' behalf and account to the relevant Priority One Shareholders for the proceeds of those sales net of expenses.

**Bidder's Statement** means the bidder's statement required under the Corporations Act to be prepared by Two Way in relation to the Bid and which will contain the Offer.

**Business Day** means a business day as defined in the Listing Rules.

**Claim** means a claim, action, proceeding or demand made against the person concerned, however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

**Competing Proposal** means any offer, proposal, transaction or arrangement (whether a scheme of arrangement, takeover bid or otherwise) under which:

- (a) a person (together with its associates) may acquire a Relevant Interest in 10% or more of the Priority One Shares (other than through an Approved Issue);
- (b) a person may acquire, directly or indirectly (including by way of joint venture, dual listed company structure, strategic alliance or otherwise), any interest in all or a substantial part of the business or assets of Priority One; or
- (c) a person may otherwise acquire control of, or merge or amalgamate with Priority One.

**Conditions** means the conditions described in Schedule 1 with each being a **Condition**.

**Control** has the meaning ascribed to it by the Corporations Act.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Counterproposal** has the meaning given in clause 8.7.

**End Date** means the end of the Offer Period.

**Exclusivity Period** means the period from the date of this agreement to the End Date.

**Governmental Agency** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia or elsewhere, and includes any self-regulatory organisation established under any statute and any stock exchange, including the ASX.



**Insolvency Event** means in relation to a person:

- (a) the person is or becomes unable to pay its debts as and when they fall due within the meaning of the Corporations Act or is otherwise presumed to be insolvent under the Corporations Act, or would be presumed to be insolvent if that Act applied;
- (b) the person suspends or threatens to suspend payment of its debts generally;
- (c) the calling of a meeting to consider a resolution to wind up the person (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the person) or the making of an application or the making of any order, or the passing of any resolution, for the winding up, liquidation or bankruptcy of the party other than where the application or order (as the case may be) is set aside within 14 days;
- (d) the appointment of a provisional liquidator, liquidator, receiver or a receiver and manager or other insolvency official (whether under Australian law or foreign law) to the person or to the whole or a substantial part of the property or assets of the person;
- (e) the appointment of an administrator to the person;
- (f) the entry by a person into any compromise or arrangement with creditors;  
or
- (g) the person ceases or threatens to cease to carry on business.

**Issue Conditions** has the meaning given in clause 4.9(a).

**Letter of Intent** means the letter of intent between Two Way and Priority One dated 21 June 2012.

**Listing Rules** means the official listing rules of the ASX.

**Loss** means a damage, loss, cost, expense or liability incurred by the person concerned, however it arises and whether it is present or future, fixed or unascertained, actual or contingent.

**Offer** means each offer to acquire Priority One Shares for the Bid Consideration to be made by Two Way to each Priority One Shareholder under the Bid. **Offers** has a corresponding meaning.

**Offer Date** means the date of the Offer as specified in the Bidder's Statement.

**Offer Period** means the period during which the Offer is open for acceptance.

**Priority One Board** means the board of directors of Priority One.

**Priority One Director** means a director of Priority One.

**Priority One Due Diligence Information** means all information relating to the business, employees, assets, liabilities, operations, profits and losses, financial position and performance and business prospects of the Priority One Group, including:

- the books and records of Priority One;
- material agreements;
- the Priority One business plan;
- financial statements and financial forecasts (including sign-offs by external auditors and accountants);
- employment and consultancy agreements; and
- information relating to intellectual property.

**Priority One Due Diligence Investigations** means the review carried out by Two Way of the Priority One Due Diligence Information.

**Priority One Group** means Priority One and its subsidiaries (as defined in the Corporations Act).

**Priority One Indemnified Parties** means Priority One and its directors and employees.

**Priority One Representations and Warranties** means the representations and warranties of Priority One in Schedule 2.

**Priority One Shareholders** means the registered holders of the Priority One Shares.

**Priority One Shares** means all of the ordinary fully paid shares on issue in Priority One on the Register Date, together with all ordinary fully paid shares which come into the bid class as a result of an Approved Issue.

**Proposed Issue** has the meaning given in clause 4.9(a).

**Register Date** means the date set by Two Way for the purposes of section 633(3) of the Corporations Act.

**Relevant Interest** has the meaning given in the Corporations Act.

**Superior Proposal** means a bona fide Competing Proposal that the Priority One Board determine acting reasonably and in good faith, taking into account all aspects of the Competing Proposal and after receiving advice from its legal and financial advisers, is:

- (a) reasonably capable of being completed; and
- (b) more favourable to Priority One Shareholders as a whole than the Offer.

**Target's Statement** mean the target's statement required by the Corporations Act to be issued by Priority One in respect of the Offer.

**Third Party Consent** means any consent or approval required to be obtained under any agreement or arrangement to which Priority One or any of its subsidiaries is a party as a result of the Offers being made or becoming unconditional.

**Two Way Board** means the board of directors of Two Way.

**Two Way Due Diligence Information** means all information relating to the business, employees, assets, liabilities, operations, profits and losses, financial position and performance and business prospects of the Two Way Group, including:

- the books and records of Two Way;
- material agreements;
- the Two Way business plan;
- financial statements and financial forecasts (including sign-offs by external auditors and accountants);
- employment and consultancy agreements;
- information relating to intellectual property.

**Two Way Due Diligence Investigations** means the review carried out by Priority One of the Two Way Due Diligence Information.

**Two Way Group** means Two Way and its subsidiaries (as defined in the Corporations Act).

**Two Way Indemnified Parties** means Two Way and its directors and employees.

**Two Way Representations and Warranties** means the representations and warranties of Two Way in Schedule 3.

**Two Way Share** means an ordinary fully paid share in Two Way.

**Two Way Shareholders** means the registered holders of Two Way Shares.

## 1.2 Interpretation

The following apply in the interpretation of this agreement, unless the context requires otherwise.

- (a) A reference to this agreement, this document or a similar term means either the agreement set out in this document or the document itself, as the context requires.

- (b) A reference to any Act, regulation, rule or similar instrument includes any consolidations, amendments or re-enactments of it, any replacements of it, and any regulation or other statutory instrument issued under it.
- (c) A reference to the singular includes the plural number and vice versa.
- (d) A reference to a gender includes a reference to each gender.
- (e) A reference to a party means a person who is named as a party to this agreement.
- (f) **Person** includes a firm, corporation, body corporate, unincorporated association and a governmental authority.
- (g) A reference to a party or a person includes that party's or person's executors, legal personal representatives, successors, liquidators, administrators, trustees in bankruptcy and similar officers and, where permitted under this agreement, their substitutes and assigns.
- (h) An agreement on the part of, or in favour of, two or more persons binds or is for the benefit of them severally and not jointly.
- (i) **Includes** means includes but without limitation.
- (j) Where a word or expression has a defined meaning, its other grammatical forms have a corresponding meaning.
- (k) A reference to doing something includes an omission, statement or undertaking (whether or not in writing) and includes executing a document.
- (l) A reference to a clause, schedule or annexure is a reference to a clause of, or a schedule or an annexure to this agreement.
- (m) A reference to time is to the time in Sydney, Australia unless specified otherwise.
- (n) A reference to dollars or \$ is to Australian currency.
- (o) A reference to a document (including this agreement) includes any variation or replacement of it.
- (p) A reference to something that is to occur on a particular day that is not a Business Day is a reference to the next Business Day following that day.
- (q) A reference to writing includes emails.

### 1.3 **Best endeavours and reasonable assistance**

Any provision of this agreement that requires a party to use best endeavours, or to reasonably assist, requires that party to do so as soon as is reasonably practicable, but does not include any obligation:

- (a) to pay any significant sum of money or to provide any significant financial compensation, valuable consideration or any other incentive to or for the

benefit of any person, except for payment of any applicable fee for the lodgement or filing of any relevant application with any Governmental Agency or fees to any professional advisers; or

- (b) to commence any legal action or proceeding against any person, to procure that that thing is done or happens,

except where that provision expressly specifies otherwise.

#### 1.4 **Headings**

A heading is for reference only. It does not affect the meaning or interpretation of this agreement.

#### 1.5 **Schedules**

Any schedule attached to this agreement forms part of it. If there is any inconsistency between any clause of this agreement and any provision in any schedule, attachment or annexure, the clause of this agreement will prevail.

## **2 Access to records and personnel**

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### **2.1 Access to Priority One records and personnel**

- (a) For the purposes of conducting the Priority One Due Diligence Investigations and determining the status of the Conditions, during the Exclusivity Period, Priority One must provide Two Way with access to:
  - (i) the Priority One Due Diligence Information; and
  - (ii) Priority One's employees, senior management, board members, external auditors, accountants and other advisers and representatives,subject to any existing confidentiality obligations owed to third parties or applicable privacy laws.
- (b) Where the Priority One Due Diligence Information is subject to confidentiality obligations owed to a third party, Priority One will use its best endeavours to obtain the consent of that third party to provide the Priority One Due Diligence Information to Two Way.

### **2.2 Access to Two Way records and personnel**

- (a) For the purpose of conducting the Two Way Due Diligence Investigations, during the Exclusivity Period, Two Way must provide Priority One with access to:
  - (i) The Two Way Due Diligence Information; and

- (ii) Two Way's employees, senior management, board members, external auditors, accountants and other advisers and representatives,

subject to any existing confidentiality obligations owed to third parties or applicable privacy laws.

- (b) Where the Two Way Due Diligence Information is subject to confidentiality obligations owed to a third party, Two Way will use its best endeavours to obtain the consent of that third party to provide the Two Way Due Diligence Information to Priority One.

### **3 THE OFFER**

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#### **3.1 Offer by Two Way**

Two Way must proceed to make Offers to all Priority One Shareholders on terms and conditions the same as, or not substantially less favourable than, those in this agreement and the ASX Announcement.

#### **3.2 Conditions of the Offer**

The Offer and any contract which results from its acceptance will be subject to the Conditions.

#### **3.3 Appointment of Priority One representatives to the Two Way Board**

- (a) If Two Way becomes entitled to compulsorily acquire Priority One Shares under section 661A of the Corporations Act, Two Way will use its best endeavours to procure the Two Way Directors to appoint to the Two Way Board four persons nominated by Priority One (**Priority One Nominees**), subject to:

- (i) the Priority One Nominee providing consent to be appointed as a Director of Two Way; and
- (ii) each Priority One Nominee and each existing Two Way Director consenting to the appointment of each other Priority One Nominee to the Two Way Board, such consent not to be unreasonably withheld.]

#### **3.4 Conduct of business post-Bid**

If Two Way declares the Offers free of the Conditions but Two Way is not entitled to compulsorily acquire the outstanding Priority One Shares under section 661A of the Corporations Act on expiry of the Offer Period, the parties will continue to co-operate in implementing a merger of Two Way's and Priority One's respective businesses to the fullest extent practicable having regard to legal and commercial constraints.

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## **4 RECOMMENDATION AND DOCUMENTATION**

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### **4.1 Directors' recommendations**

- (a) Priority One must procure that, in the Target's Statement and the Agreed Announcement, the Priority One Board recommend that Priority One Shareholders accept the Offer, and maintain that recommendation, subject to there being no Superior Proposal.
- (b) Priority One must procure that, in the Target's Statement and the Agreed Announcement, each Priority One Director states his or her intention to accept (or procure the acceptance of) the Offer in respect of all Priority One Shares in which they or their Associates have a Relevant Interest, subject to there being no Superior Proposal.

### **4.2 Promotion of the Bid**

In the absence of a Superior Proposal, and to the extent reasonably requested to do so by Two Way, during the Exclusivity Period, Priority One will support the Bid and reasonably assist as required by Two Way to promote the Bid, including meeting with Priority One Shareholders and other parties agreed with Two Way in relation to the Bid.

### **4.3 Two Way's obligations to prepare documentation**

- (a) Two Way must prepare:
  - (i) a Bidder's Statement; and
  - (ii) an acceptance form for the Offer,in accordance with the Corporations Act.

### **4.4 Priority One's obligations to prepare documentation**

- (a) Priority One must prepare the Target's Statement in response to the Offer in accordance with the Corporations Act.
- (b) Priority One must send the Target's Statement to Two Way as soon as practicable but in any event no later than 15 days after it has received from Two Way a notice in accordance with item 7 of section 633 of the Corporations Act.
- (c) Priority One must otherwise comply with the requirements of section 633 of the Corporations Act with respect to the Target's Statement.

### **4.5 Consultation regarding Bidder's Statement and Target's Statement**

- (a) Two Way will give Priority One a reasonable opportunity (as set out in the timetable in clause 4.6) to review an advance draft of the Bidder's Statement and will consult in good faith with Priority One regarding any comments Priority One may have on that draft.

- (b) Priority One will give Two Way a reasonable opportunity (as set out in the timetable in clause 4.6) to review an advanced draft of the Target's Statement and will consult in good faith with Two Way regarding any comments Two Way may have on that draft.

#### 4.6 Despatch of Offer

- (a) Each party agrees to use its best endeavours to comply with the following timetable:

Date	Details
29 June 2012 ("T")	Execute Merger Implementation Agreement
29 June 2012 ("T")	Release Agreed Announcement
T + 3 weeks	Two Way provides advanced draft of Bidder's Statement to Priority One
T + 3 weeks	Priority One provides advanced draft of Target's Statement to Two Way.
T + 4 weeks	Two Way lodges the Bidder's Statement with ASIC and ASX and sends the Bidder's Statement to Priority One
T + 6 weeks	Two Way completes despatch of Bidder's Statement to Priority One Shareholders Offer opens for acceptances
T + 6 weeks	Priority One despatches Target's Statement to Priority One Shareholders
T + 10 weeks	Earliest date for Offer to close Compulsory acquisition notices sent (if permitted by Corporations Act)

#### 4.7 Variation and waiver

- (a) Two Way may vary the terms and conditions of the Offer in any manner which is permitted by the Corporations Act, provided the varied terms and conditions are not substantially less favourable to Priority One Shareholders than the terms and conditions set out in this agreement and the ASX Announcement.
- (b) Subject to the Corporations Act, Two Way may declare the Offer to be free from any Condition at any time.

#### 4.8 Third Party Consents

During the Offer Period, Priority One shall seek all Third Party Consents reasonably requested by Two Way.



#### 4.9 Intention to waive conditions

- (a) Two Way intends to waive the Conditions in clause 3 and 9(d) of Schedule 1 (**Issue Conditions**) with respect to the issue of up to 55,085,831 fully paid ordinary shares in Priority One to various parties notified in writing to Two Way prior to the date of this agreement (together, the **Proposed Issues** with each being a **Proposed Issue**), subject to:
  - (i) the issue of those fully paid ordinary shares occurring before the Register Date; and
  - (ii) Priority One giving Two Way written notice of its intention to make a Proposed Issue and such information as Two Way reasonably requests in connection with the Proposed Issue.
- (b) On receiving a notice under clause 4.9(a)(ii), if Two Way determines to waive the Issue Conditions with respect to a Proposed Issue, Two Way must notify Priority One of the waiver in writing.
- (c) If Two Way waives the Issue Conditions with respect to a Proposed Issue that waiver does not apply to all Proposed Issues.

## 5 REPRESENTATIONS AND WARRANTIES

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### 5.1 Priority One Representations and Warranties

Priority One represents and warrants to Two Way (on its own behalf and separately as trustee for each of the Two Way Indemnified Parties) that each of the Priority One Representations and Warranties are true and correct:

- (a) as at the date specified in the Priority One Representations and Warranties or, if not specified, as at the date of this agreement; and
- (b) at all times during the Offer Period.

### 5.2 Two Way Representations and Warranties

Two Way represents and warrants to Priority One (on its own behalf and separately as trustee for each of the Priority One Indemnified Parties) that each of the Two Way Representations and Warranties are true and correct:

- (a) as at the date specified in the Two Way Representations and Warranties or, if not specified, as at the date of this agreement; and
- (b) at all times during the Offer Period.

### 5.3 Survival of Representations and Warranties

Each of the Two Way Representations and Warranties and the Priority One Representations and Warranties:

- (a) is severable;

- (b) survives the termination of this agreement; and
- (c) is given with the intent that liability hereunder will not be confined to breaches which are discovered prior to the date of termination of this agreement.

#### 5.4 **Reliance on Representations and Warranties**

- (a) Priority One acknowledges that Two Way has executed this agreement and agreed to take part in the transactions that this agreement contemplates in reliance on the Priority One Representations and Warranties.
- (b) Two Way acknowledges that Priority One has executed this agreement and agreed to take part in the transactions that this agreement contemplates in reliance on the Two Way Representations and Warranties.

#### 5.5 **Two Way Indemnity**

Two Way indemnifies Priority One (on its own behalf and separately as trustee for each of the Priority One Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of the Two Way Representations and Warranties.

#### 5.6 **Priority One Indemnity**

Priority One indemnifies Two Way (on its own behalf and separately as trustee for each of the Two Way Indemnified Parties) against any loss suffered or incurred by reason of any breach of any of the Priority One Representations and Warranties.

#### 5.7 **Liability of directors and employees**

- (a) Each party agrees that it will release its rights against, and will not make any claim against, any past or present director or employee of the other party in relation to information provided to it or in relation to its entry into the agreement, to the extent that the past or present director or employee has acted in good faith.
- (b) Each party holds the releases in clause 5.6(a) in respect of its directors and employees as trustee for its past and present directors and employees.

## 6 **GENERAL MEETING**

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Two Way must, as soon as reasonably practicable, convene a meeting of Two Way Shareholders to consider and, if thought fit, approve the change to the nature and scale of Two Way's activities as required by Listing Rule 11.1.2 (**Two Way Meeting**).

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**7 ASSISTANCE WITH GENERAL MEETING**

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Priority One must promptly provide all information requested by Two Way for the purposes of:

- (a) inclusion in the notice of meeting for the Two Way Meeting; and
- (b) compliance by Two Way with Listing Rule 11.1.1 and, if applicable, Listing Rule 11.1.3 and chapters 1 and 2 of the Listing Rules.

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**8 EXCLUSIVITY AND NON-SOLICITATION**

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**8.1 Cease existing discussions**

Priority One must immediately cease any existing discussions or negotiations relating to a Competing Proposal, excluding the following discussions and negotiations:

- (a) discussions and negotiations in relation to the Proposed Issues; and
- (b) discussions and negotiations concerning a capital raising of between \$15 million and \$18 million to be undertaken by Two Way if the Bid is successful.

**8.2 Return of confidential information**

Priority One must, within five Business Days of the date of this agreement, require all persons to whom it has provided non-public information prior to the date of this agreement in connection with a Competing Proposal, other than Two Way, to return and delete from all retrieval systems and databases all such information.

**8.3 Non-shop**

During the Exclusivity Period, Priority One must not, and must not authorise, permit or require any of its associates, agents or advisers to:

- (a) directly or indirectly solicit, invite, facilitate, encourage or initiate any enquiries, negotiations, discussions or proposal; or
- (b) communicate to any person any intention to do any of these things,

in relation to, or which may reasonably be expected to lead to, a Competing Proposal.

**8.4 No-talk**

During the Exclusivity Period, Priority One must not, and must not authorise, permit or require any of its associates, agents or advisers to:

- (a) directly or indirectly participate in any discussions or negotiations;
- (a) enter into any agreement, arrangement or understanding; or

(b) communicate any intention to do any of these things,

with another person in relation to, or which might reasonably be expected to lead to, a Competing Proposal.

#### 8.5 **Notice of Competing Proposal**

Priority One must give Two Way notice immediately upon:

- (a) becoming aware of any:
  - (i) negotiations or discussions;
  - (ii) approach or attempt to initiate any negotiations or discussions;
  - (iii) intention to make such an approach or attempt to initiate any negotiations or discussions; or
  - (iv) any request for information relating to Priority One or the business or assets of Priority One or any request for access to Priority One's books and records, which Priority One reasonably believes is made, in respect of any expressions of interest, offer or proposal that may lead to any Competing Proposal;
- (b) the Priority One Board determining in accordance with clause 8.6(a) that it must do or not do anything in relation to a Competing Proposal to comply with any fiduciary or statutory duty of the members of the Priority One Board; and
- (c) the Priority One Board determining in accordance with clause 8.6(a) that the Competing Proposal is or can reasonably be considered to become a Superior Proposal.

#### 8.6 **Superior Proposal and fiduciary duties**

Nothing in this clause 8 prevents Priority One or the Priority One Board from doing or not doing anything with respect to a Competing Proposal in relation to any person if:

- (a) the Priority One Board has determined, in good faith and acting reasonably and after receiving written legal advice from its external legal adviser, that to do so, or not to do so, as the case may be, would constitute or would be likely to constitute a breach of any fiduciary or statutory duty of the members of the Priority One Board; and
- (b) the Competing Proposal is or can reasonably be considered to become a Superior Proposal,

provided that the Competing Proposal has not arisen as a consequence of a breach of clauses 8.3 or 8.4.

## 8.7 Matching right

If at any time prior to completion of the Offer, Priority One receives a Superior Proposal, the following provisions apply:

- (a) Priority One must immediately give Two Way notice in writing of that fact and that notice must provide all material details of the Superior Proposal, including details of the proposed acquirer;
- (b) if Priority One gives Two Way a notice under clause 8.7(a):
  - (i) Priority One agrees that it will not, until the end of the fifth Business Day following the receipt of that notice by Two Way, enter into any legally binding agreement with respect to the Superior Proposal;
  - (ii) Two Way agrees that the notice and its contents are to be kept confidential;
  - (iii) Two Way will have the right, but not the obligation, at any time until the end of the fifth Business Day following receipt of the notice to:
    - (A) offer to amend the terms and conditions of the Offer; or
    - (B) propose any other transaction,(each a **Counterproposal**), and if Two Way does so, the Priority One Board must review the Counterproposal in good faith and in such a manner that the Priority One Board considers is required to comply with its fiduciary and statutory duties, to determine whether the Counterproposal is more favourable to Priority One Shareholders than the Superior Proposal;
- (c) if the Priority One Board determines, in good faith and in order to satisfy what the Priority One Board considers to be its fiduciary and statutory duties, that the Counterproposal is more favourable to Priority One Shareholders than the Superior Proposal, then:
  - (i) if the Counterproposal contemplates an amendment to the Bid, the Parties must enter into a document amending this agreement in relation to the Bid and reflecting the Counterproposal; and
  - (ii) if the Counterproposal contemplates any transaction other than an amendment to the Bid, Priority One must make a public announcement as soon as reasonably practicable recommending the Counterproposal, in the absence of a more favourable proposal, and the Parties must pursue the implementation of the Counterproposal in good faith; and
- (d) for the purposes of this clause 8.7, each successive material modification of any Competing Proposal in relation to a Superior Proposal will be deemed to constitute a new proposal and the provisions of this clause will apply to each such new proposal.

## **9 PROJECT STEERING COMMITTEE**

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### **9.1 Members of Project Steering Committee**

A project steering committee (**Project Steering Committee**) will be established as soon as practicable after the date of this agreement and will be comprised of the following members:

- (a) Mr Barry Driscoll – representing the Priority One Shareholders;
- (b) Mr Peter Stafford – representing the Priority One Shareholders;
- (c) Mr Stuart McGregor – representing Two Way;
- (d) Mr Chris Grant-Foster – representing Two Way.

### **9.2 Responsibilities**

The Project Steering Committee will be responsible for managing and overseeing the implementation of the merger.

### **9.3 Meetings**

- (a) Any member of the Project Steering Committee may convene a meeting.
- (b) The Project Steering Committee will meet at such times and places as agreed to by the members.
- (c) Mr Driscoll will be the chairperson of the meetings of the Project Steering Committee.

## **10 TERMINATION**

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### **10.1 Termination**

Either party may terminate this agreement by giving written notice to the other party at any time:

- (a) if the other party is in material breach of any provision of this agreement, including a Two Way Representation and Warranty or a Priority One Representation and Warranty, provided that the party is only entitled to terminate if:
  - (i) it has given written notice to the other party setting out the relevant circumstance and stating its intention to terminate; and
  - (ii) the relevant circumstance continues to exist for 5 Business Days (or any shorter period ending at 5.00pm on the day before the Offer Date) after the notice is given; or
- (b) if Two Way withdraws the Offers or the Offers lapse for any reason, including for non-satisfaction of a Condition.

## 10.2 Termination by Two Way

Two Way may terminate this agreement by giving written notice to Priority One at any time if:

- (a) a Condition is not fulfilled;
- (b) any of the matters in condition 9 of Schedule 1 occurs; or
- (c) the Priority One Board fail to recommend unanimously the Offer (or any Counterproposal, if applicable), or make a public statement that they no longer support the Offer (or any Counterproposal if applicable), or any member of the Priority One Board withdraws a recommendation previously made or recommends a Competing Proposal, for any reason, whether or not permitted to do so under this agreement.

## 10.3 Accrued rights after termination

Termination of this agreement under clauses 10.1 or 10.2 does not affect any accrued rights of either party arising from any breach of this agreement by the other party.

# 11 PUBLIC ANNOUNCEMENTS

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## 11.1 Announcement of Bid

On the date of this agreement, Two Way must lodge the Agreed Announcement with ASX.

## 11.2 Public announcement

No public announcement in connection with this agreement or the Offers may be made by either party other than in a form approved by both parties (which approval must not be unreasonably withheld or delayed), without reasonable consultation with the other party, and each party will use best endeavours to provide such approval and constructively participate in such consultation as soon as is practicable.

## 11.3 Required disclosure

If a party is required by law or the ASX Listing Rules to make any public disclosure in connection with this agreement it must endeavour, without affecting its obligations under any such law or rules, to notify the other party and give that other party a reasonable opportunity to comment on the content of any such disclosure.

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## 12 NOTICES

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### 12.1 Requirements

Any notice or other communication required to be given by this document before a right can be exercised (**notice**) must be:

- (a) in legible writing;
- (b) subject to clause 12.5, signed by the party giving it (**sender**) or by its authorised representative; and
- (c) delivered by hand or sent by post (air mail if sent to an address in another country) to the relevant address set out below:
  - (i) if to Two Way:  
Postal address: Suite 2.05, 55 Miller Street, Pyrmont NSW 2009
  - (ii) if to Priority One:  
Unit 1137, 1 Queens Road, Melbourne, Victoria 3004 or
- (d) sent to the relevant fax number set out below:
  - (i) if to Two Way:  
Fax number: +612 9017 7001
  - (ii) if to Priority One:  
Fax number: +61 3 9863 9556
- (e) if the parties have expressly agreed that email is to be used for the purposes of giving notices, emailed to the relevant email address set out below:
  - (i) if to Two Way:  
Email: rnugara@twowaytv.com.au
  - (ii) if to Priority One:  
admin@priorityonedebitcard.com

### 12.2 Change of address

A party may change its address, fax number or email address for the purpose of notices by giving notice of that change to the other party in accordance with the provisions of clause 12.1.

### 12.3 When given

Notices are taken to be given:



- (a) in the case of delivery by hand, when delivered;
- (b) in the case of delivery by post, on the third (seventh, if sent to an address in another country) day after the date of posting;
- (c) in the case of delivery by fax, at the time shown on a transmission report by the machine from which the fax was sent which indicates that the fax communication was sent at that time, in its entirety and without error to the fax number of the recipient; and
- (d) in the case of delivery by email, when sent, unless the sender is notified, by a system or person involved in the delivery of the email, that the email was not successfully sent.

#### 12.4 Fax or email

If a notice by fax or email is given:

- (a) on a day in which business is not generally carried on in the place in which the fax or email is received, or
- (b) after 4.00 pm (local time) on a day in which business is generally carried on in the place in which the fax or email is received,

the notice will be taken to have been given at the commencement of business on the next day in which business is generally carried on in the place in which the fax or email is received.

#### 12.5 Email signing

For the purposes of clause 12.1, a notice by email is taken to be signed by the sender if the notice is in the form of a signed document in Portable Document Format (pdf) and attached to the email.

### 13 MISCELLANEOUS

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#### 13.1 Alterations

This agreement may only be varied by a document signed by each party.

#### 13.2 Assignment

A party may not assign, novate or otherwise transfer any of its rights or obligations under this agreement without the prior written consent of the other party.

#### 13.3 Costs

Each party must pay its own costs of negotiating, preparing and executing this agreement.

**13.4 Stamp duty**

Two Way must pay any stamp duty, duties or other taxes of a similar nature (including fines, penalties and interest) in connection with this agreement or any transaction contemplated by this agreement.

**13.5 Survival**

Any indemnity or any obligation of confidence under this agreement is independent and survives termination of this agreement. Any other term by its nature intended to survive termination of this agreement survives termination of this agreement.

**13.6 Counterparts**

This agreement may be executed in counterparts. All executed counterparts constitute one document.

**13.7 No merger**

The rights and obligations of the Parties under this agreement do not merge on completion of any transaction contemplated by this agreement.

**13.8 Entire agreement**

This agreement:

- (a) records the entire agreement between the parties; and
- (b) supersedes all previous negotiations, understandings, representations and agreements,

in relation to the subject matter of this agreement, including the Letter of Intent, which is terminated by the parties on execution of this agreement.

**13.9 Further action**

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this agreement and any transactions contemplated by it.

**13.10 Severability**

A term or part of a term of this agreement that is illegal or unenforceable may be severed from this agreement and the remaining terms or parts of the term of this agreement continue in force.

**13.11 Waiver**

A party does not waive a right, power or remedy if it fails to exercise or delays in exercising the right, power or remedy. A single or partial exercise of a right, power or remedy does not prevent another or further exercise of that or another right, power or remedy. A waiver of a right, power or remedy must be in writing and signed by the party giving the waiver.

**13.12 Relationship**

Except where this agreement expressly states otherwise, it does not create a relationship of employment, trust, agency, or partnership between the parties.

**13.13 Governing law and jurisdiction**

This agreement is governed by the law of New South Wales and each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales.

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**SCHEDULE 1 - CONDITIONS**

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The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

1. **(90% minimum acceptance)** During, or at the end of, the Offer Period:
  - (a) Two Way has acquired a Relevant Interest in at least 90% (by number) of Priority One Shares; and
  - (b) Two Way becomes entitled to compulsorily acquire all remaining Priority One Shares in accordance with Chapter 6A of the Corporations Act.
2. **(Two Way Shareholder approval in general meeting)** If required, approval by Two Way Shareholders in general meeting to comply with Listing Rule 11.1.2 (and any other approvals required by ASX).
3. **(No other outstanding securities)** At the end of the Offer Period there are no Priority One securities on issue other than the Priority One Shares and there are no outstanding agreements to issue Priority One Shares or any other Priority One securities.
4. **(No action by a Governmental Agency)** Between the Announcement Date and the end of the Offer Period:
  - (a) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency; and
  - (b) no application is made to any Governmental Agency (other than by any member of the Two Way Group), or action or investigation is announced, threatened or commenced by a Governmental Agency; and
  - (c) in consequence of, or in connection with, the Bid (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
    - (i) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Bid or the completion of any transaction contemplated by the Bid (whether subject to conditions or not) or the rights of Two Way in respect of Priority One and the Priority One Shares to be acquired under the Bid; or
    - (ii) requires the divestiture by Two Way of any Priority One Shares or requires the divestiture of any assets of the Priority One Group.
5. **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period:
  - (a) no event, change, condition, matter or thing occurs, and Priority One does not make information known to Two Way concerning any event, matter or

thing, which has, will or is reasonably likely to have a material adverse effect on the assets, liabilities, business, financial or trading position, performance, profitability or prospects of the Priority One Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or

- (b) no event, matter or thing, as described in sub-paragraph (a), which occurred before the Announcement Date but was not made known in writing to Two Way before then, becomes known to Two Way.

Without limitation to any other part of this condition:

- (c) the following events will have the effect referred to in sub-paragraph (a):
- (i) a person exercises rights under an agreement, arrangement or understanding to which any member of the Priority One Group is a party where that exercise has, will have or is reasonably likely to have the effect of accelerating or adversely modifying the performance of any of the obligations of the relevant Priority One Group member under the agreement, arrangement or understanding;
  - (ii) a Governmental Agency or other body withdraws, revokes, cancels, suspends or otherwise modifies an Approval, consent, licence or permit granted to or held by the Priority One Group (or expresses an intention to do any of these things); or
  - (iii) an outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster or a material increase in the intensity of any such event existing as at the Announcement Date which affects the assets, liabilities, financial position, performance, profitability or prospects of the Priority One Group taken as a whole; and

an event, matter or thing will have the effect referred to in sub-paragraph (a) if it (either individually or when aggregated with one or more other events, matters or things) has reduced, will reduce or is reasonably likely to reduce the value of the consolidated net assets of the Priority One Group, taken as a whole, by at least \$8 million.

6. **(No persons entitled to exercise or exercising rights under certain agreements or instruments)** Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which any member of the Priority One Group is a party, or by or to which any member of the Priority One Group or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of the Priority One Group taken as a whole, in:

- (a) any moneys borrowed by any member of the Priority One Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
  - (b) any such agreement or other such instrument being terminated or modified or not renewed or any action being taken or arising thereunder (including, but not limited to Priority One's Accredited Corporate Merchant Agreement with Ezybonds Inc);
  - (c) the interest of any member of the Priority One Group in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
  - (d) the assets of any member of the Priority One Group being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions.
7. **(No additional capital expenditure, material acquisitions or disposals)** Other than any transaction or expenditure disclosed in writing to Two Way before the Announcement Date, between the Announcement Date and the end of the Offer Period (each inclusive), neither Priority One nor any of its subsidiaries incurs or commits to incur capital expenditure, acquires or disposes, offers to acquire or dispose or enters into or announces any agreement to acquire or dispose one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) or enters into any corporate transaction, which would or would be likely to involve a material change in:
- (a) the manner in which Priority One conducts its business;
  - (b) the nature, extent or value of the assets or liabilities of Priority One,
- including, without limitation, any transaction which would or (subject to one or more conditions) may involve:
- (c) Priority One or any subsidiary of Priority One acquiring, or agreeing to acquire, one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million;
  - (d) Priority One or any subsidiary of Priority One disposing, or agreeing to dispose of, one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million; or
  - (e) the Priority One Group incurring or committing to incur, in aggregate, an amount of capital expenditure in excess of \$1 million which is not in the ordinary course of business of Priority One and its subsidiaries conducted in the same manner as before the Announcement Date.
8. **(No inaccurate information)** Two Way does not become aware, during the period from the Announcement Date to the end of the Offer Period (each inclusive) that:

- (a) any document filed by or announcement made by or on behalf of Priority One, or by or on behalf of any person in relation to Priority One, with ASIC or anywhere in the public domain, contains a statement which is incorrect or misleading in any material way or from which there is a material omission; or
  - (b) if section 675 of the Corporations Act is applicable to Priority One, Priority One has failed to comply with its obligations under section 675 of the Corporations Act; or
  - (c) any document or information made available to Two Way by or on behalf of Priority One contains a statement which is incorrect or misleading in any material way or from which there is a material omission.
9. **(Prescribed Occurrence)** Between the Announcement Date and the end of the Offer Period, none of the following occur:
- (a) Priority One converts all or any of its shares into a larger or smaller number of shares;
  - (b) Priority One or a subsidiary resolves to reduce its capital in any way;
  - (c) Priority One or a subsidiary:
    - (i) enters into a buy-back agreement; or
    - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
  - (d) Priority One issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (e) a subsidiary of Priority One issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (f) Priority One or a subsidiary issues, or agrees to issue, convertible notes;
  - (g) Priority One or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (h) Priority One or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
  - (i) Priority One or a subsidiary resolves to be wound up;
  - (j) a liquidator or provisional liquidator of Priority One or a subsidiary is appointed;
  - (k) a court makes an order for the winding up of Priority One or of a subsidiary;
  - (l) an administrator of Priority One or a subsidiary is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (m) Priority One or a subsidiary executes a deed of company arrangement; or

- (n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Priority One or of a subsidiary.
10. **(Withdrawal of Priority One support)** That during the period from the Announcement Date to the end of the Offer Period:
- (a) the Priority One Board does not make any public statement that it no longer supports the Bid; or
- (b) a director on the Priority One Board does not withdraw a recommendation previously made or indicate that the director or any Associate of the director does not intend to accept the Offer.
11. **(No dividends and distributions)** Between the Announcement Date and the end of the Offer Period, no member of the Priority One Group makes, determines as payable or declares any distribution (whether by way of dividend, capital reduction or otherwise and whether cash or in specie).
12. **(Regulatory Approvals)** Before the end of the Offer Period, all Approvals or consents that are required by law, or by any Governmental Agency, as are necessary to permit:
- (a) the Offer to be lawfully made to, and accepted by, Priority One Shareholders; and
- (b) the transactions contemplated by the Bidder's Statement to be completed, are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.
13. **(No litigation on foot or pending)** Between the Announcement Date and the end of the Offer Period (each inclusive):
- (a) no litigation against Priority One which may reasonably result in a judgement of more than \$1 million is commenced, is threatened to be commenced or is made known to Two Way or Priority One; and
- (b) no litigation against Priority One which in aggregate may reasonably result in judgements of more than \$1 million are commenced, threatened to be commenced or made known to Two Way or Priority One,
- other than that which has been made known to Two Way in writing before the Announcement Date.
14. **(Equal access)** Between the Announcement Date and the end of the Offer Period, Priority One promptly, and in any event within 2 Business Days, provides to Two Way a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Priority One or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by any member of the Priority One Group or any of their directors, officers, advisors, agents or representatives to any person other than Two Way, other than in the ordinary



course of ordinary business, including (without limitation) for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

- (a) a takeover bid for, or scheme of arrangement proposed by, Priority One;
- (b) the acquisition by that person or an associate of substantially all the assets and operations of Priority One; or
- (c) any transaction having a similar economic effect.

15. **(Liabilities Confirmation)** The Target's Statement containing a statement **(Liabilities Confirmation)**, expressed to be made with the approval of the Priority One Board, which confirms as at the date of the Liabilities Confirmation, to the best of the knowledge and belief of the Priority One Board after having made due enquiry, each of the matters set out below, and the Liabilities Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:

- (a) the Priority One Group has no liability or contingent liability with a value greater than \$1 million, and no liabilities or contingent liabilities which in aggregate have a value greater than \$1 million, the nature, size and existence of which has not been disclosed in writing to Two Way prior to the Announcement Date;
- (b) no liability or contingent liability which has been disclosed in writing to Two Way prior to the Announcement Date has increased by a value greater than \$1 million, and no liabilities or contingent liabilities previously disclosed in writing to Two Way have, in aggregate, increased by a value greater than \$1 million;
- (c) the net debt of the Priority One Group is not or will not at 30 June 2012 be more than \$1.5 million, and any increase in the net debt from \$1 million (as at 21 June 2012) arises in the ordinary course of business consistent with past practice.

16. **(Confirmation of Net Asset Value)** The Target's Statement containing a statement **(Net Asset Value Confirmation)**, expressed to be made with the approval of the Priority One Board, which confirms, to the best of the knowledge and belief of the Priority One Board after having made due enquiry, each of the matters set out below in respect of the Priority One Investigating Accountants Report as at 7 June 2012 as previously disclosed in writing to Two Way (on the basis of the application of accounting principles consistent with those applied to previous Priority One financial assessments), and the Net Asset Value Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:

- (a) consolidated assets of the Priority One Group before the acquisitions as contemplated by the group and before the receipt of a minimum of \$15m under the proposed capital raising will be more than \$88 million; and
- (b) consolidated net assets of the Priority One Group will be more than \$166 million assuming all acquisitions (partial or otherwise) are completed and a minimum amount of \$15m is raised under the proposed capital raising; and

- (c) consolidated net assets of the Priority One Group will be more than \$169 million assuming all acquisitions (partial or otherwise) are completed and a minimum amount of \$18m is raised under the proposed capital raising.

**SCHEDULE 2 - PRIORITY ONE REPRESENTATION AND WARRANTIES**

1. Priority One is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this agreement by Priority One has been properly authorised by all necessary corporate action and Priority One has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause the performance of its obligations under this agreement.
3. This agreement constitutes legal, valid and binding obligations on Priority One and this agreement does not result in a breach of or default under any agreement or deed (not including the possible triggering of change of control clauses as a result of the Offer) or any writ, order or injunction, law, rule or regulation to which Priority One or any of its subsidiaries is a party or to which they are bound.
4. The Priority One Due Diligence Information, that has and will be provided to Two Way, is to Priority One's knowledge, true and accurate in all material respects and Priority One has not knowingly or recklessly:
  - (a) omitted anything material from the Priority One Due Diligence Information such as to make any part of that information materially false or misleading;
  - (b) included anything materially false or misleading in the Priority One Due Diligence Information; or
  - (c) denied access to requested information with the intention of misleading Two Way.
5. All financial accounts and reports forming part of the Priority One Due Diligence Information:
  - (a) has been prepared in accordance with applicable laws and generally accepted accounting standards; and
  - (b) give a true and fair view of the financial position and affairs of the Priority One Group at the applicable dates.
6. There are no agreements, arrangements or understandings affecting the Priority One Group or the carrying on of the business of the Priority One Group that are material to the operations of the Priority One Group that have not been fully disclosed to Two Way prior to the date of this agreement.
7. There are no agreements, arrangements or understandings affecting the Priority One Group or the carrying on of the business of the Priority One Group that are outside the ordinary and proper course of business or otherwise containing any unusual, abnormal or onerous provision.
8. To the best of the Priority One's knowledge, information and belief, every contractor, instrument or other commitment to which a member of the Priority One Group is a party is valid and binding according to its terms and no party to any such

commitment or contract is in material default under the terms of that commitment or contract.

9. The Priority One Due Diligence Information that has been, and will be, provided to Two Way by Priority One was compiled in good faith following diligent enquiry by Priority One.
10. The Priority One Group is conducting its business in compliance in all material respects with all applicable laws and all necessary licences, consents, registrations, approvals, permits and authorisations necessary for the carrying on of the business of the Priority One Group.
11. Priority One has paid all due taxes and is not involved in any dispute or litigation concerning taxation.
12. Priority One has not relied on any representation or warranty (whether express, implied or otherwise) by Two Way other than as expressly provided in this agreement.
13. All material correspondence between Priority One and any Governmental Agency received after the date of this agreement until the Offer Date will be promptly disclosed to Two Way.
14. There are no material actions, suits, arbitrations, mediations, conciliation or administrative proceedings taking place, pending or to Priority One's knowledge threatened against Priority One or any of its subsidiaries.
15. Neither Priority One nor any of its subsidiaries is affected by an Insolvency Event.
16. There are no known Third Party Consents in any material contract, other than those disclosed in writing to Two Way prior to the date of this agreement.
17. To the extent applicable, Priority One has complied with and will continue to comply with Chapter 6CA of the Corporations Act.
18. There are no options to subscribe for shares in Priority One on issue or other securities convertible into shares in Priority One on issue and no rights to be issued with options or other securities convertible into Shares.

**SCHEDULE 3 - TWO WAY REPRESENTATIONS AND WARRANTIES**

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1. Two Way is a validly existing corporation registered under the laws of its place of incorporation.
2. The execution and delivery of this agreement by Two Way has been properly authorised by all necessary corporate action and Two Way has full corporate power and lawful authority to execute and deliver this agreement and to perform or cause the performance of its obligations under this agreement.
3. This agreement constitutes legal, valid and binding obligations on Two Way and this agreement does not result in a breach of or default under any agreement or deed of any writ, order or injunction, law, rule or regulation or which Two Way or any of its subsidiaries is a party or to which they are bound.
4. The Two Way Due Diligence Information, that has been or will be provided by Two Way to Priority One, is to Two Way's knowledge, true and accurate in all material respects and Two Way has not knowingly or recklessly:
  - (a) omitted anything material from the Two Way Due Diligence Information such as to make any part of that information materially false or misleading;
  - (b) included anything materially false or misleading in the Two Way due Diligence Information; or
  - (c) denied access to requested information with the intention of misleading Priority One.
5. Two Way has not relied on any representation or warranty (whether express, implied or otherwise) by Priority One other than as expressly provided in this agreement.
6. All material correspondence between Two Way and any Governmental Agency received after the date of this agreement until the Offer Date will be promptly disclosed to Priority One.
7. There are no material actions, suits, arbitrations, mediations, conciliation or administrative proceedings taking place, pending or to Two Way's knowledge threatened against Two Way or any of its subsidiaries.
8. Neither Two Way nor any of its subsidiaries are affected by an Insolvency Event.
9. Two Way has complied with ASX Listing Rule 3.1 and chapter 6CA of the Corporations Act in relation to continuous disclosure and will continue to comply with those requirements.

EXECUTION

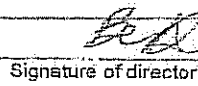
Signed as an agreement on 29<sup>th</sup> JUNE

2012

Signed by: Two Way Limited

  
Signature of director/company secretary

ROINTON NUGARA  
Print name

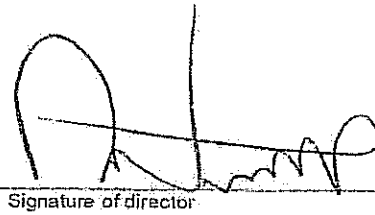
  
Signature of director

Ben Rachel  
Print name

Signed by: Priority One Network Group Limited

  
Signature of director/company secretary

PETER STAFFORD  
Print name

  
Signature of director

BARRY J. DRISCOLL  
Print name

**ANNEXURE A**

**ASX Release dated 26 June 2012 titled, "Proposed Merger with Priority One", follows.**

**ASX RELEASE**

**26 June 2012**

**Proposed Merger with Priority One**

Two Way Limited is pleased to announce that it has signed a non-binding Letter of Intent (“**LOI**”) to merge the Company with Priority One Network Group Limited (“**Priority One**”).

In accordance with the LOI, Two Way intends to make an off-market takeover bid for 100% of Priority One’s shares in an all scrip deal (“**the Offer**”).

The proposed Offer values the equity in Two Way at **4 cents** per share. This is a **premium of 100%** to the last traded price of Two Way shares, and a **premium of 91%** to the 30-day volume weighted average price of Two Way shares on the ASX.

Priority One has indicated to Two Way that, in the absence of a superior offer, the Directors of Priority One intend to:

- recommend that Priority One shareholders accept the Offer; and
- intend to accept the Offer in respect of any Priority One shares they own or control.

Under its business model, Priority One intends to establish a network of affiliated merchants who are able to connect and transact with a subscriber base of debit card holders via the use of a multi-currency payments platform. The business model is based on Priority One earning an agreed percentage of the value of each transaction effected using debit cards issued under its program.

In practical effect, Priority One will be seeking to take advantage of the change in purchasing attitudes of the consumer in favour of online transacting. It intends to do this in two primary ways. First, Priority One’s infrastructure will accommodate online interaction between merchants and consumers, whether it is by fixed internet, smartphone, tablet or internet protocol television (IPTV). Second, by offering rebates, it will be seeking to encourage holders of its debit cards to transact with its affiliated merchants.

The key driver for growing the business of Priority One will be the establishment of merchant agreements which increase the range of products and services able to be offered to the Priority One members. The initial focus will be on extending and establishing arrangements with merchants in areas such as music, movies, financial services, insurance, interactive games, sports and on-line gaming, entertainment and events ticketing.

Two Way has substantial expertise in deploying applications and services via IPTV, online and mobile platforms, and will bring this expertise to accelerate the roll-out of Priority One’s services. Further, a key element of Priority One’s offering will relate to online wagering, on both racing and sports, which is a primary area of expertise for Two Way.





Priority One has entered into a number of significant agreements with a number of large-scale domestic and international merchants and service providers. These relationships are an ideal fit with Two Way's interactive applications, which may be deployed as an interface between merchant affiliates and members of the Priority One account and associated debit card.

Further details about Priority One and its network of relationships are provided in the "About Priority One" section at the end of this document.

### **Key terms**

- Non-binding Letter of Intent to acquire all the issued capital of public unlisted company Priority One Network Group Limited
- Negotiation of a binding Merger Implementation Agreement
- If the Offer is successful, a capital raising of a minimum \$15 million (up to \$18 million) is planned
- If the Offer is successful, a 10:1 share consolidation of expanded capital base is planned

### **Offer summary**

Two Way will offer Priority One shareholders 7.5 ordinary Two Way shares for each Priority One ordinary share.

The Offer is subject to a number of conditions set out in **Schedule 1** of this announcement, including:

- Two Way acquiring a relevant interest in at least 90% of the Priority One shares on issue; and
- approval by Two Way shareholders at a general meeting

The parties will negotiate a binding Merger Implementation Agreement which will set out the terms of the proposed merger. Further details will be announced once the Merger Implementation Agreement has been executed.

### **Indicative timetable**

The parties are intending to execute a binding Merger Implementation Agreement by 29 June 2012. Details of the merger timetable will be announced following execution of that agreement.

### **Proposed share consolidation**

Should the Offer be successful, Two Way intends to consolidate its share capital on the basis that every 10 ordinary shares of Two Way will be consolidated into one ordinary share.

### **Due Diligence**

Under the LOI, each party has agreed to allow the other to conduct due diligence investigations on the assets and the businesses of each party. The due diligence arrangements are binding obligations.



## Exclusivity

Two Way and Priority One have agreed to exclusive arrangements in relation to the Offer. Under the LOI, the parties have agreed that until 31 July 2012 (or such other date agreed by the parties in writing), the shareholders of Priority One must negotiate exclusively with Two Way with respect to the Offer and that:

- Priority One must terminate any current discussions concerning any financial involvement in Priority One or its business or material assets (excluding certain discussions specified in the LOI); and
- Two Way may not solicit or respond to any enquiries or proposals concerning any financial involved in Priority One, other than from the Priority One shareholders.

The exclusivity arrangements in the LOI are binding obligations.

## Profile of the consolidated company

Two Way currently has 253,530,760 shares on issue. Based on the closing price of Two Way shares on 20 June 2012 (\$0.02), the Company has a market capitalization of \$5,070,615.

Priority One currently has 970,000,001 shares on issue. Accordingly, under the Offer, Two Way will issue 7,275,000,008 Two Way shares to the existing shareholders of Priority One.

Priority One has also entered into a number of agreements to take an interest or to acquire complimentary business assets from other parties, and Priority One will need to advise those other parties regarding this proposed transaction. Assuming all of those transactions proceed, Priority One will issue a further 55,085,831 shares to those other parties. Under the Offer, Two Way will then acquire those shares by issuing a further 413,143,733 Two Way shares to those parties, bringing the total issue to 7,688,143,741 Two Way shares.

Based on a share price of \$0.04 per Two Way share, if the Offer is successful, the consolidated company will have a pro-forma market capitalization of \$317.66 million, based on total share capital of 7,941,674,501 ordinary shares.

Prior to the completion of the share issue and the capital raising referred to below, Two Way shareholders will hold approximately 3.19% and Priority One shareholders 96.81% of the consolidated entity.

Post the consolidation of share capital on a 10:1 basis, the consolidated entity will have 794,167,450 shares on issue.

If the Offer is successful, Two Way intends to issue a further 37,500,000 shares to sophisticated investors at a price of \$0.40 per share (post consolidation) to raise \$15m.

Assuming the Offer is successful, the share consolidation and the issue of further shares in accordance with the \$15m placement will mean that the consolidated entity will have a total of 831,667,450 shares on issue at a price of \$0.40 per share, providing an indicative market capitalization of approximately \$333m. Two Way shareholders will hold approximately 3.05% of



the consolidated entity, new shareholders under the capital raising will equate to approximately 4.51%, and Priority One shareholders approximately 92.44% as represented in the following table:

<b>Pro Forma new capital structure</b>	<b>Shares</b>	<b>Holding</b>	<b>Indicative price</b>	<b>Indicative value</b>
Existing Two Way Ltd shareholders	25,353,076	3.05%	\$0.40	\$ 10,141,230
Priority One Network Group Ltd Vendors	768,814,374	92.44%	\$0.40	\$ 307,525,750
New shares pursuant to capital raise	37,500,000	4.51%	\$0.40	\$ 15,000,000
	831,667,450	100.00%		\$ 332,666,980

### **Benefits of the consolidated entity**

The Board of Two Way believes that the consolidated entity will provide improved shareholder value to both Two Way and Priority One Shareholders through:

- Consolidation of complimentary assets
- Improved international reach and relationships
- Strengthened share register
- Greater market liquidity
- Greater range of relevant skill sets at Board level
- Improved access to funding

### **Offer Conditions**

The Offer will be subject to a number of conditions which are set out in **Schedule 1** to this announcement.

### **Comments**

Chairman of Two Way, Mr Stuart McGregor, said “This is a Company-transforming deal, which provides Two Way shareholders with an attractive opportunity to become part of a much larger and well-capitalised business, with significant international opportunities. We view the consolidation of the Priority One and Two Way business as an ideal corporate fit. The combination of technology, corporate relationships and business processes as detailed in this offer are ideally suited to advance the commercial prospects of the consolidated entity both from a geographic perspective as well as underpinning the revenue and profit generating ability of both parties. The assets, technology and relationships derived from this proposed collaboration are easily intertwined and should prove to be a winning combination. I certainly welcome the proposal and look forward to the consummation of the merger.”

Chairman of Priority One Network Group Limited, Mr Barry Driscoll, said “This is an exciting opportunity for both Two Way and Priority One shareholders. Combined Two Way and Priority One can offer a compelling suite of technological applications applicable to a wide range of various sectors. Providing interaction between merchants and consumers is of the utmost importance to our business, and Two Way Limited has proven ability and track record to not just provide these services efficiently and profitably, but most importantly the quality of Two Way’s major corporate customers is a testament to their status as a trusted provider in the interactive application space. We believe our business and process ideally suit the applications administered



by Two Way and welcome the offer and the opportunity to partner with Two Way on a consolidated basis.”

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For further information:

Stuart McGregor  
Chairman, Two Way Limited  
Phone: +61 413 040 642 (Australia)  
or +852 9166 5845 (Hong Kong)

Rointon Nugara  
Company Secretary, Two Way Limited  
Phone: +61 2 9017 7000

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**ABOUT TWO WAY LIMITED (ASX: TTV)**

Two Way creates, develops and builds advanced interactive media and gambling applications for mobile, internet, TV and IPTV platforms. Our competitive strengths include our specialised expertise, patented technology and library of interactive applications which have been deployed on all devices.

Two Way has developed an award-winning interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) taking in New South Wales and Victoria in conjunction with FOXTEL, and seen on Sky Racing 1, Sky Racing 2 and Sky Racing World. This has now been extended to include Racing and Wagering Western Australia (RWWA) and TattsBet Limited (ASX:TTS) covering Queensland & South Australia. 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, utilising the red button on the Foxtel remote providing the latest synchronization 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, Centrebet, IAS Bet, Luxbet, Sportingbet, Betfair, Optus TV, LG, Samsung and Sky New Zealand.

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

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**ABOUT PRIORITY ONE NETWORK GROUP LIMITED**

Priority One holds Accredited Corporate Merchant (“ACM”) with Ezybonds Inc. This accreditation allows Priority One to receive up to 37.00% of all transaction fees associated with the Priority One account and its associated Debit Card in addition to weekly membership fees associated with the account. Priority One provides a split of associated account and transaction fees with partnering merchants which forms a key driver of affiliate merchant acquisition and retention and also provides merchants a strong incentive to promote the Priority One account to its customers.



The Priority One account is administered by Ezybonds and is able to be used to transact online and at any of the 32 million locations who accept MasterCard and Visa. The Priority One account is highly secure and protected by patented "Splitlock" data protection technology and enables account holders to;

- Transact in multiple currencies
- Access cash at ATM outlets
- Facilitate point of sale and online transactions as well as e-mail and SMS transfer of funds in the predominance of currencies

To consummate the corporate relationship with Ezybonds Inc. Priority One will, under terms proposed, secure 10.80% of Ezybonds (UK) plc – the official marketing company of Ezybonds Inc. Recent updates by the company suggest increasing interest in Ezybonds products from the United States, India, China, Australia, Europe and Philippines – all of which form core desired operational markets for Priority One.

Priority One account holders will receive cash back rebates when they purchase goods and services from affiliated merchants with the cash amounts rebated ranging from 5.00% to 10.00%.

As an added benefit, Priority One account holders are also provided exclusive and free access to a wide range of media content including:

- Films
- Music
- Sports & Sports Betting
- Video Games
- Social Media U|ME|US
- Life Leisure & Fashion
- News, Weather, Financial Services, Business & Stock Reports
- Shopping and Daily Deals tv
- Television shows as well as preferential and discounted ticketing access to live Concerts, stage productions & theatre.

These benefits may be accessed via Internet connected television set, smartphone, and other Internet enabled devices including tablet PC devices via relationships with GoConnect Limited (see: [www.goconnect.com.au](http://www.goconnect.com.au)) (ASX code: GCN) and TTV. GoConnect and Two Way have relationships with Samsung, Sony BRAVIA and LG Smart TV.

GoConnect distributes Content via its IPTV network including the web on [www.uctv.fm](http://www.uctv.fm), [www.undercover.fm](http://www.undercover.fm), smartphones on [m.uctv.fm](http://m.uctv.fm), and major brands of internet connected TVs. GoConnect has entered into global distribution agreements to distribute its content on [uctv.fm](http://uctv.fm) via connected TVs of Sony BRAVIA Internet Video Service worldwide. Discussions at different stages are currently being held to expand the distribution of [uctv.fm](http://uctv.fm) to other major Smart TV brands and to expand the audience reach globally.

GoConnect and Priority One have entered into an equal partnership whereby GoConnect will assist Priority One to develop 7 new IPTV channels which, with the launch of the new [uctv.fm](http://uctv.fm), will be part of the expanded program mix of the [uctv.fm](http://uctv.fm) IPTV network. [uctv.fm](http://uctv.fm) will be accessible via the three screens of web TV, Smartphone TV and connected TV of a number of major TV brands worldwide.

GoConnect and Priority One have entered into a series of partnerships related to the China market. It is expected that these relationships will be activated once the Priority One Two Way merger is consummated, delivering to the GoConnect Priority One partnership a significant new market which already hosts the largest Internet and mobile phone user population in the world.



The major restructuring of uctv.fm is now completed, streamlining the licensing of uctv.fm to additional Smart TV platforms as well as simplifying the process of expanding the program mix of uctv.fm to also include program subscription services.

The acquisition of the Bollywood.tv, a library consisting of 5,500 titles, music and e-magazines is expected to provide a significant promotional tool for international fans of Indian content given the library will be accessible to Priority One members free of charge. Bollywood.tv is a 360 degree e-commerce portal, which will offer cricket, news, entertainment and sport for the global Indian population. Priority One will launch Bollywood Bazaar to ensure that our members can purchase all of their favourite Indian goods online at the one place.

Priority One has partnered with Northvale Capital Pte Ltd and has established a number of joint venture entities for the promotion of the Priority One account and services. These entities include;

- Priority One Network India Private Limited
- Priority One Network Singapore Private Limited
- Priority One Network Malaysia Private Limited
- Priority One Network Indonesia Private Limited
- Priority One Network Sri Lanka Private Limited and;
- Priority One Network Middle East (MENA) LLC

Northvale have dedicated significant I.T. and Human Resources functions to Priority One via the establishment of "Priority One Global Support Services and Technology Hub India.

The support center has an initial target of establishing and delivering 15,000,000 new Priority One accounts which it believes it will deliver within 12 months and a medium term target of 30,000,000 new accounts.

Other important relationships:

**Because Group International** (see: [www.becausegroup.com](http://www.becausegroup.com) ) is the parent company of Skyhub Digital Pty Ltd ([www.skyhubdigital.com](http://www.skyhubdigital.com)), the developer and operator of a proprietary platform that enables the direct sale of digital media from content owners to consumers in a unique business model that is an alternative to traditional licenses. In addition, BGIL has developed a wholly owned platform enabling its corporate clients and content owners to transact directly with consumers or engage in joint venture models alongside telco's, cable TV, Free2Air and Internet Service Providers (ISP's).

**Australia Stock Report** (see: [www.australianstockreport.com.au](http://www.australianstockreport.com.au)) is the nation's leading provider of financial services to the retail sector.

Their product offering includes Australian share market research and analysis, trading and investing education courses and broking services.

Comprising a team of highly skilled and experienced research analysts and traders, Australian Stock Report provides a range of comprehensive research reports, providing both long-term investment and short-term trading recommendations.

Their reports cover a range of markets including Share Trading, Contracts for Difference (CFD's), Foreign Exchange (FX) & Options.



**Jardine Lloyd Thompson** for Global insurances is an international group of Insurance Brokers, Risk Consultants and Employee Benefits Specialists and one of the largest companies of its type in the world.

They will offer Priority One members a distinctive choice through their combination of independence, scale and specialism, to deliver an innovative, customised, total solution for member risk and insurance needs.

A number of other strategic acquisitions, joint ventures and agreements will be outlined further in the coming weeks.

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### **Information on Priority One**

All information relating to Priority One in this announcement has been supplied by Priority One and has not been independently verified by Two Way. Two Way does not make any representation or warranty (express or implied) as to the accuracy or completeness of such information.

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### **Forward-Looking Statements**

This announcement contains forward-looking statements concerning Two Way and Priority One. Such forward-looking statements are subject to inherent risks and uncertainties as they may be affected by a variety of variables and risks, including variables and risks which may be outside the control of, or not known to, Two Way or Priority One.

Outcomes, results or future events may differ materially from outcomes, results or future events expressed or implied in any forward-looking statement.

Forward-looking statements in this announcement are based on Two Way's and Priority One's respective beliefs, opinions and estimates as of the dates the forward looking statements are made. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Two Way and its officers and Priority One and its officers), including in relation to any underlying assumption or that any forward-looking statement will be achieved. Given these uncertainties, readers are cautioned to not place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX listing rules, Two Way disclaims any obligation or undertaking to provide any updates or revisions to any forward looking statements in this announcement to reflect any change in expectation in relation to any forward looking statements.



## Schedule 1

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

1. **(90% minimum acceptance)** During, or at the end of, the Offer Period:
  - (a) Two Way has acquired a Relevant Interest in at least 90% (by number) of Priority One Shares; and
  - (b) Two Way becomes entitled to compulsorily acquire all remaining Priority One Shares in accordance with Chapter 6A of the Corporations Act.
2. **(Two Way Shareholder approval in general meeting)** If required, approval by Two Way Shareholders in general meeting to comply with Listing Rule 11.1.2 (and any other approvals required by ASX).
3. **(No other outstanding securities)** At the end of the Offer Period there are no Priority One securities on issue other than the Priority One Shares and there are no outstanding agreements to issue Priority One Shares or any other Priority One securities.
4. **(No action by a Governmental Agency)** Between the Announcement Date and the end of the Offer Period:
  - (a) there is not in effect any preliminary or final decision, order or decree issued by a Governmental Agency; and
  - (b) no application is made to any Governmental Agency (other than by any member of the Two Way Group), or action or investigation is announced, threatened or commenced by a Governmental Agency; and
  - (c) in consequence of, or in connection with, the Bid (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
    - (i) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Bid or the completion of any transaction contemplated by the Bid (whether subject to conditions or not) or the rights of Two Way in respect of Priority One and the Priority One Shares to be acquired under the Bid; or
    - (ii) requires the divestiture by Two Way of any Priority One Shares or requires the divestiture of any assets of the Priority One Group.
5. **(No Material Adverse Change)** Between the Announcement Date and the end of the Offer Period:
  - (a) no event, change, condition, matter or thing occurs, and Priority One does not make information known to Two Way concerning any event, matter or thing, which has, will or is reasonably likely to have a material adverse effect on the assets, liabilities, business,





financial or trading position, performance, profitability or prospects of the Priority One Group taken as a whole (whether individually or when aggregated with one or more other events, matters or things); or

- (b) no event, matter or thing, as described in sub-paragraph (a), which occurred before the Announcement Date but was not made known in writing to Two Way before then, becomes known to Two Way.

Without limitation to any other part of this condition:

- (c) the following events will have the effect referred to in sub-paragraph (a):
  - (i) a person exercises rights under an agreement, arrangement or understanding to which any member of the Priority One Group is a party where that exercise has, will have or is reasonably likely to have the effect of accelerating or adversely modifying the performance of any of the obligations of the relevant Priority One Group member under the agreement, arrangement or understanding;
  - (ii) a Governmental Agency or other body withdraws, revokes, cancels, suspends or otherwise modifies an Approval, consent, licence or permit granted to or held by the Priority One Group (or expresses an intention to do any of these things); or
  - (iii) an outbreak of hostilities (whether war is declared or not) or terrorism, mobilisation of armed forces, civil or political unrest or labour disturbance, fire or natural disaster or a material increase in the intensity of any such event existing as at the Announcement Date which affects the assets, liabilities, financial position, performance, profitability or prospects of the Priority One Group taken as a whole; and

an event, matter or thing will have the effect referred to in sub-paragraph (a) if it (either individually or when aggregated with one or more other events, matters or things) has reduced, will reduce or is reasonably likely to reduce the value of the consolidated net assets of the Priority One Group, taken as a whole, by at least \$8 million.

- 6. **(No persons entitled to exercise or exercising rights under certain agreements or instruments)** Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which any member of the Priority One Group is a party, or by or to which any member of the Priority One Group or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of the Priority One Group taken as a whole, in:

- (a) any moneys borrowed by any member of the Priority One Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;



- (b) any such agreement or other such instrument being terminated or modified or not renewed or any action being taken or arising thereunder (including, but not limited to Priority One's Accredited Corporate Merchant Agreement with Ezybonds Inc);
  - (c) the interest of any member of the Priority One Group in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
  - (d) the assets of any member of the Priority One Group being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions.
7. **(No additional capital expenditure, material acquisitions or disposals)** Other than any transaction or expenditure disclosed in writing to Two Way before the Announcement Date, between the Announcement Date and the end of the Offer Period (each inclusive), neither Priority One nor any of its subsidiaries incurs or commits to incur capital expenditure, acquires or disposes, offers to acquire or dispose or enters into or announces any agreement to acquire or dispose one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) or enters into any corporate transaction, which would or would be likely to involve a material change in:
- (a) the manner in which Priority One conducts its business;
  - (b) the nature, extent or value of the assets or liabilities of Priority One,
- including, without limitation, any transaction which would or (subject to one or more conditions) may involve:
- (c) Priority One or any subsidiary of Priority One acquiring, or agreeing to acquire, one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million;
  - (d) Priority One or any subsidiary of Priority One disposing, or agreeing to dispose of, one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1 million; or
  - (e) the Priority One Group incurring or committing to incur, in aggregate, an amount of capital expenditure in excess of \$1 million which is not in the ordinary course of business of Priority One and its subsidiaries conducted in the same manner as before the Announcement Date.
8. **(No inaccurate information)** Two Way does not become aware, during the period from the Announcement Date to the end of the Offer Period (each inclusive) that:
- (a) any document filed by or announcement made by or on behalf of Priority One, or by or on behalf of any person in relation to Priority One, with ASIC or anywhere in the public domain, contains a statement which is incorrect or misleading in any material way or from which there is a material omission; or
  - (b) if section 675 of the Corporations Act is applicable to Priority One, Priority One has failed to comply with its obligations under section 675 of the Corporations Act; or



- (c) any document or information made available to Two Way by or on behalf of Priority One contains a statement which is incorrect or misleading in any material way or from which there is a material omission.
9. **(Prescribed Occurrence)** Between the Announcement Date and the end of the Offer Period, none of the following occur:
- (a) Priority One converts all or any of its shares into a larger or smaller number of shares;
  - (b) Priority One or a subsidiary resolves to reduce its capital in any way;
  - (c) Priority One or a subsidiary:
    - (i) enters into a buy-back agreement; or
    - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
  - (d) Priority One issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (e) a subsidiary of Priority One issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (f) Priority One or a subsidiary issues, or agrees to issue, convertible notes;
  - (g) Priority One or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (h) Priority One or a subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
  - (i) Priority One or a subsidiary resolves to be wound up;
  - (j) a liquidator or provisional liquidator of Priority One or a subsidiary is appointed;
  - (k) a court makes an order for the winding up of Priority One or of a subsidiary;
  - (l) an administrator of Priority One or a subsidiary is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (m) Priority One or a subsidiary executes a deed of company arrangement; or
  - (n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Priority One or of a subsidiary.
10. **(Withdrawal of Priority One support)** That during the period from the Announcement Date to the end of the Offer Period:
- (a) the Priority One Board does not make any public statement that it no longer supports the Bid; or



- (b) a director on the Priority One Board does not withdraw a recommendation previously made or indicate that the director or any Associate of the director does not intend to accept the Offer.
11. **(No dividends and distributions)** Between the Announcement Date and the end of the Offer Period, no member of the Priority One Group makes, determines as payable or declares any distribution (whether by way of dividend, capital reduction or otherwise and whether cash or in specie).
12. **(Regulatory Approvals)** Before the end of the Offer Period, all Approvals or consents that are required by law, or by any Governmental Agency, as are necessary to permit:
- (a) the Offer to be lawfully made to, and accepted by, Priority One Shareholders; and
- (b) the transactions contemplated by the Bidder's Statement to be completed,
- are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.
13. **(No litigation on foot or pending)** Between the Announcement Date and the end of the Offer Period (each inclusive):
- (a) no litigation against Priority One which may reasonably result in a judgement of more than \$1 million is commenced, is threatened to be commenced or is made known to Two Way or Priority One; and
- (b) no litigation against Priority One which in aggregate may reasonably result in judgements of more than \$1 million are commenced, threatened to be commenced or made known to Two Way or Priority One,
- other than that which has been made known to Two Way in writing before the Announcement Date.
14. **(Equal access)** Between the Announcement Date and the end of the Offer Period, Priority One promptly, and in any event within 2 Business Days, provides to Two Way a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Priority One or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by any member of the Priority One Group or any of their directors, officers, advisors, agents or representatives to any person other than Two Way, other than in the ordinary course of ordinary business, including (without limitation) for the purposes of soliciting, encouraging or facilitating any proposal with respect to:
- (a) a takeover bid for, or scheme of arrangement proposed by, Priority One;
- (b) the acquisition by that person or an associate of substantially all the assets and operations of Priority One; or
- (c) any transaction having a similar economic effect.



15. **(Liabilities Confirmation)** The Target's Statement containing a statement (**Liabilities Confirmation**), expressed to be made with the approval of the Priority One Board, which confirms as at the date of the Liabilities Confirmation, to the best of the knowledge and belief of the Priority One Board after having made due enquiry, each of the matters set out below, and the Liabilities Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:
- (a) the Priority One Group has no liability or contingent liability with a value greater than \$1 million, and no liabilities or contingent liabilities which in aggregate have a value greater than \$1 million, the nature, size and existence of which has not been disclosed in writing to Two Way prior to the Announcement Date;
  - (b) no liability or contingent liability which has been disclosed in writing to Two Way prior to the Announcement Date has increased by a value greater than \$1 million, and no liabilities or contingent liabilities previously disclosed in writing to Two Way have, in aggregate, increased by a value greater than \$1 million;
  - (c) the net debt of the Priority One Group is not or will not at 30 June 2012 be more than \$1.5 million, and any increase in the net debt from \$1 million (as at 21 June 2012) arises in the ordinary course of business consistent with past practice.
16. **(Confirmation of Net Asset Value)** The Target's Statement containing a statement (**Net Asset Value Confirmation**), expressed to be made with the approval of the Priority One Board, which confirms, to the best of the knowledge and belief of the Priority One Board after having made due enquiry, each of the matters set out below in respect of the Priority One Investigating Accountants Report as at 13 June 2012 as previously disclosed in writing to Two Way (on the basis of the application of accounting principles consistent with those applied to previous Priority One financial assessments), and the Net Asset Value Confirmation not being materially varied, revoked or qualified (whether in any supplementary Target's Statement or otherwise) prior to the close of the Offer:
- (a) consolidated assets of the Priority One Group before the acquisitions as contemplated by the group and before the receipt of a minimum of \$15m under the proposed capital raising will be more than \$88 million; and
  - (b) consolidated net assets of the Priority One Group will be more than \$166 million assuming all acquisitions (partial or otherwise) are completed and a minimum amount of \$15m is raised under the proposed capital raising; and
  - (c) consolidated net assets of the Priority One Group will be more than \$169 million assuming all acquisitions (partial or otherwise) are completed and a minimum amount of \$18m is raised under the proposed capital raising.

Capitalised terms in in this Schedule 1 have the meanings below:

**Announcement Date** means 26 June 2012 being the date on which Two Way announced its intention of making the Bid.

**Approval** means a licence, authority, consent, approval, order, exemption, waiver,



ruling or decision.

**ASIC** means the Australian Securities and Investments Commission.

**Associate** has the meaning given in the Corporations Act.

**ASX** means ASX Limited (ACN 008 624 691) or the securities market operated by that company.

**Bid** means the off-market takeover bid under which Two Way offers to acquire all of the Priority One Shares as referred to in this announcement.

**Bidder's Statement** means the bidder's statement to be issued by Two Way which will contain the Offer.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Governmental Agency** means any government or any governmental, semi-governmental, statutory or judicial entity or authority, or any minister, department, office or delegate of any government, whether in Australia, or elsewhere. It also includes any self-regulatory organisation established under any statute and any stock exchange.

**Listing Rules** means the official listing rules of the ASX.

**Offer** means the offers made by Two Way under the Bid.

**Offer Period** means the period during which the Offers are open for acceptance.

**Priority One Board** means the board of directors of Priority One.

**Priority One Group** means Priority One and its subsidiaries (as defined in the Corporations Act).

**Priority One Shareholders** means the registered holders of the Priority One Shares.

**Priority One Shares** means all of the ordinary shares on issue in Priority One as at the Announcement Date.

**Relevant Interest** has the meaning given in the Corporations Act.

**Target's Statement** means the target's statement to be issued by Priority One in response to the Two Way Bidder's Statement and the Offer.

**Two Way Group** means Two Way and its subsidiaries (as defined in the Corporations Act).

**Two Way Shareholders** means the holders of ordinary shares in Two Way.

