

**ASX RELEASE**

**31 January 2008**

**Cash Flow Statement and Investor Update**

Two Way Limited lodges the attached Appendix 4C cash flow statement for the quarter ending 31 December 2007. Key details are as follows:

1. Receipts from customers \$307,000

This represents an increase of 49% on the previous quarter, with new revenues from the Way2Bet online and mobile portal coming on line, together with higher subscription games receipts.

2. Payments for staff costs (\$539,000)

This represents a 53% reduction on the previous quarter, which included one-off restructuring costs associated with the changes to the Company's workforce. The current quarter therefore reflects the lower ongoing staff costs subsequent to the restructure.

The previous quarter also included payment of the Company's annual NSW payroll tax liability for the 2006/07 financial year. For the 2007/08 year, payroll tax is paid monthly.

For the full FY08 year, the Company expects to reduce staff costs by a total of \$2.0m from the FY07 level.

3. Total net cash flow (\$3,946,000)

The total figure includes payment of the second and final upfront fee to Foxtel of \$3,080,000 in relation to the Company's pay TV wagering service. This payment included GST of \$280,000, which was recovered in mid-January 2008.

The upfront payments to Foxtel (totaling \$5.6m plus GST) will be progressively recouped once the Company's pay TV wagering service is launched.

Also included in the total figure was a realised loss on sale of a number of the Company's Floating Rate Note (FRN) investments, used to fund the upfront payment to Foxtel. The loss amounted to \$0.358m and is a result of the recent credit market crisis.

The Company negotiated a short term loan facility with its bank. The \$1.0m facility is to be used to help fund operating activities, with the Company's remaining FRN investment (face value \$2.0m) used as collateral. At the date of this report, \$0.428m had been drawn down to help fund the payment to Foxtel. The Company has instructed the ANZ Bank to sell its final investment at the most favourable price.

4. **Cash on hand** **\$2,185,000**

Included in the Cash on hand balance is the remaining FRN investment with a face value of \$2.0m. Previously, all such investments have been treated as cash or cash equivalent due to the ease of conversion to cash. However, the recent credit markets crisis has resulted in a severe tightening of liquidity which has in turn, reduced the secondary market in which these investments are traded. At 31 December 2007, the market value was quoted at \$1.650m. If the asset had been sold at that date, a loss of approximately \$350,000 would have been realised. This would mean that the total loss across all of the Company's FRN investments would be approximately \$700,000, as previously disclosed to the market.

The Company is in discussions with its auditors as to treatment of any potential unrealised loss; together with the possibility of reclassification as a short term investment rather than cash. Should amendments be required, these will be reflected in the Company's 31 December 2007 Half Year accounts, to be released at the end of February 2008.

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For further information:

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

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

Two Way has completed an agreement with Tabcorp Holdings Limited (ASX:TAH) and Foxtel to jointly deliver a pay TV wagering service, 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](http://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, Astar and Sky New Zealand.

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

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# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

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

Name of entity

TWO WAY LIMITED

ABN

28 007 424 777

Quarter ended ("current quarter")

31 DECEMBER 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	307	514
1.2 Payments for		
(a) staff costs	(539)	(1,694)
(b) advertising and marketing	(0)	(27)
(c) research and development		
(d) leased assets	(1)	(2)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	71	143
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Licence Fees	(224)	(452)
Other – Consultants' Fees	(281)	(314)
Other – Rental Costs	(18)	(65)
Other – Upfront Wagering Fee	(3,080)	(2,800)
Other Expenses	(204)	(341)
<b>Net operating cash flows</b>	<b>(3,969)</b>	<b>(5,038)</b>

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(3,969)</b>	<b>(5,038)</b>
<b>1.9 Cash flows related to investing activities</b>		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets	(47)	(201)
<b>1.10 Proceeds from disposal of:</b>		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other – loss on sale of deposits at call	(358)	(358)
<b>Net investing cash flows</b>	<b>(405)</b>	<b>(559)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(4,374)</b>	<b>(5,597)</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc.		
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	428	428
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	<b>428</b>	<b>428</b>
<b>Net increase (decrease) in cash held</b>	<b>(3,946)</b>	<b>(5,169)</b>
1.21 Cash at beginning of quarter/year to date	6,131	7,354
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>2,185</b>	<b>2,185</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	61
1.25	Aggregate amount of loans to the parties included in item 1.11	N/A

1.26 Explanation necessary for an understanding of the transactions

Included in Staff Costs in Item 1.2 are Board Fees paid to non-executive directors or their related entities amounting to \$61,317.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Included in the cash balance at Item 4.2 is an investment with a face value \$2.0m. Previously, all such investments have been treated as cash or cash equivalent due to the ease of conversion to cash.

However, the recent credit markets crisis has resulted in a severe tightening of liquidity which has in turn, reduced the secondary market in which these investments are traded. At 31 December 2007, the market value was quoted at \$1.650m. If the asset had been sold at that date, a loss of approximately \$0.350m would have been realised.

The Entity is in discussion with its auditors as to both the treatment of any potential unrealised loss and the potential need to reclassify this asset as a short term investment rather than cash item. If required, these transactions would be reflected in the Entity's Half Year Report, due for release on the 29<sup>th</sup> February 2008.

The investment is being used as collateral for a \$1.0m short term debt facility organised through the Entity's bank (refer Item 3.1 below). The purpose of this facility is to help fund the Entity's operations whilst it seeks to sell the investment at the most favourable price possible. As at 31 December 2007, a total of \$0.428m had been used (refer Items 1.17 and 3.1).

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

+ See chapter 19 for defined terms.

**Appendix 4C**  
**Quarterly report for entities**  
**admitted on the basis of commitments**

**Investing activities – other**

- 2.3 During the quarter, the Entity sold a number of investments, primarily to fund the payment of the upfront wagering fee. A loss of \$0.358m was realised on the sale of these assets and is included at Item 1.13.

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	1,000	428
3.2 Credit standby arrangements	N/A	

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	185	107
4.2 Deposits at call *	2,000	6,024
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter (item 1.22)</b>	<b>2,185</b>	<b>6,131</b>

\*: refer section 2.1 for further details.


**Acquisitions and disposals of business entities**

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

+ See chapter 19 for defined terms.

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  ..... Date: ..31 January 2008.....  
(Company Secretary)

Print name: Rointon Nugara

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