

ASX Release

29 August 2007

***TWO WAY LIMITED
FY07 RESULTS ANNOUNCEMENT***

Two Way Limited today released its financial report and accounts for the 12 months ending 30 June 2007.

The results reflect major strategic and structural changes undertaken by the Company as it focuses on its gambling and wagering capabilities. These changes have established a new business, with a solid platform for growth.

This major change in strategic direction was highlighted this financial year with the completion of a significant pay TV wagering agreement with Tabcorp and Foxtel.

Key Financial Information

	<u>FY06</u>	<u>FY07</u>	
Revenue	2.1m	2.1m	
Operating Costs	(5.9m)	(6.9m)	<i>(including D&A)</i>
Abnormals	(11.2m)*	(1.5m)‡	
NPAT	(15.0m)	(6.3m)	

* *Includes write-off of Asian license options, and goodwill on acquisition*

‡ *Includes write-off of non-wagering capitalised staff costs*

Financial Commentary

Chief Executive Officer and Managing Director, Ben Reichel, said that the operating result explains why the Company's new Board has decided to make a change in strategic direction.

"Our casual games and media operations in Asia have not delivered the revenue growth that was expected. As a result of this underperformance, we are moving away from these operations and, accordingly, we have written off the associated capitalised costs," Mr Reichel said.

"We are also currently in discussions with a number of our commercial partners in this area with a view to re-negotiating, on-selling or shutting down the current Asian operations.

“The move away from our casual games operations has also led to a reduction in staff numbers, and therefore we made a decision to relocate to new premises.

“The restructure of our workforce will deliver a \$1.5m reduction in staff costs in FY08,” he said. “The new premises will also deliver a 75 per cent saving in annual rental costs.”

Another key factor impacting on operating costs in FY07 was the increased licensing fees relating to mobile services and casual games.

“In line with our change in product emphasis, we have renegotiated some of these license fees,” Mr Reichel said. “We expect that costs in this area will come down considerably in the future as we rely less on third-party products and technologies.”

Mr Reichel said the lack of revenue growth from the Company’s casual games business reinforces Two Way’s decision to focus on wagering and gambling opportunities in the future.

“The casual games business is difficult to crack,” he said. “Competition is high, ongoing development of unique content is expensive, and customer take-up is still in an early-growth phase.

“We have bitten the bullet and decided that the company’s future lies with its core gambling and wagering applications, where we maintain a competitive advantage, have existing contracts with reputable partners, and retain the potential for significant growth outside Australia.

“The Board also believes that opportunities in the wagering and gambling area offer better potential for improved financial returns for all shareholders.”

Wagering and Gambling

A key highlight of the 2007 financial year was the completion of an agreement with Tabcorp Holdings Limited (ASX:TAH) and Foxtel to jointly deliver a pay TV wagering service.

Racing followers in NSW and Victoria will be able to place bets using the technology, content and hardware available to all Foxtel subscribers, once regulatory approval is granted.

“In simple terms, Tabcorp will deliver the content via its Sky Racing Channel, Two Way delivers the technology and Foxtel provides the platform or the entry point to the home,” Mr Reichel said.

Two Way is well advanced with the development of its pay TV wagering service, and the product is on track to be available towards the end of this calendar year.

The finalisation of this product will give Two Way the opportunity to establish further relationships with wagering organisations and broadcasters throughout Australia and, in time, overseas.

The second major gambling product being developed by Two Way is the Way2Bet portal, which provides punters with sports gambling information via online and mobile platforms.



Board and Management

Chairman of Two Way, Mr Stuart McGregor, said the Board and Management restructuring that had taken place during 2007 had been bedded down.

"The restructuring of the Board, as driven by shareholders, has been completed. This has included the appointment of two new Board members, Craig Connelly and former Two Way CEO Chris Grant-Foster, who have brought new skills and experience," he said.

"The promotion of Ben Reichel to Chief Executive Officer and Managing Director has ensured continuity of experience and stability," Mr McGregor said. "Similarly, the closer working relationship between the Board and senior management is delivering more efficient and co-ordinated implementation of strategy."

"It has been an important year in the development of Two Way, and I am more than confident that the changes at all levels of the business have delivered a solid platform for future success."

For further information:

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

ABOUT TWO WAY LIMITED (ASX: TTV)

Two Way is a leading interactive media and gambling applications company. Our competitive strengths include our specialised expertise, patented technology, and library of interactive applications, which can be deployed on TV, mobile or internet.

Two Way has completed an agreement with Tabcorp Holdings Limited (ASX:TAH) and Foxtel to jointly deliver a pay TV wagering service from late 2007, with the potential to establish similar relationships with other wagering and broadcasting partners throughout Australia and overseas.

Our interactive wagering application offers an extensive range of bet types and form guides, and utilises the latest synchronisation technology to enhance the user experience. This technology is now being applied to sports betting applications, including play for prizes and play for real.

Our Way2Bet portal offers an extensive range of information resources to help punters bet better. These services are available via online and mobile platforms at www.way2bet.com.au and way2bet.mobi.

Two Way's products are currently being deployed by leading interactive TV operators in Australia and New Zealand. Our clients include Tabcorp, Foxtel, Austar and Sky New Zealand.

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



TWO WAY LIMITED & CONTROLLED ENTITIES

ABN 28 007 424 777

ASX Preliminary final report – 30 June 2007

Lodged with the ASX under Listing Rule 4.3.A

This information should be read in conjunction with the 30 June 2007 Annual Report

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Two Way Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Corporate Information

ABN 28 007 424 777

Directors

Mr Stuart James McGregor	(Non-Executive Chairman)
Mr Benedict Paul Reichel	(Managing Director)
Mr Christopher Roberts Grant-Foster	(Non-Executive Director)
Mr Craig Francis Connelly	(Non-Executive Director)

Company Secretary

Mr Rointon Gerald Nugara

Registered Office

Suite 2.05
55 Miller Street
Pyrmont NSW 2009

Bankers

ANZ Banking Group

Share Register

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford Victoria 3067

Auditors

William Buck Chartered Accountants

Results for Announcement to the Market

Revenue from ordinary activities	Flat		At	2,117,596
Loss from ordinary activities before impairment losses	Up	26%	To	(4,837,250)
Net Loss after impairment losses and tax attributable to members	Down	58%	To	(6,335,423)

Dividends/distributions

The directors do not recommend the payment of a dividend.

Reporting Period: Year ended 30 June 2007

Previous Corresponding Period: Year ended 30 June 2006

Review of Operations

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

	Note	Consolidated	
		2007	2006
		\$	\$
Revenue			
Service		1,288,728	1,067,960
Interest – other persons		828,868	1,046,609
Other		-	-
Total revenue		<u>2,117,596</u>	<u>2,114,569</u>
Employee benefits expenses		(3,298,651)	(2,777,488)
Borrowing costs		-	-
Depreciation and amortisation		(852,483)	(347,017)
Operations and administration		<u>(2,803,712)</u>	<u>(2,825,027)</u>
Expenses from ordinary activities		<u>(6,954,846)</u>	<u>(5,949,532)</u>
Loss from ordinary activities before income tax		(4,837,250)	(3,834,963)
Impairment losses		(1,498,173)	(11,180,060)
Income tax attributable to operating profit		-	-
Net loss attributable to members		(6,335,423)	(15,015,023)

Comments on the operations and results of those operations are set out in the attached ASX release entitled ***“Two Way Limited - FY07 Results Announcement”***.

**1. PRELIMINARY CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED
30 JUNE 2007**

	Note	Consolidated	
		2007 \$	2006 \$
Revenue from ordinary activities	5.1	2,117,596	2,114,569
Employee benefits expense		(3,293,438)	(2,777,488)
Depreciation and amortisation		(852,483)	(347,017)
Professional and consulting fees		(275,820)	(550,605)
Travel		(425,858)	(476,103)
Licence fees		(1,188,380)	(850,564)
Administration expenses		(286,069)	(295,933)
Borrowing costs		-	-
Other expenses from ordinary activities		(632,798)	(651,822)
Loss from ordinary activities		(4,837,250)	(3,834,963)
Impairment of assets		(1,498,173)	(11,180,060)
Income tax expense	5.2	-	-
Loss from continuing operations		(6,335,423)	(15,015,023)
NET LOSS		(6,335,423)	(15,015,023)
Basic earnings per share (cents per share)	5.8	(7.03)	(16.67)
Diluted earnings per share (cents per share)	5.8	(7.03)	(16.67)

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

**2. PRELIMINARY CONSOLIDATED BALANCE SHEET
FOR THE YEAR ENDED
30 JUNE 2007**

	Note	Consolidated	
		2007	2006
		\$	\$
CURRENT ASSETS			
Cash	5.4	7,353,757	15,316,479
Receivables		199,275	231,929
Other		471,828	97,663
TOTAL CURRENT ASSETS		8,024,860	15,646,071
NON-CURRENT ASSETS			
Plant and equipment		224,660	551,419
Prepaid Wagering Fee	5.5	2,800,000	-
Intangible assets	5.6	-	-
Other assets	5.7	641,889	1,551,390
TOTAL NON-CURRENT ASSETS		3,666,549	2,102,809
TOTAL ASSETS		11,691,409	17,748,880
CURRENT LIABILITIES			
Payables		610,659	400,526
Provisions		282,336	349,310
TOTAL CURRENT LIABILITIES		892,995	749,836
NON-CURRENT LIABILITIES			
Provisions		20,655	19,734
TOTAL NON-CURRENT LIABILITIES		20,655	19,734
TOTAL LIABILITIES		913,650	769,570
NET ASSETS		10,777,759	16,979,310
EQUITY			
Contributed equity		52,908,876	52,908,876
Reserves	5.9	(7,071,937)	(7,205,809)
Accumulated losses	5.10	(35,059,180)	(28,723,757)
Parent entity interest		10,777,759	16,979,310
TOTAL EQUITY		10,777,759	16,979,310

The above preliminary consolidated balance sheet should be read in conjunction with the accompanying notes.

**3. PRELIMINARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2007**

	Contributed Equity \$	Retained Profits \$	Share Issue Expense Reserve \$	Employee Options Reserve \$	Total \$
Balance at 1.7.2005	52,813,875	(13,708,734)	(7,674,698)	192,311	31,622,754
Profit/(loss) attributable to members of parent entity		(15,015,023)			(15,015,023)
Employee share options issued				276,579	276,579
Shares issued to key management personnel	95,000				95,000
Balance at 30.06.2006	<u>52,908,875</u>	<u>(28,723,757)</u>	<u>(7,674,698)</u>	<u>468,890</u>	<u>16,979,310</u>
Balance at 1.7.2006	52,908,875	(28,723,757)	(7,674,698)	468,890	16,979,310
Profit/(loss) attributable to members of parent entity		(6,335,423)			(6,335,423)
Employee share options issued				133,872	133,872
Balance at 30.06.2007	<u>52,908,875</u>	<u>(35,059,180)</u>	<u>(7,674,698)</u>	<u>602,762</u>	<u>10,777,759</u>

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

**4. PRELIMINARY CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED
30 JUNE 2007**

	Note	Consolidated	
		2007	2006
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,237,819	1,061,661
Payments to suppliers and employees		(6,720,743)	(6,083,588)
Interest received		869,236	983,162
Other – Prepaid wagering fee		(3,080,000)	-
		<hr/>	<hr/>
Net cash provided by (used in) operating activities	5.3	<u>(7,693,688)</u>	<u>(4,038,765)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(269,034)	(206,318)
Purchase of businesses – Holotype Pty Ltd		-	(173,355)
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		<u>(269,034)</u>	<u>(379,673)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Payment of share issue expenses		-	-
		<hr/>	<hr/>
Net cash provided by (used in) financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		(7,962,722)	(4,418,438)
Cash at beginning of year		<u>15,316,479</u>	<u>19,734,917</u>
Cash at end of year	5.4	<u>7,353,757</u>	<u>15,316,479</u>

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

**5. NOTES TO THE PRELIMINARY CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Consolidated	
		2007 \$	2007 \$
Note 5.1: Revenue			
Revenue from operating activities			
- Service revenue		1,288,728	1,067,960
Revenue from non-operating activities			
- Interest – other persons		828,868	1,046,609
- Proceeds on disposal of plant and equipment		-	-
		828,868	1,046,609
Total revenue		2,117,596	2,114,569
Note 5.2: Income Tax Expense			
Prima facie income tax/ (credit) calculated at 30% on the operating loss		(1,900,627)	(4,504,507)
Tax effect of permanent difference		(134,549)	(148,935)
Timing differences		(127,855)	(18,739)
Future income tax benefit not brought to account		2,163,031	4,672,181
Income tax attributable to operating loss		-	-
Note 5.3: Reconciliation of net loss from ordinary activities after tax to net cash inflow from operating activities			
Loss from ordinary activities after income tax		(6,335,423)	(15,015,023)
Non-cash flows in loss from ordinary activities			
Depreciation and amortisation		852,483	347,017
Net loss on disposal of plant and equipment		3,990	3,731
Foreign exchange loss		1,621	3,014
Impairment losses		1,498,173	11,180,060
Issued shares to employee expensed		-	95,000
Employee options expensed		133,872	276,579
Change in assets and liabilities			
(Increase) / decrease in receivables		32,654	(89,093)
(Increase) / decrease in prepaids		(2,800,000)	-
(Increase) / decrease in other assets		(1,225,138)	(958,201)
Increase / (decrease) in trade creditors and accruals		210,133	(50,831)
Increase / (decrease) in provisions		(66,053)	168,982
Net cash inflow from operating activities		(7,693,688)	(4,038,765)

	Note	Consolidated	
		2007 \$	2006 \$
Note 5.4: Cash Assets			
Cash at bank		7,353,757	15,316,479
Note 5.5: Prepaid Wagering Fee			
Upfront fee		2,800,000	-
<p>Per the terms of the recently signed pay TV wagering service agreement, Two Way is to pay Foxtel \$5.6m (plus GST) in two tranches, with the first 50% paid on signing of the agreement (8 June 2007). The remaining 50% will be paid on commercial launch of the service.</p>			
Note 5.6: Intangible Assets			
(a) Asian licence options			
At cost		11,012,185	11,012,185
Impairment loss		(11,012,185)	(11,012,185)
Net carrying value of asset		-	-
(b) Goodwill on acquisition of Holotype Pty Ltd			
At cost		-	167,875
Impairment loss		-	(167,875)
Goodwill carried forward		-	-
Note 5.7: Other Assets			
Capitalised development expenditure			
At cost		2,498,414	1,628,400
Accumulated amortisation		(522,126)	(77,010)
Impairment loss		(1,334,399)	-
Net carrying value of asset		641,889	1,551,390

Note 5.8: Earnings per share

(a) Net Loss / Earnings used in the calculation of basic EPS	(15,015,023)
	<u>(6,335,423)</u>
(a) Net Loss / Earnings used in the calculation of dilutive EPS	(15,015,023)
	<u>(6,335,423)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	90,100,000
	<u>90,089,589</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS	90,100,000
	<u>90,089,589</u>

(c) Classification of Securities

The ownership-based remuneration scheme with 4,912,500 options remaining unconverted at year-end is not included in the calculation of basic or dilutive EPS as the issue of shares is contingent upon future events. As at reporting date, conditions which would result in the issue of shares had not been satisfied.

Note 5.9: Reserves

Share issue expense ¹	(7,674,699)	7,674,699
Employee options reserve	602,762	468,890
Total Reserves	<u>(7,071,937)</u>	<u>(7,205,809)</u>

1: Consists of costs incurred in relation to initial public offer (IPO)

Note 5.10: Accumulated losses

Accumulated losses at the beginning of the financial year	(28,723,757)	(13,708,734)
))
Accumulated losses for the current year	(6,335,423)	(15,015,023)
	<u>(35,059,180)</u>	<u>(28,723,757)</u>
Accumulated losses at the end of the financial year))

Note 5.11: NTA Backing

	Consolidated	
	2007	2006
Net tangible asset backing per ordinary share	<u>11.96 cents per share</u>	<u>18.84 cents per share</u>

Note 5.12: Audit

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

6. BASIS OF PREPARATION OF PRELIMINARY FINAL REPORT

This general purpose financial report for the reporting period ended 30 June 2007 has been prepared in accordance with requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory reporting requirements.

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

This preliminary final report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Two Way Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This preliminary final report including the commentary on Group results was approved pursuant to a resolution of the board of directors on 23 August 2007.