



ASX: TTV

ASX RELEASE

27 October 2006

Chairman's Address and CEO's Presentation

The attached Chairman's Address and Chief Executive Officer's Presentation will be delivered at today's Annual General Meeting of Two Way TV Australia Limited.

For further information:

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ABOUT TWO WAY TV AUSTRALIA (ASX: TTV)

Two Way's strategic focus is to be the interactive partner of choice in Asia Pacific, providing content, applications and services across three key verticals:

- Wagering and Gambling
- Casual Games
- Mobile to TV Applications

Through its exclusive license agreements with Two Way Media Ltd (UK) and Zone4Play Inc (US), Two Way has access to the world's largest library of interactive TV applications, as well as leading-edge mobile and gambling applications.

Two Way's products and services reach a potential audience of 162 million people across seven countries, via distribution agreements with leading media groups including Foxtel, Austar, Sky New Zealand, Sky News Australia, STAR, PCCW, and MagiNet.



Annual General Meeting 2006

Chairman's Address

Since listing on the Australian Stock Exchange nearly two years ago, Two Way has attracted the support of a diverse register of shareholders.

Your support is appreciated, and we trust that you continue to share the same level of optimism that we have for the company's future.

There have been some significant developments for the company in recent months, and we look forward to announcing further achievements during this financial year.

The Board, supported by the management, believe the Company is well positioned for the future, and we welcome the opportunity to elaborate during today's proceedings.

Our objectives today are to give you a further rundown on our recent operational and financial milestones; a brief synopsis of our clearly defined strategy and business plan; and, finally, provide some detail on some of our commercial expectations for the coming year. And, of course, there are also some Ordinary and Special Business items we need to address.

Before handing over to our Chief Executive Officer, Chris Grant-Foster, I would like to give you a brief rundown on the company's major milestones and achievements during the 2006 financial year.

First, I think it is worth emphasising that, in relative terms, Two Way is still a very young business and, as such, much of what has been achieved recently is setting the foundations for a successful future.

We have continued to establish significant commercial relationships with major media and communication businesses across the Asia Pacific region, including:

- PCCW in Hong Kong
- Star Group
- Foxtel
- Austar
- Sky News Australia
- Sky New Zealand

While details of the agreements with these businesses have been lodged with the ASX and also written about in our annual report, I believe it is worth recapping today the significance and breadth of these relationships.

In March 2006 Two Way completed an agreement with Asia's leading media and entertainment company STAR Group, which broadcasts to 300 million customers in 53 countries.



Two Way's groundbreaking mobile-to-TV technology will allow STAR viewers to use their mobile phones to dynamically participate in TV programming such as quiz and game shows, news, talent programs, entertainment, news and sport.

Hong Kong-based PCCW – which has the largest IPTV (Internet Protocol Television) service in the world - will also now be offering Two Way's interactive games to its 550,000 IPTV subscribers.

Our casual games will also soon be available in hotels throughout the Middle East and Asia following the completion of an agreement with MagiNet, which is a leading provider of hotel in-room technology and entertainment.

An agreement was also reached with M2B Game World for Two Way to provide interactive games to its North America and Asian Global Broadband TV customers.

Locally, Sky News Australia is now using Two Way's mobile-to-TV technology to manage any mobile phone communication it has with its viewers in Australia and New Zealand.

As shareholders, you will also be aware that we are in advanced discussions with both Tabcorp and a pay TV operator regarding an interactive TV wagering service for Australian subscription television viewers.

We will continue to update the market on the progress of these discussions.

In summary, we are now in business with some of the region's leading communication businesses – and, indeed, some of the best brands in this sector – across some of the world's most populous markets.

We have a specific focus on deployment of our services into Asia, which includes a new office in Hong Kong.

We are establishing an excellent operational foundation, which will start to be reflected in our financial performance in the current year.

Which brings me to our financial results for the 2006 financial year.

You will have read in the annual report that Two Way recorded a net loss of \$15 million for the 12 months to 30 June 2006.

However, I must say that the actual operating result – which was a loss of \$3.8 million - was in line with company forecasts and market expectations.

The major impact on our financial results was a non-cash write off of \$11.2 million, which was driven by the company's strict adherence to new and more conservative Australian equivalents to International Financial Reporting Standards.

Specifically, we wrote off the \$11.0 million carrying value of Asian license options acquired from Two Way Media Ltd in the UK, and also the \$0.2 million in goodwill which came with the acquisition of Holotype Pty Ltd in September 2005.



It is important to note that the value of these licences to the business remains unchanged, and they continue to be of significant strategic importance. Under these licences we have the exclusive rights to sell valuable products which have proven attractive to our business partners in Asia.

The write down has been well accepted across financial markets, supported by the fact that our operating result was largely in line with guidance provided to shareholders 12 months ago.

Our cash position remains strong, with \$15.3m in the bank as at 30 June 2006, and monthly cash usage is trending downwards.

I am happy to tell you that the business is committed to driving cash receipts upwards by around 30 per cent in the current financial year.

I am also happy to tell you today that the Company has set itself the target of being cash flow positive by the end of 2007, and is on track.

It is an aggressive target, but our CEO and the management team, supported by the Board, is determined to ensure that the business is focused on this objective.

Under Chris's leadership, the business is pursuing a clearly defined strategic vision, which is now being effectively communicated.

What this has brought to the table is a clarification that we are building the business within clearly defined parameters, and with renewed priority on revenue streams.

Chris has also overseen and implemented a re-structure of the Company that has led to an increased focus and a better platform to deliver strategic objectives.

Before handing over to Chris to speak more about our operational priorities and strategic framework, I would like to address the proposed company name change, which you will get to vote on later in the meeting.

As you know, the Board is proposing to change the name of the company from Two Way TV Australia Limited to Two Way Limited.

This change reflects the fact that Two Way's range of products and services is not solely dedicated to TV. Our content has much broader application.

Equally, we are not just focused on the Australian market - we are an international business and therefore it is not commercially sensible to have such a parochial descriptor in the company name.

We will continue to describe the company as a provider of Interactive Entertainment, which is more accurate and doesn't present any perceived boundaries.

I would like now to introduce the Chief Executive Officer of Two Way, Mr Chris Grant-Foster.





A presentation to shareholders by
Chief Executive Officer, Chris Grant-Foster



Annual General Meeting
Friday 27th October 2006



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Moving Forward

“ Analyzing your present culture is like going through a history class, when you could learn more valuable stuff from studying the future”

“Ultimately culture changes live or die by dollar signs.... It’s a language everyone understands”



Vision

- Establish Two Way as the Interactive Partner of choice in Asia Pacific for its Content, Applications and Services with focus on three verticals
 - Wagering and Gaming
 - Media including
 - Casual Games
 - Mobile to TV Applications (Simcast)



Key Strategies 06/07

- Reduction in Operating Costs with focus on
 - Outsourced production to Asia
 - Restructured licensing agreements
 - **Goal to be cash flow positive September 07**

- Refocused business development strategy with emphasis on long term profitability

- Execute on commercial deployment of Wagering Application 06

- Focus is Asia



Key Strategies - cont

- ❑ Ensure that games distribution reaches critical mass with one cost of deployment to maximize business model

- ❑ We make content interactive on any screen, it's not only TV, it's Mobile and Broadband i.e. it's Triple Play

- ❑ Implement consumer direct portal offering with own brand – Broader Distribution
 - Play for Fun
 - Play for Prizes
 - Play for Real



Key Strategies - cont

- Acquisition possibilities
 - Geographical footprint
 - Balance sheet positive
 - Fast forward Asian roll-out
 - Provide specialist resource / application

- More active Investor Relations program



The Challenge and Evidence of Change

Deals

- ❑ PCCW
- ❑ Maginet
- ❑ MB2World
- ❑ STAR TV
- ❑ Tabcorp – At the table

Communication

- ❑ Shareholder, fund manager, media and stockbroker briefings
- ❑ Investor Presentations – Overview of Strategy
- ❑ Boardroom Radio



Our Customers today





Our Company

“Two Way the leading provider of Interactive Content, Applications and Services”

Asia Pacific

Australia, New Zealand, Hong Kong, India, China

Wagering Applications



Media

Delivery Platforms
ITV, Mobile, Internet

Two Way current addressable eyeballs
*162 million and growing



*Management estimates



Business Model

Wagering Application

Revenue Share on Interactive Turnover

Revenue Share on Subscription Fees

Fixed Licensing Agreement

Games

Revenue Share on Subscription Fees generally 50/50

Licensing of Two Way Games

SIMCAST

Revenue Share on SMS traffic

Fixed fees for service support



Simcast Business Model



Step 1

Viewer responds to advertisement or direct response TV ad



Step 2

Text chat, voting or polling message



Step 3

Send as text message to the short-code as shown on TV show



Step 4

TV screen displays the viewer's input

Example



0.55c



0.24c



50/50 revenue share





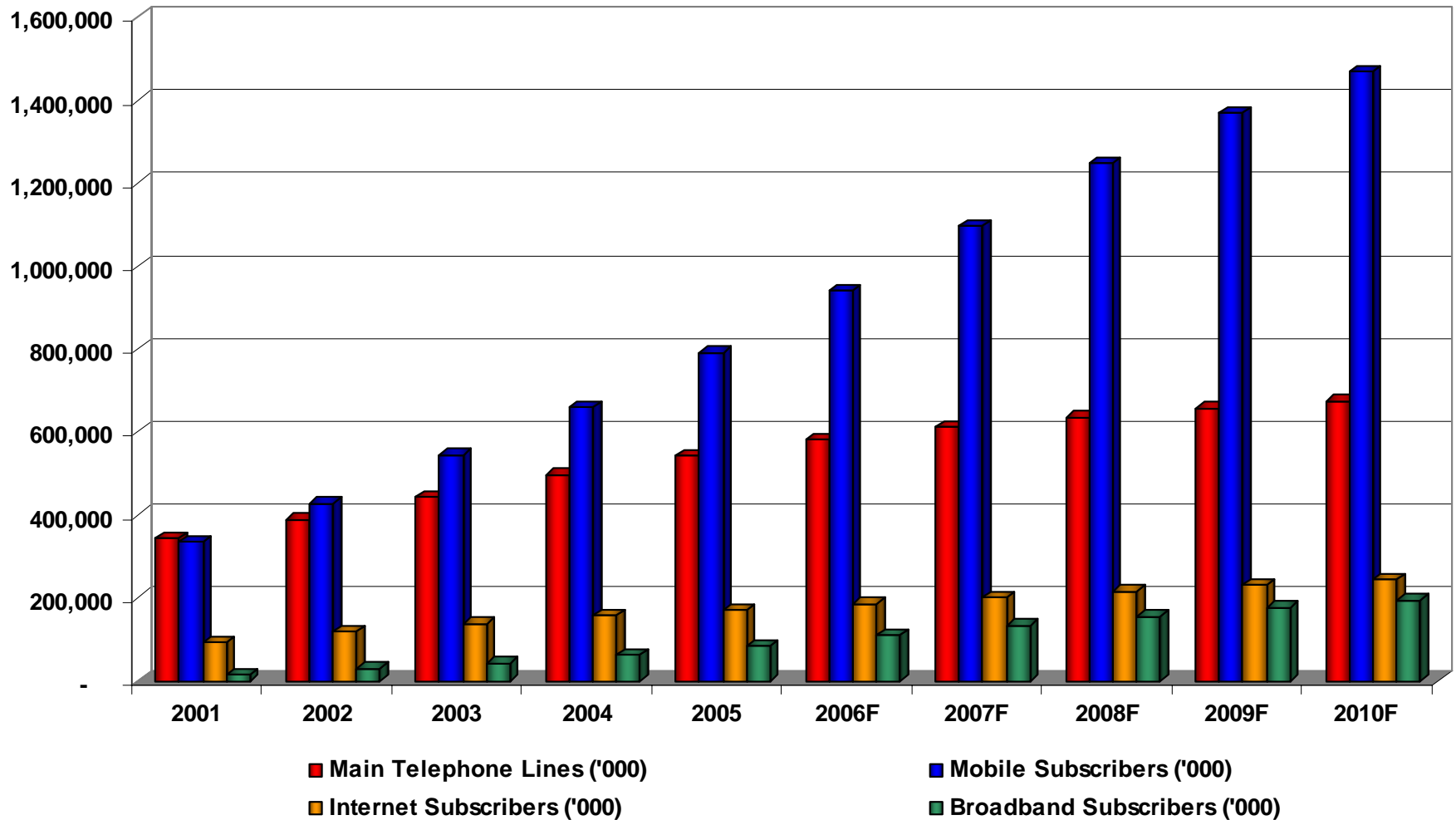
Multi-Media Capabilities Now Delivering...



- Faster connections, colour screens, high quality sound, Java, embedded video and MP3 players
- Multimedia handsets mean more compelling and richer content



The Opportunity - Asia Telecom Subscribers 2001-2010F





Summary

- ❑ Our focus remains closing Tabcorp / Pay TV Deal
- ❑ Delivering against budgets and monetizing deals
- ❑ Ensuring cost structure strictly managed
- ❑ Expand by acquisition
- ❑ Ultimately delivering Shareholder value