

**ASX RELEASE**

**24 August 2012**

**Heads of Agreement – Donaco Singapore Pte Ltd**

Two Way Limited is pleased to announce that it has signed a non-binding Heads of Agreement (“**HOA**”) with Donaco Singapore Pte Ltd (“**Donaco**”).

Under the HOA, Donaco will sell its 75% share in the Lao Cai International Hotel to Two Way, in return for Two Way shares (“**the Transaction**”).

**Profile of Donaco**

Donaco is a Singapore registered company with investments in Singapore, Malaysia, Vietnam, Cambodia, China and Thailand. Donaco is involved in the gaming, entertainment and trading industries.

Donaco manages the Lao Cai International Hotel in Lao Cai, Vietnam, which is on the border with the Yunan Province of China. The Lao Cai International Hotel is a luxury hotel and entertainment centre which is a joint venture with the Government of Vietnam, under an investment licence granted in July 2002. Donaco owns 75% of the Lao Cai International Hotel, with the remaining 25% owned by Sapa Petrol Tourism Joint Stock Company, an entity associated with the Government of Vietnam.

**Profile of Lao Cai International Hotel**

The Lao Cai International Hotel has been trading since January 2003, and is a successful and profitable venture. Revenues for the 12 months to December 2011 were AUD\$12.1 million, with net profit after tax of AUD\$6.0 million. Revenues have increased by 38.3% in the six months to June 2012, compared to the previous corresponding period.

The Lao Cai International Hotel has a selection of 8 gaming tables, offering a choice of Baccarat and TaiSai. The hotel also has installed more than 80 slot machines, including many different kinds of Aristocrat, Weiki, and IGT slot machines, and many other games. Jackpot slots and electronic roulette terminals are soon to be available.

**Strategic Rationale**

The purpose of the Transaction is to create a cash-flow positive and profitable ASX-listed entity to pursue gaming and wagering opportunities, particularly in Asia. In the first instance, the parties will explore ways of combining Two Way’s expertise in online and interactive gambling, with Donaco’s casino management expertise, to offer online casino gaming in territories where it is legal to do so.

## Valuation Details

The Transaction values the equity in Two Way at **1.5 cents** per share, which is a **50% premium** to both the last traded price, and the 30-day volume weighted average price, of Two Way shares.

If the Transaction is approved, all Two Way shareholders will also be granted free options to acquire further shares in Two Way, based on one option for every two shares held as at the date that shareholder approval is obtained. The options will have an exercise price of 1.5 cents, and an expiry date of two years from the grant date.

The Lao Cai International Hotel has been agreed to have an enterprise value of AUD\$78.5 million, which includes its AUD\$10.5 million cash at bank. This represents a multiple of 7.3x expected earnings before interest, tax, depreciation and amortisation (EBITDA) for the financial year to 31 December 2012, based on seven months of actual results and five months of forecast results.

## Key terms

- Non-binding Heads of Agreement to acquire the 75% interest in the Lao Cai International Hotel held by Donaco Singapore Pte Ltd
- Prior to the end of August 2012, Two Way will conduct a capital raising by way of a placement to raise a minimum of \$250,000
- Negotiation of a binding Merger Implementation Agreement
- If the Transaction is approved by shareholders, Two Way will grant one free option to its shareholders for every two shares held, at an exercise price of \$0.015
- A consolidation of the expanded capital base is planned

## Indicative timetable

The parties intend to execute a binding Merger Implementation Agreement, which will be subject to approval by Two Way shareholders, by 24 September 2012.

The Transaction will be subject to shareholder approval at Two Way's Annual General Meeting, currently proposed to be held in early November 2012.

The notice of meeting for the AGM will be accompanied by an independent expert's report on the Transaction.

## Due Diligence

Under the HOA, 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

Under the HOA, Two Way has agreed not to enter into discussions with any other party relating to any proposal which would result in Two Way issuing shares (apart from the placement referred to below), or enter into an agreement which would result in a change of control of the Company, until



the earlier of 15 October 2012 or the termination of the HOA, unless Donaco seeks to amend materially the terms of the HOA. The exclusivity obligation is binding.

## **Placement**

Two Way announces that the Subscription Agreement with Beez Investment Pty Ltd, which was announced to the market on 29 June 2012, has now been terminated by mutual consent.

As part of the Transaction, Two Way will conduct a capital raising by way of a placement to professional and sophisticated investors of 16,666,667 shares at an issue price of 1.5 cents, to raise \$250,000 ("the Placement"). The Placement will be undertaken in accordance with the 15% in 12 months limitation set out in ASX Listing Rule 7.1.

If the placement is not finalised and the cash received by Two Way prior to the end of August 2012, Two Way and Donaco will work together to locate sophisticated investors, after which both parties may terminate if the placement is not completed.

## **Proposed share consolidation**

Should the Transaction be approved, Two Way intends to consolidate its share capital on a basis to be agreed.

## **Profile of the combined entity**

Two Way currently has 268,530,760 shares on issue. Based on the closing price of Two Way shares on 22 August 2012 (\$0.01), the Company has a market capitalization of \$2,685,307.

Following the Placement referred to above, Two Way will have 285,197,427 shares on issue. The Company will have a market capitalisation of \$4,277,961 at the Transaction price of \$0.015 per share.

If the Transaction is approved, Two Way will issue 5,234,485,000 shares (at \$0.015 per share) to Donaco. The consolidated company will have a pro-forma market capitalization of \$82.79 million, based on total share capital of 5,519,682,427 shares (at \$0.015 per share).

Two Way shareholders will own approximately 5.2% and Donaco 94.8% of the combined entity.

Two Way currently has a total of 17,297,600 options on issue, at various exercise prices ranging from 1.8 cents to 6 cents. As part of the Transaction, Two Way shareholders will also be issued with one option for every two ordinary shares held, at an exercise price of 1.5 cents. This will be a total of 142,598,713 new options.

If all of the existing and new options (totalling 159,896,313 options) were exercised, the combined entity would have 5,679,578,740 shares on issue, and a market capitalisation of \$85.19 million (at \$0.015 per share). Two Way shareholders would then own approximately 7.6% and Donaco 92.4% of the combined entity.

As noted above, should the Transaction be approved, Two Way intends to consolidate its share capital on a basis to be agreed.



## Benefits of the combined entity

The Board of Two Way believes that the combined entity will provide improved shareholder value for both Two Way shareholders and Donaco through:

- Consolidation of complementary skills and assets in the gambling industry
- Cash flow positive and profitable ASX listed entity
- Improved international reach and relationships
- Strengthened share register
- Greater market liquidity
- Greater range of relevant skill sets at Board level
- Improved access to funding

## Comments

Chairman of Two Way, Mr Stuart McGregor, said "This transaction is a significant step forward for Two Way and our shareholders, and secures the future of our business. Two Way has a strong heritage in wagering and gaming, offering services to all of the major TAB operators and all of the major corporate bookmakers in Australia. We welcome the strength that Donaco brings to this partnership, and the highly complementary assets and expertise that Donaco has in the gaming and entertainment industry."

Executive Director of Donaco, Mr Mak Siew Wei, said "Donaco is extremely delighted to be part of the Two Way family. With our ongoing 400 room expansion, we can foresee an uptrend in our revenues, with the strong influx of tourists from China contributed by its strong economic growth."

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### For further information:

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Chairman  
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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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### **Information on Donaco and Lao Cai International Hotel**

All information relating to Donaco and Lao Cai International Hotel in this announcement has been supplied by Donaco 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, Donaco and Lao Cai International Hotel. 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 Donaco.

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 Donaco'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 Donaco 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.

