

**ASX RELEASE**

**31 October 2007**

**Cash Flow Statement and Investor Update**

Two Way Limited lodges the attached Appendix 4C cash flow statement for the quarter ending 30 September 2007. Key details are as follows:

1. Receipts from customers \$206,000

This represents an increase of 14% on the previous quarter, after excluding one-off June quarter payments from customers in Asia.

2. Payments for staff costs (\$1,154,000)

This represents an increase of \$251,000 (28%) on the previous quarter. The increase was primarily caused by one-off restructuring costs associated with the changes to the Company's workforce, which have delivered substantially lower ongoing staff costs.

The increase from the previous quarter was also partly caused by payment of the Company's annual NSW payroll tax liability for the 2006/07 financial year.

Excluding these items, staff costs were down on the previous quarter, as a result of the Company's workforce restructure. For the full FY08 year, the Company expects to reduce staff costs by a total of \$1.8m from the FY07 level.

3. Total net cash flow (\$1,223,000)

The total figure includes one-off fitout costs associated with the Company's move to new premises. The new premises have reduced rental costs by 75%, leading to a saving of \$800,000 in rent over the next three years.

The previous quarter recorded net cash flow of (\$4,161,000), which included the upfront payment to Foxtel of \$3,080,000 in relation to the Company's pay TV wagering service. This payment included GST of \$280,000, which has now been recovered in this quarter.

A second upfront payment to Foxtel of \$3,080,000 (including GST of \$280,000) is due on the commercial launch of the Company's pay TV wagering service, which is on schedule to occur before the end of December 2007, subject to regulatory approval.

Apart from this additional one-off payment, operating cash flow is expected to continue to improve for the remainder of FY08.

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

4. **Cash on hand** **\$6,131,000**

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For further information:

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& Managing Director  
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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 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](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, Austar 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")

30 SEPTEMBER 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from customers	206	206
1.2 Payments for		
(a) staff costs	(1,154)	(1,154)
(b) advertising and marketing	(27)	(27)
(c) research and development		
(d) leased assets	(1)	(1)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	72	72
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Licence Fees	(227)	(227)
Other – Consultants' Fees	(33)	(33)
Other – Rental Costs	(47)	(47)
Other – GST Refund on June07 Wagering Fee	280	280
Other Expenses	(138)	(138)
<b>Net operating cash flows</b>	<b>(1,069)</b>	<b>(1,069)</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 (3 months) \$A'000
1.8 Net operating cash flows (carried forward)	<b>(1,069)</b>	<b>(1,069)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets	(154)	(154)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>(154)</b>	<b>(154)</b>
<b>1.14 Total operating and investing cash flows</b>	<b>(1,223)</b>	<b>(1,223)</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		
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (provide details if material)		
<b>Net financing cash flows</b>	<b>0</b>	<b>0</b>
<b>Net increase (decrease) in cash held</b>	<b>(1,223)</b>	<b>(1,223)</b>
1.21 Cash at beginning of quarter/year to date	7,354	7,354
1.22 Exchange rate adjustments to item 1.20		
1.23 <b>Cash at end of quarter</b>	<b>6,131</b>	<b>6,131</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	86
1.25	Aggregate amount of loans to the parties included in item 1.11	N/A
1.26	<p>Explanation necessary for an understanding of the transactions</p> <div style="border: 1px solid black; padding: 5px;"> <p>Included in Staff Costs in Item 1.2 are Board Fees paid to non-executive directors or their related entities amounting to \$85,990.</p> </div>	

**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

- 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

**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	N/A	
3.2	Credit standby arrangements	N/A	

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**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	107	52
4.2 Deposits at call	6,024	7,302
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
<b>Total: cash at end of quarter</b> (item 1.22)	<b>6,131</b>	<b>7,354</b>

**Acquisitions and disposals of business entities**

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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		

**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:

  
 .....  
 (Company Secretary)

Date: ..31 October 2007.....

Print name: Rointon Nugara

+ See chapter 19 for defined terms.