

ASX RELEASE

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Investor Update – Pay TV Wagering Service

Two Way Limited announces that it has completed development work on the pay TV wagering service that it has created under its contract with Tabcorp and Foxtel.

The service is linked to the Sky Racing Channel on the Foxtel platform. It provides detailed race and wagering information for all thoroughbred, harness and greyhound race meetings being held around Australia each day. The information provided includes track conditions, detailed form guides, approximate dividends, results, final dividends, and account information. All of this information is updated automatically in real time.

In addition, once the service is launched, holders of Tabcorp wagering accounts will be able to use their Foxtel remote control to place bets, including all bet types offered by Tabcorp.

Development of the service was completed on time, and on budget, by the end of November 2007. The service is currently live, on a test basis, to a limited number of Foxtel set-top boxes in Victoria and New South Wales. All of the above features are currently available on the test service, except that only test bets can be placed. Live bets (using real money) cannot currently be placed using the service.

In order to proceed to a live pilot phase and subsequent commercial launch of the service, the parties await regulatory approval in each State. The parties are working through the process of obtaining approval, but it now appears that approval is unlikely to be received in sufficient time to allow commercial launch to occur by the planned launch date of 31 December 2007.

The service is technically ready to launch, subject to any major issues that may be identified during the pilot phase, as soon as regulatory approval is received. Two Way has been given no indication that approval will not be provided. Further, Two Way considers that the service complies with all applicable Commonwealth and State legislation and regulations, and there has been no suggestion to the contrary.

Two Way also appreciates the support of the Victorian racing industry, which has formally indicated that the service should be made available as widely as possible.

Launch is now expected to occur early in calendar 2008.

Under its contract with Tabcorp and Foxtel, Two Way is required to make an upfront payment to Foxtel of \$5.6 million (plus GST). Half of this amount (\$2.8m plus GST) was paid on signing of the contract. The other half is due by 31 December 2007, which was expected to be the latest date for commercial launch of the service.

Two Way has sufficient cash reserves to cover this payment. Since September 2005, the Company's cash balance has been invested in a number of floating rate notes, which have provided high returns. The Company still has \$5 million invested in these notes. However, as a result of adverse developments in the global credit market, and reduced liquidity for such instruments, the Company is likely to suffer a capital loss in cashing in the notes under current market conditions.

Currently it appears that Two Way may suffer a capital loss of approximately \$700,000 in cashing in the notes. Accordingly, Two Way is working with its bankers to seek to minimise this capital loss. The loss is partially offset by the increased interest payments earned on these investments over the past two years, and by the further cost reduction initiatives being implemented by the Company.

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 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

