

NORWOOD TO ACQUIRE CHINA COAL OPERATION

Norwood Abbey Ltd [ASX:NAL] is pleased to announce that it has entered into a binding Letter of Intent (“LOI”) with Sino-Excel Petroleum Holdings Pte Ltd (“Sino-Excel”) and DeBang Resources Ltd (“DB”) under which Norwood will acquire a 100% interest in Sino-Excel.

Sino Excel owns 100% of DB. DB will hold management rights over an established and significant coal trading operation in Henan Province in the Peoples’ Republic of China. DB will also hold an option to acquire three significant coal concessions in Henan Province.

Based on the information provided to date by Sino-Excel, a transaction value of A\$90 million arises. The transaction will be satisfied by the issue of shares in Norwood to the shareholders in Sino-Excel, based on an agreed transaction price of 1.7 cents per Norwood share. The consideration will be payable in three tranches based upon performance: 50% on completion, 35% at the end of year 1 and 15% at the end of year two, the latter tranches linked to earnings targets.

Because the proposed transaction represents a new business activity for Norwood, the Company’s shares will need to be consolidated to a minimum 20 cents value. Upon completion of due diligence, a prospectus will be circulated and an EGM held to approve the relevant resolutions required to implement the acquisition.

Subsequent to the completion of the transaction, Sino-Excel advises that it is intended that a major fund-raising will be undertaken through a Hong Kong group nominated by Sino-Excel. The funds are intended to be used to further expand the coal trading operation and also to expand mining on the coal concessions under option.

Sino-Excel has agreed to fund certain due diligence and other costs through to transaction completion. The funding is subject to Norwood settling certain remaining creditors, this expressly includes settlement of actions taken by TER in relation to amounts owed and subject to proceedings in the Supreme Court of New South Wales.

Norwood believes that the change in activities is in the best interests of shareholders. The LOI comes after a careful and extended consideration of over twenty merger opportunities over the past twelve months.

Taking a position in the Chinese coal industry is seen by Norwood as timely and of considerable potential. Investigations to date indicate that the PRC government is encouraging consolidation in the industry, which has historically had a small number of large players and a very large number of artisan-type operations. Through Sino-Excel and DB, Norwood would have the opportunity to participate in this rationalization.

Decisions in relation to the Company's existing assets and the composition of Board and management will be addressed in the definitive agreement. Sino-Excel has a right to appoint two directors to the Norwood Board immediately.

Further announcements including more details of the proposed transaction will be made in due course as due diligence progresses.

To find out more about the Norwood group, visit www.norwoodabbey.com

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