

ASX RELEASE

29 January 2009

Cash Flow Statement and Investor Update

Performance of TV Wagering Service

Two Way Limited's TV wagering service, known as Sky Racing ACTIVE, continues to perform strongly and in line with expectations. The full betting service is now available to FOXTEL and Optus TV subscribers in both NSW and Victoria. Betting functionality became available in NSW in early October 2008.

As at the end of December 2008:

- More than 10,000 Tabcorp account holders had placed a bet via the service. This number continues to grow steadily, with new users placing bets via the service every week.
- More than 1.6 million bets in total had been placed through the service.
- The average number of bets per day exceeded 12,000 in November. In the quieter racing period over summer, the average still exceeded 11,000 bets per day.
- The average bet size has remained consistent at \$9-\$10.

The attached graphs show the general strong upward trend in turnover and number of bets placed through the service. As expected, there was a seasonal peak around the Spring Racing Carnival, with a drop in activity immediately afterwards, before the graph resumes its upward trend.

Further strong growth in turnover and revenue through the service is expected during the upcoming Autumn Racing Carnival, especially in the large NSW market.

All betting transactions via the service are safe, secure and encrypted. The service also includes extensive consumer safeguards.

Cash flow statement for the quarter ending 31 December 2008 (attached)

Key details are as follows:

1. Receipts from customers \$344,000

This was an increase of 10% on the prior quarter, driven by strong growth of the TV wagering service, particularly as a result of full betting functionality in NSW from early October and increased activity during the Spring Racing Carnival.

The rate of increase would have been 16% for the quarter, if not for the late receipt of payment from one of the Company's games partners (payment for a November invoice was not received until early January).

This is the third consecutive quarterly increase in receipts from customers, following the increases of 14% in the September quarter and 7% in the June quarter.

2. Net operating cash flow (\$457,000)

Another significant improvement of 12% on the September quarter (which itself was an improvement of 6% on the June quarter). The improvement was underpinned by solid results from both the TV wagering service and the Way2Bet online and mobile wagering portal, together with a continued tight rein on operating costs.

3. Total net cash flow (\$457,000)

This is the best quarterly net cash flow result since the Company listed on the ASX, even better than the September quarter (leaving aside the third and fourth quarters of FY08, when the Company received the proceeds of a capital raising).

4. **Cash on hand \$562,000**

Outlook

The Company is now in better operational condition than it has ever been. Operating revenues are higher and costs are lower than at any previous time since the Company's listing on the ASX. This reflects the successful launch of the Company's TV wagering service, together with tight control of operating costs.

The performance of the TV wagering service to date is an indication of the potential of the Company's technology, which has recently been granted an Australian innovation patent.

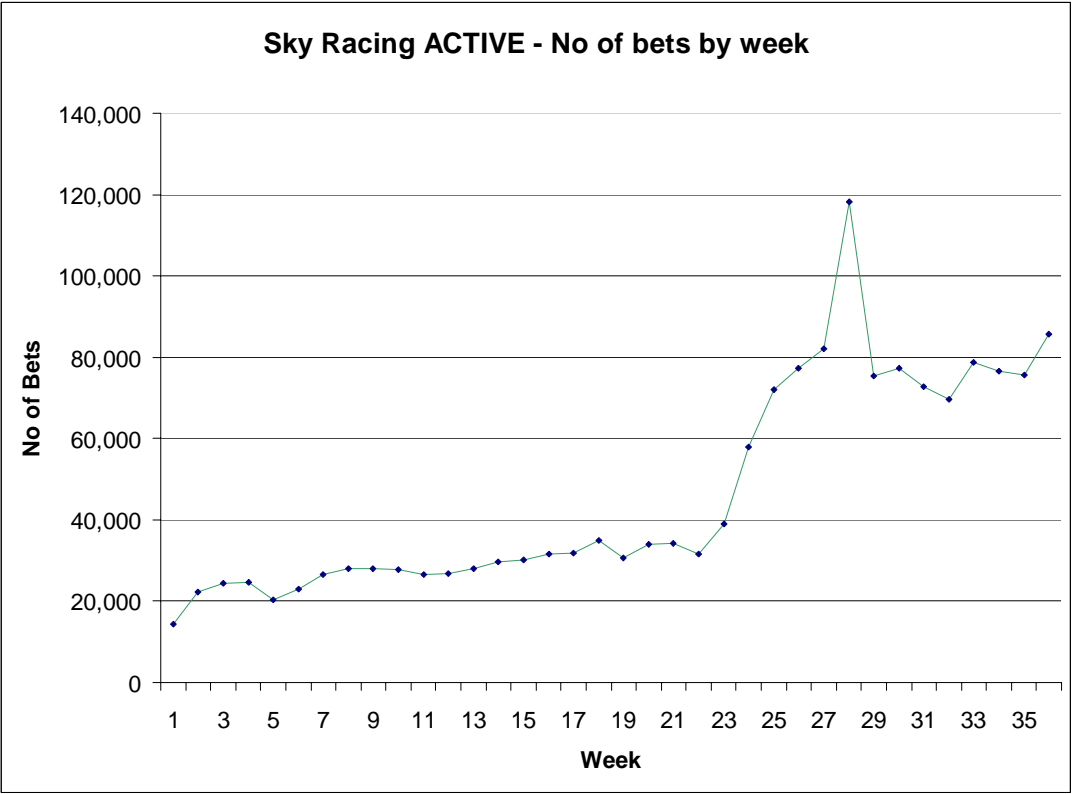
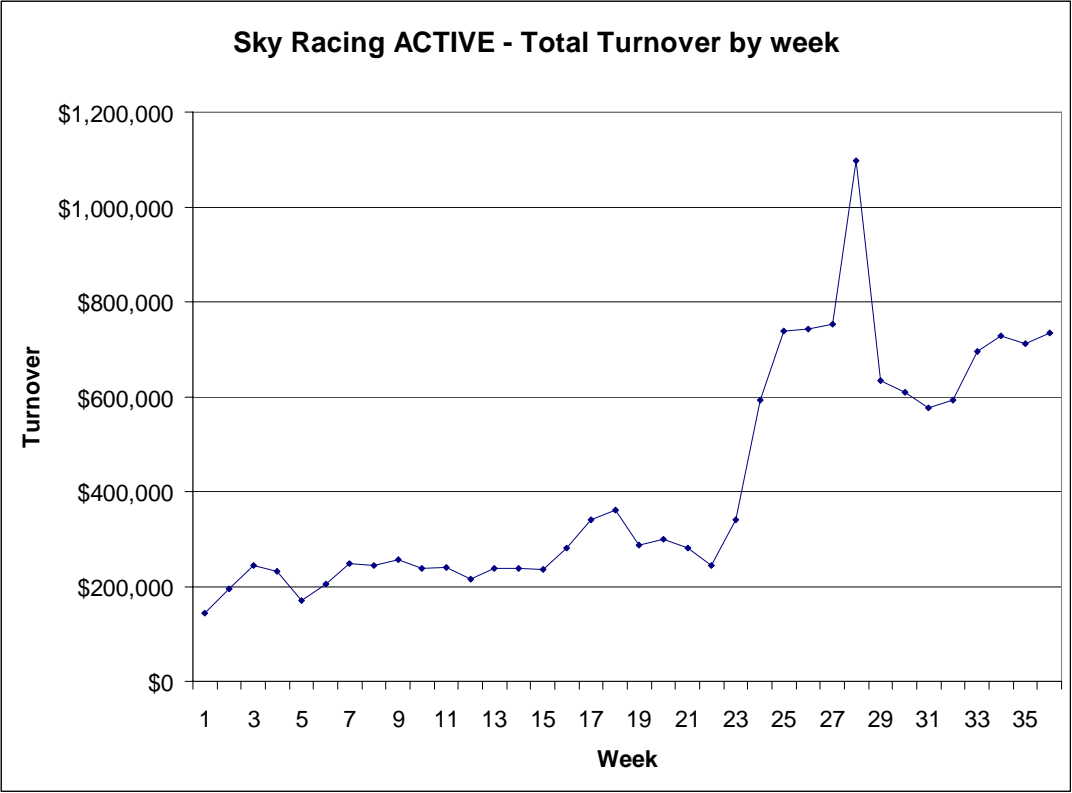
The Company continues to work to expand its TV wagering service around Australia and overseas, and is making good progress towards those goals.

However, the Company is still not in a cash-flow positive position. The current cash usage rate is approximately \$100,000 per month, although this is reducing as revenues continue to grow.

To assist the Company through the current tight cash-flow situation, the Board has resolved to cut non-executive Director's fees by 30% for a period of six months. This is in addition to an ongoing 10% cut which was implemented in April 2007, the permanent elimination of Board Committee fees from July 2007, and the total waiver of Director's fees for a three month period in early 2008. In addition, the Managing Director has agreed to defer payment of 20% of his salary.

Despite these measures, the Board considers that it will be necessary to raise additional working capital to fund the Company's operations through to a cash-flow positive position. The Board is currently working on a number of options for obtaining additional capital, which could involve debt or equity funding, or a combination of both. Currently the Company has no debt.





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 developed an interactive TV wagering service with Tabcorp Holdings Limited (ASX:TAH) and FOXTEL, with 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, and utilises the latest synchronisation 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 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, Foxtel, Austar and Sky New Zealand.

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



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 2008

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	344	658
1.2 Payments for		
(a) staff costs	(460)	(934)
(b) advertising and marketing	(98)	(123)
(c) research and development		
(d) leased assets	(1)	(3)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	15	41
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other – Licence Fees	(74)	(204)
Other – Consultants' Fees	(23)	(55)
Other – Rental Costs	(24)	(48)
Other Expenses	(136)	(309)
Net operating cash flows	(457)	(977)

+ 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)	(457)	(977)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		(1)
(e) other non-current assets		
(f) short term deposit		
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		
(f) short term deposit		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other – loss on sale of deposits at call		
Net investing cash flows	0	(1)
1.14 Total operating and investing cash flows		
Cash flows related to financing activities		
1.15 Proceeds from share placement		
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 – share placement expenses		
Net financing cash flows	0	0
Net increase (decrease) in cash held	(457)	(978)
1.21 Cash at beginning of quarter/year to date	1,019	1,540
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	562	562

+ 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	55
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 \$54,669.

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

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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

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+ See chapter 19 for defined terms.

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

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	0	0
3.2 Credit standby arrangements	N/A	
3.3 Explanation necessary for understanding transactions		

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	562	1,019
4.2 Deposits at call	0	0
4.3 Bank overdraft	0	0
4.4 Other (provide details)	0	0
Total: cash at end of quarter (item 1.23)	562	1,019

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

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
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- 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: 29 January 2009
(Company Secretary)

Print name: Rointon Nugara

