Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002.

Name of entity

NORWOOD ABBEY LIMITED

ABN

20 085 162 456

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	Fully paid ordinary shares
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	60,893,082 fully paid ordinary shares

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Ordinary securities
4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Yes
5	Issue price or consideration	In consideration of Settlement Deed as previously announced to the market on 5 October 2009
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	In consideration of Settlement Deed as previously announced to the market on 5 October 2009
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	26 February 2010.

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable)	445,422,401	Fully paid ordinary shares

+ See chapter 19 for defined terms.

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable)	57,829,679	Options exercisable at various prices expiring on various dates

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	As for all quoted ordinary shares

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

+ See chapter 19 for defined terms.

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements *in full* through a broker?	N/A
31	How do +security holders sell *part* of their entitlements through a broker and accept for the balance?	N/A

+ See chapter 19 for defined terms.

	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	N/A

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

(If the additional securities do not form a new class, go to 43)

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

(now go to 43)

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	
39	Class of +securities for which quotation is sought	
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	

		Number	+Class
42	Number and +class of all +securities quoted on ASX (*including* the securities in clause 38)		

(now go to 43)

All entities

Fees

43 Payment method (tick one)

☐ Cheque attached

☐ Electronic payment made

Note: Payment may be made electronically if Appendix 3B is given to ASX electronically at the same time.

☒ Periodic payment as agreed with the home branch has been arranged

Note: Arrangements can be made for employee incentive schemes that involve frequent issues of securities.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

+ See chapter 19 for defined terms.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date: .26/2/2010
(~~Director~~/Company Secretary)

Print name: ......Jeffrey H. Bell.................................

== == == == ==

+ See chapter 19 for defined terms.

NORWOOD ABBEY LIMITED
ACN 085 162 456

PROSPECTUS

This Prospectus is for the issue of 44,756,415 Shares to Tissue Engineering Refraction Inc and 16,136,667 Shares to Dr Edward Perez who are creditors of the Company.

This Issue of Shares is made to Tissue Engineering Refraction Inc and Dr Edward Perez only in settlement of certain claims by them against the Company and pursuant to the terms of a settlement agreement entered into by those parties.

This Prospectus is not a public offer and does not seek to raise any money.

Important Information

Issue

This Prospectus issued by the Company is dated 26 February 2010. The Issue of Shares is made only to TER and Perez in accordance with the Settlement Deed in settlement of certain creditor claims TER and Perez have against the Company. This Prospectus does not include a public offer and does not seek to raise any money.

No person is authorised to provide any information, or to make any representation, about the Company or the Issue that is not contained in this Prospectus. Any information or representation not contained in the Prospectus may not be relied on as having been authorised by the Company in connection with the Issue.

No person, other than TER and Perez, should rely on information contained in this Prospectus.

The information contained in individual sections in this Prospectus is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Company or the Shares. Some risks that apply to the Company are set out in section 8 of the Prospectus. The Issue does not take into account the investment objectives, financial situation and particular needs of TER and Perez.

Lodgement and listing

This Prospectus is dated 26 February 2010 and was lodged with ASIC on that date. ASIC and ASX take no responsibility for the contents of this Prospectus.

No Shares will be issued or sold on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Shares are currently suspended from quotation on the official list of the ASX. The Company will apply for the Issue Shares to quoted by the ASX within 5 days following the date of this Prospectus. Until the Company successfully applies for re-quotation of its Shares, the Shares (including the Issue Shares) will remain suspended from quotation. Accordingly, this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market and it is noted that TER and Perez will acquire the Issue Shares unconditionally.

Restrictions on distribution

This Issue is made to TER and Perez only and is not a public offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or the Issue, or to otherwise permit a public offering of the Shares, in any jurisdiction outside Australia.

Forecasts

Any projections or other forward looking statements contained in this Prospectus are based on the Company's current expectations about future events. They are however, subject to certain material risks (both known and unknown), uncertainties and assumptions many of which are outside the control of the Company and its Directors that could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by such projections or other forward looking statements.

Application

The Application Form may only be distributed if it is included in, or accompanied by a complete and unaltered copy of the Prospectus.

Subject to delivery of this Prospectus to TER and Perez, application for the Issue Shares is treated as made by TER and Perez and delivered to the Company on the Issue Date by way of their execution of the Settlement Deed and no further action by TER or Perez is required.

Definitions and glossary

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the glossary. The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. References to time are to time in Melbourne, Victoria unless stated otherwise.

Contents

Important Dates and Key Issue Statistics

Events	Key Dates
Date of Prospectus	26 February 2010
Issue Date	26 February 2010
Holding Statements expected to be dispatched	12 March 2010*

*This date is indicative only. The Company has the right to vary this date without notice.

Key Issue statistics	
Number of Issue Shares	60,893,082
Cash proceeds of the Issue	Nil.
Total number of Shares on issue following completion of the Issue	445,422,401

Financial information

Details of relevant financial information of the Company are set out in sections 7 and 11.

Risk highlights

Investing in the Company entails significant risk. In a number of respects, the risks of investing in the Company are different to and greater than investing in other companies listed on ASX.

The key risks associated with an investment in the Company are set out in section 8 and can be summarised as follows.

(a) While the Company is subject to a number of creditor claims, a number of whom have agreed to defer their claim until the earlier of completion of the Sino-Excel Acquisition or when the Company has sufficient funds to satisfy the amounts of those claims, there are certain creditor claims that remain unresolved which could materially adversely impact on the Company's financial position. Refer to section 7.2 for more detailed information on these claims and disputes.

(b) If the Sino-Excel Acquisition does not proceed:

  (i) the Shares (including Issue Shares that are issued to TER and Perez) are likely to remain suspended from quotation on the official list of the ASX and Shareholders will be unable to realise value for their shares on-market; and

  (ii) the Company's remaining working capital will be extremely limited and unless additional finance is sourced in the short term, the Company will face a very uncertain future, with the most likely outcome being either a winding up or the appointment of an administrator.

(c) If the Shares are reinstated to quotation on the official list of the ASX, (for which there is no assurance that this will occur) ultimately the value of the Shares will be determined by the share market and will be subject to a range of factors beyond the control of the Company and the Directors.

(d) If the Sino-Excel Acquisition proceeds:

(i) the Coal Business will be located in China and the Company may be affected by changes in China's economic, political, social and legal and regulatory conditions;

(ii) fluctuations in the price, supply and demand of coal and other sources of energy;

(iii) operational issues such as transportation and logistics, occupation health and safety, labour costs and the environment; and

(iv) the Vendors will become the major Shareholders of the Company and ownership of the Company will be concentrated in a small number of Shareholders.

2. Answers to key questions

The table below sets out some common questions and corresponding answers in relation to the Issue. This section should be read in conjunction with the remainder of the information contained in this Prospectus, including the risk factors outlined in section 8.

Question / Topic	Summary
Who is issuing this Prospectus?	Norwood Abbey Limited.
What is issued under this Prospectus?	60,893,082 Shares in the Company.
Who is this Issue being made to?	This Issue is made to TER and Perez only. This Issue is not made to any other person.
What is the purpose of the Issue?	This Issue is made pursuant to the Settlement Deed in settlement of certain creditor claims by TER and Perez against the Company.
Will any proceeds be raised under this Issue?	This Issue will not raise any money.
When will the Shares issued under this Issue be quoted on the ASX?	The Company's Shares have been suspended from quotation on the official list of the ASX since 27 February 2009. The Company will apply for the Issue Shares to be quoted by the ASX within 5 days following the date of this Prospectus. Although the Company will apply for the Issue Shares to quoted by the ASX within 5 days following the date of this Prospectus, the Issue Shares will not be tradeable on the official list of the ASX until the Company applies for re-quotation of its Shares and complies with Chapters 1 and 2 of the ASX Listing Rules to the ASX's satisfaction. There is no guarantee that the Shares (including the Issue Shares) will be reinstated to quotation on the official list of the ASX and the fact that the ASX may reinstate the Shares to the official list of the ASX is not to be taken in any way as an indication of the merits of the Company or of the Shares issued by this Prospectus. Accordingly, this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market.
What is the Company's dividend policy?	The Company has not paid dividends since being admitted to the ASX and does not intend to pay dividends in the near future.
What are the potential tax consequences of investing in Shares?	The Australian taxation consequences of any investment in Shares will depend on an investor's particular circumstances. It is the obligation of TER and Perez to make their own enquiries concerning the taxation consequences of an investment in the Company, including by contacting their stockbroker, accountant or independent financial advisor.

3. Details of the Issue

This section provides an overview of the Issue and must be read in conjunction with the remainder of this Prospectus.

3.1 Overview of the Issue

On 29 September 2009, the Company entered into the Settlement Deed with TER and Perez to settle certain creditor claims by TER and Perez against the Company for amounts owing to them by the Company and its related bodies corporate in exchange for a combination of cash payments by the Company and the issue of 44,756,415 Shares to TER and 16,136,667 Shares to Perez.

3.2 Capital structure after the Issue and before the Sino-Excel Acquisition

The table below sets out the Share capital structure of the Company before and after completion of the Issue and before the Sino-Excel Acquisition (as described in section 5).

	Before the Issue	%	After the Issue	%
Existing Shareholders	384,529,319	100	384,529,319	86.33
TER and Perez	Nil.		60,893,082	13.67
Total	**384,529,319**	**100**	**445,422,401**	**100**

The table below sets out the issued Options of the Company which will not change as a result of the Issue.

Number of Options on issue	Exercise price ($)	Expiry date
3,963,012	0.261	21 April 2010
4,000,000	0.090	21 May 2011
7,866,667	0.025	30 June 2011
37,000,000	0.015	31 December 2010
5,000,000	0.015	31 December 2014

It is noted that certain convertible debt arrangements entered into by the Company may, if converted upon their terms, result in the issue of additional Shares and Options. For further information refer to the more detailed capital structure set out in section 5.5.

3.3 ASX Listing

The Company will apply for the Issue Shares to quoted by the ASX within 5 days of the date of this Prospectus.

The Company's Shares have been suspended from quotation on the official list of the ASX since 27 February 2009. Therefore, the Issue Shares will not be quoted on the official list of the ASX until the Company applies for re-quotation of its Shares and complies with Chapters 1 and 2 of the ASX Listing Rules to the ASX's satisfaction. There is no guarantee that, if the Company applies for re-quotation, it will be successful in that application. Accordingly, this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market and it is noted that TER and Perez will acquire the Issue Shares unconditionally.

There is no guarantee that the Shares (including the Issue Shares) will be reinstated to quotation on the official list of the ASX and the fact that the ASX may reinstate the Shares to the official list of the ASX is not to be taken in any way as an indication of the merits of the Company or of the Shares issued by this Prospectus.

3.4 Allocation policy

The Issue Shares will only be issued to TER and Perez and to no other person.

3.5 CHESS and issuer sponsored sub-register

The Company maintains an electronic CHESS sub-register and an electronic issuer sponsored sub-register.

As soon as practicable after allocation of the Issue Shares, TER and Perez will receive a Holding Statement that sets out the number of Shares that have been allocated to them pursuant to this Prospectus. The Holding Statement will also set out TER's and Perez's unique 'Holder Identification Number' (HIN), in the case of a holding on the CHESS sub-register, or 'Shareholder Reference Number' (SRN) in the case of a holding on the issuer sponsored sub-register.

Shareholders are provided with periodic Holding Statements showing any changes to their holdings of Shares. Shareholders may request a Holding Statement at any time (although an administration fee may be charged for these additional statements). It is the responsibility of Shareholders to determine their holding prior to trading in any Shares.

3.6 Taxation

The Australian taxation consequences of any investment in Shares will depend on an investor's particular circumstances. It is the obligation of TER and Perez to make their own enquiries concerning the taxation consequences of an investment in the Company including by contacting their stockbroker, accountant or independent financial advisor.

3.7 No brokerage, commission or stamp duty

No brokerage, commission or stamp duty is payable for Shares under the Issue by TER and Perez.

3.8 Foreign selling restrictions

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law. If you come into possession of this Prospectus in a jurisdiction outside Australia, you should seek advice on, and observe, any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Issue Shares, or otherwise to permit an issue of the Issue Shares, in any jurisdiction outside Australia and the Issue is not an offer or invitation in any jurisdiction where, or to any person whom, such an offer or invitation would be unlawful.

3.9 Dividend policy

The Company has not paid dividends since being admitted to the ASX and does not intend to in the near future.

No assurance as to future dividends can be given, as it is dependent on the future earnings of the Company. Other factors beyond the control of the Directors, such as market conditions, may also affect profitability and therefore the ability of the Company to pay dividends. Consequently, the Directors can give no assurance to investors concerning the future payment of dividends.

3.10 Risk Factors

TER and Perez should be aware that an investment in the Company involves a number of significant risks. Current and prospective material risks are set out in detail in section 8. You are advised to consider these risk factors carefully.

4. Overview of Norwood Abbey Limited

4.1 Background

Norwood Abbey Limited was established in 1998 and is currently a medical devices company with a portfolio of technologies and investments. The Company operates through a number of wholly-owned Australian and foreign registered subsidiaries.

The Company listed on the ASX in August 2000 (ASX code: NAL) and raised $30 million originally to develop a laser assisted drug delivery device. The Company has subsequently diversified its projects into other medical device and related technology projects.

The Company currently has the following projects:

(a) Eyecare – an ophthalmic medical device which the Company is seeking to licence;

(b) Needlefree – a drug delivery technology licensed to the Massachusetts Institute of Technology;

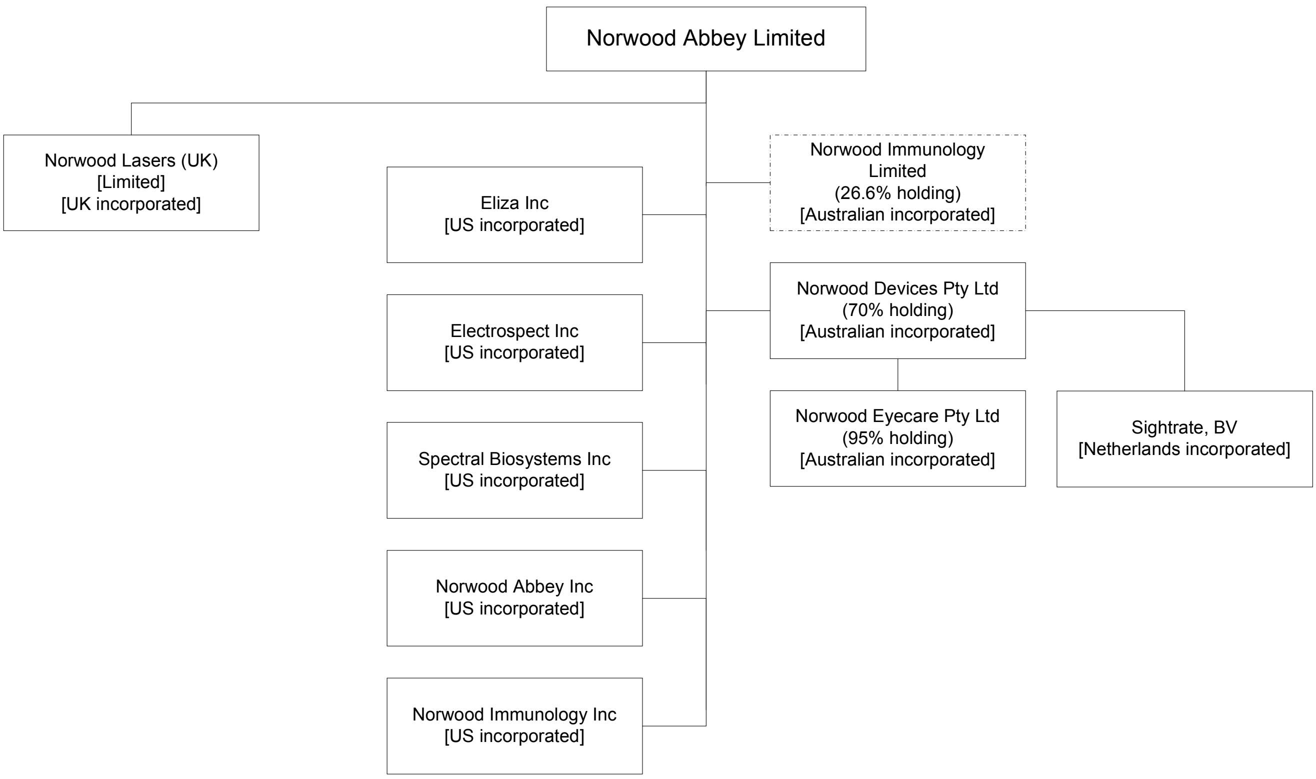
(c) two dormant technologies (laser assisted drug delivery and micro-needle drug delivery); and

(d) the Company's investment in Norwood Immunology Limited.

Details of each of these businesses are set out in further detail below.

4.2 Corporate structure

NAL GROUP CORPORATE STRUCTURE



4.3 Eyecare

The Norwood EyeCare Epikeratome System for Epi-LASIK is the next generation in laser vision correction surgery, offering patients significant improvements over current refractive procedures. Epi-LASIK utilises the Norwood EyeCare Epikeratome System and replaces the need to cut a stromal flap and eliminates the associated complications.

The Norwood EyeCare Epikeratome System is a surgical/mechanical device designed to delaminate or separate the epithelial layer of the cornea above Bowman's layer and eliminates the need for alcohol currently used during Laser in Situ Epithelial Keratomileusis (LASEK) to delaminate the epithelium. By eliminating the need for alcohol and providing a 'minimal-touch' surgical approach, it is designed to reduce trauma to the epithelial layer and avoid flap-related complications.

The Epi-LASIK procedure is a derivation of Laser in Situ Keratomileusis (LASIK) and LASEK. The procedure is designed to provide the surgeon with an intact epithelial flap or cap, which can be replaced after the laser ablation has been completed.

The Norwood EyeCare Epikeratome System creates an epithelial sheet, preserves structural stability and integrity of the cornea, eliminates the need for alcohol and other chemical agents and does not require cutting, as it employs bladeless separation.

Due to the Company's inability to successfully commercialise the core intellectual property licensed for the purposes of the project, the Company and the licensor subsequently agreed to vary the relevant license agreement to extinguish all royalty and other fee obligations owed by the Company. This agreement was embodied in the Eyecare Restructure Deed, which is summarised in more detail in section 9(d). Refer to section 7.6 for information regarding the Company's outstanding financial obligations under the Eyecare Restructure Deed. Also refer to section 9(d) for more information in relation to the terms of the Eyecare Restructure Deed.

The Company is in the process of attempting to realise (by way of licence, sale or equivalent corporate transaction) the Eyecare Project. The Company has engaged the services of Magnum Group (a US based consultancy) to effect such a transaction. The likely fee to be paid to Magnum Group as a result of the sale will be US$50,000. This fee is payable from the proceeds of the licence or sale.

4.4 Needlefree

Needle-free injection technology is intended to eliminate the dangers to health care workers caused by needle stick injuries. More than one million sharp injuries occur every year world wide, by objects such as needles, blades, lancets, knives and any other sharp items. As a result of widely-publicised risks of needle-stick injury associated with conventional injections, legislation has been passed in the United States which requires employers to provide safety features in sharp medical devices.

The Company and MIT have developed a Needle-free injector system. The Needle-free injection device is designed for both human and veterinary applications. The drug is delivered through the skin using a small handheld device. The system uses a novel, patented and extremely fast and powerful contractile fibre-activated pump that fires the drug at the skin with sufficient velocity to penetrate without the use of needles.

The Norwood Needle-free injector system addresses all the parameters that have been identified as crucial for an ideal needle-free system. Key features of Norwood's Needle-free injector system are it is silent, it is safe and it has a low cost per procedure.

The Norwood Needle-free injector system overcomes key concerns with some of the existing needle-free injection devices. Existing needle-free injection devices typically use either compressed gas or, via a fast chemical reaction, produce a gas (similar to an automotive air bag) to force a fixed quantity of drug out through a small orifice at a velocity that is high enough to penetrate skin.

The Company entered into a commercial phase licence agreement with MIT in March 2006. The field of work includes the needle-free drug delivery system and the microneedle drug delivery system.

In 2009 the Company and MIT replaced the licence granted by MIT to the Company over all patents and intellectual property flowing from its sponsored research in relation to the Needlefree Project.

Under the agreement MIT is required to assume all responsibility for the ongoing management and commercialisation of the technology and the Company is entitled to receive a percentage of the net revenues flowing from the future development and/or commercialisation of the technology.

Refer to section 9(c) for more information in relation to the MIT Agreement.

4.5 Dormant technologies

The Company also holds intellectual property rights to technologies for laser-assisted drug delivery and micro-needle drug delivery.

These technologies are not being actively developed or exploited at this stage.

4.6 Norwood Immunology Limited

The Company has a 26.6% investment in Norwood Immunology Limited a public unlisted company.

Norwood Immunology Limited was formed as a company that focuses on technologies and therapies to rejuvenate activity of the immune system through re-growth of the thymus, improvements in bone marrow function and enhancement of T cell functionality. Its projects are intended to address significant unmet medical needs in the areas of cancer, viral infections and auto-immune disease.

The core thymus technology has been developed during over fifteen years of research by Norwood Immunology director Dr Boyd and his scientific team at Monash University.

On 31 July 2009, the shareholders of Norwood Immunology Limited voted in favour to wind down the operations of the company and remove it from the AIM exchange in London with a view to limiting the cash out flows of the company until such time as future funds are received in order to maximize the returns to shareholders.

4.7 Change in strategy

In 2009, the Board determined that having regard to the fact that the majority of its projects did not have a near or medium term likelihood of an appropriate return to shareholders and were generally cashflow negative, it was in the best interests of the Company:

(a) for the existing technologies and projects to be either realised for value or if able, put certain projects in the form of a carrying investment; and

(b) to pursue the Sino-Excel Acquisition (as described in section 5) to provide Shareholders with an opportunity to realise value in the Shares they hold.

Refer to section 5 for information in relation to the Sino-Excel Acquisition.

5. Sino-Excel Acquisition and Public Offer

5.1 Sino-Excel Acquisition

Sino-Excel Energy Pte Ltd is a company incorporated in Singapore and owns all of the share capital in DeBang Resources Limited, a wholly-owned foreign entity incorporated in China.

On 14 September 2009, the Company announced to the ASX that it had entered into a binding letter of intent with Sino-Excel and DeBang to acquire Sino-Excel for approximately $90 million payable by the issue of Shares. Material terms of the LOI are set out in section 9.

It is anticipated that at the completion date of the Sino-Excel Acquisition (should it proceed, of which there is no guarantee), DeBang will have acquired exclusive management rights over a profitable coal trading operation (which involves reselling coal purchased from third parties) in Henan Province in China and potentially an option to acquire three coal concessions in Henan Province.

If the Sino-Excel acquisition proceeds, Sino-Excel will become a wholly owned subsidiary of the Company.

Subject to the completion of due diligence (refer section 5.2 below) the Board believes that the Sino-Excel Acquisition presents an exciting and relevant opportunity for the Company for the following reasons:

(a) China is currently the world's largest producer and consumer of coal;

(b) coal accounts for approximately 70% of China's energy needs;

(c) China's coal reserves are being rapidly depleted. For this reason domestic coal prices are likely to remain firm in the foreseeable future; and

(d) Henan, the province in which the Coal Business is located, had the second largest production of coal in China in 2008.

5.2 Transaction mechanics

As at the date of this Prospectus:

(a) the parties are completing mutual due diligence investigations and to date, the Company has not identified any materially adverse issues relating to the Coal Business;

(b) initial financial due diligence conducted by the Company has indicated that the Coal Business has traded profitably for the last three years. However, financial due diligence is on-going and has not be completed. It is therefore not appropriate or reasonable to provide commentary on either the historical financial results regarding the Coal Business nor any forward looking information including forecasts performance in relation to the Coal Business at this time;

(c) primary legal and transaction structure issues are being identified and addressed;

(d) the parties are negotiating the terms and conditions of a binding conditional share sale agreement which will supersede the LOI. At this stage, some of the material terms and conditions that are currently contemplated by the parties are as follows:

    (i) the Company will acquire all of the issued share capital of Sino-Excel from the Vendors and in exchange, the Company will issue 5,882,352,941 Shares (unconsolidated amount) to the Vendors at an issue price of 1.7 cents per Share;

    (ii) a claw-back mechanism on the purchase price of Sino-Excel will be included for the benefit of the Company should Sino Excel, DeBang and the Coal Business not perform to pre-agreed financial targets;

    (iii) the Sino-Excel Acquisition will be subject to a number of conditions including:

(A) DeBang acquiring the Coal Business as an intermediate structuring step;

(B) regulatory approvals;

(C) Shareholder approval at a general meeting;

(D) a successful offer of Shares via a prospectus to raise a minimum of $2 million to fund working capital and further expansion of the Coal Business; and

(E) a consolidation of the Company's Share capital; and

(iv) subject to Shareholder approval, the Company proposes to change its name to Sino-Excel Energy Limited to better reflect the change in the Company's business.

These terms and conditions have not been finalised and are subject to further negotiations and change, which may or may not be material.

It is anticipated that should no material issues be identified by the parties as part of their mutual due diligence investigations and the parties are able to reach final terms and conditions, due diligence will be completed and a binding conditional share sale agreement will be executed early in the second quarter of 2010.

Should the Sino-Excel Acquisition proceed, a prospectus will be issued pursuant to the Public Offer will include additional information about the Sino-Excel Acquisition (including final transaction terms), Sino-Excel, DeBang, the Coal Business and the Chinese coal industry that is relevant for potential investors to consider in relation to investing in Shares at that time.

Shareholders will also receive the benefit of an independent expert's report that will provide a comprehensive analysis of the Sino-Excel Acquisition, including whether or not the proposal is fair and reasonable to the non-associated Shareholders, and a comparison and summary of the likely advantages and disadvantages of the Sino-Excel Acquisition.

5.3 The effect on the Company if the Sino-Excel Acquisition does not proceed

If the Sino-Excel Acquisition does not proceed:

(a) the Shares (including the Issue Shares that are issued to TER and Perez) are likely to remain suspended from quotation on the official list of the ASX;

(b) the Company will have incurred costs and expended management time and resources in developing and pursing the Sino-Excel Acquisition without the benefits of the Sino-Excel Acquisition being delivered; and

(c) the Company's remaining working capital will be extremely limited and unless additional finance is sourced in the short term, the Company will face a very uncertain future, with the most likely outcome being a winding up or the appointment of a voluntary administrator.

5.4 The effect on the Company if the Sino-Excel Acquisition proceeds

Should the Sino-Excel acquisition proceed, the Company will:

(a) either continue to attempt its efforts to realise existing projects for value or if able to, put certain projects in the form of a carrying investment;

(b) expand its focus from being a medical devices business to the mining and resources sector; and

(c) apply to the ASX for re-quotation of the Shares on the official list of the ASX which (should the ASX approve the Company's application for re-quotation) may provide Shareholders an opportunity to realise their investment on-market. There is no guarantee that the Company will be successful in such application and therefore their remains a real and significant risk that Shares may remain suspended from official quotation.

5.5 Capital structure after the Sino-Excel Acquisition and Public Offer

The table below sets out the proposed capital structure of the Company after completion of the Sino-Excel Acquisition and Public Offer. The table below also assumes that $2 million is raised under the Public Offer.

As discussed above, it is intended that the Company's Share capital will be consolidated before completion of the Sino-Excel Acquisition and the Public Offer. Therefore, the Share capital in the table below will be subject to further change based on the consolidation ratio that will be determined by the Company in due course.

As the final terms and conditions of the Sino-Excel Acquisition have not been finalised, the capital structure below after the Sino-Excel Acquisition and the Public Offer is subject to change.

	Before the Sino-Excel Acquisition and Public Offer	%	On or after the Sino-Excel Acquisition and Public Offer	%
Existing Shareholders	384,529,319	86.33	384,529,319	5.85
TER and Perez	60,893,082	13.67	60,893,082	0.93
New Shareholders (pursuant to the Public Offer)	Nil.		117,647,059	1.79
Vendors Shares (pursuant to the Sino-Excel Acquisition)	Nil.		5,882,352,941	89.56
Conversion of convertible notes	Nil.		123,000,000	1.87
Total	**445,422,401**	**100**	**6,568,422,401**	**100**

6. Directors and corporate governance

6.1 Directors

Ronald Lewis – Chairman

Mr Lewis is one of the founding partners in Lewis Trende, corporate advisers. He has over thirty years' experience in strategic planning, financial structuring, project evaluation, business valuation and corporate due diligence. Mr Lewis was previously founder and principal of Australian Business Management Group, which created a group of listed entities supporting innovative technologies and acted as Chairman of two of these listed entities. In addition to his business interests, Mr Lewis was a lecturer in the MBA and undergraduate at Monash University for 14 years, specialising in corporate finance, mergers and takeovers and financial accounting.

Rohan Boman – Director

Mr Boman has previously held the position of Director, Proprietary Trading for ING Securities (Hong Kong) prior to which he was Divisional Director and the Head of trading – Equity Markets at Macquarie Bank Limited (Sydney).

Spencer Chan – Director

Mr Chan is an experienced marketing management executive who is currently a management consultant with SC Management Consulting Pte Ltd. Mr Chan was formerly the vice-president and marketing director of Citibank's Global Consumer Banking in Singapore.

Leo Peng – Director

Mr Peng has experience in investment banking and wealth management in Singapore, China and Hong Kong and most recently worked with Deutsche Morgan Grenfell.

6.2 Corporate governance

The Directors are responsible for the corporate governance practices of the Company, and the overall management and governance of the Company. Until completion of the Sino-Excel Acquisition, all Directors will serve on each of the committees set out below.

The Board believes that the Company's policies and practices comply in all substantial respects with the ASX Corporate Governance Council Principles of Good Corporate Governance. Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the departure is primarily due to the size of the Company and the nature and operational history of the Company.

6.3 Board of Directors

The Board carries out its responsibilities according to the following mandate:

- the Board should compromise a majority of non-executive directors;
- the directors should possess a broad range of skills, qualifications and experience;
- the Board should meet on a regular basis; and

all available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting.

The primary responsibilities of the Board include:

- the approval of the annual and half-year financial report;

- the establishment of long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the company and monitoring the results on a monthly basis; and
- ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

6.4 Independent professional advice

With the prior approval of the Chairman, each director has the right to seek independent legal and other professional advice at the company's expense concerning any aspect of the company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

6.5 Remuneration and Nomination Committee

The remuneration and nomination committee:

- reviews the remuneration policies applicable to all directors and executive officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors; and
- reviews the composition of the Board on an annual basis and makes recommendations to the Board, where considered necessary, to ensure that the Board compromises a majority of non-executive directors with an appropriate mix of skills and experience. Where necessary, the committee seeks the advice of external advisers in connection with suitability of applicants for Board membership.

All members of the Board are currently also members of the Remuneration and Nomination Committee.

6.6 Audit Committee

The audit committee provides a forum for the effective communication between the Board and external auditors. The audit committee reviews:

- the annual and half-year financial report prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of the external audit function, including reviewing the annual audit plan.

The audit committee generally invites the Chief Operating Officer and the external auditors to attend audit committee meetings. The audit committee also meets with and receives regular reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls.

All members of the Board are currently also members of the Audit Committee.

6.7 Risk Management

The Board is responsible for the company's system of internal controls. The Board constantly monitors the operational and financial aspects of the company's activities and, through the audit committee, the Board considers the recommendations and advice of external auditors and other external advisers on the operational and financial risks that face the company.

The Board ensures that recommendations made by the external auditors and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

In addition, the Board investigates ways of enhancing existing risk management strategies, including appropriate segregation of duties and the employment and training of suitably qualified and experienced personnel.

6.8 Code of conduct

As part of the Board's commitment to the highest standard of conduct, the Company adopts a code of conduct to guide executives, management and employees in carrying out their duties and responsibilities.

7. Financial Information

7.1 Introduction

This section 7 provides a summary of the historical financial information of the Company (on a consolidated basis) for the six months ended 31 December 2009 and the for the 12 months ended 30 June 2009. A full copy of the Company's financial statements for these periods are contained in section 11.

The financial statements contained in this section 7 and section 11 are unaudited and have not been reviewed and it is noted that the Shares have been suspended from quotation on the official list of the ASX for the Company's failure to provide the ASX with audited accounts for these periods. The financial statements have, however, been approved by the Directors. If the Company is able to apply to ASX for the lifting of the suspension (of which there is no guarantee that this will occur), the Company will be required to prepare and provide ASX with audited accounts for these periods.

Section 7.2 to 7.5 below extract the balance sheet, income statement and statement of cashflows for the relevant periods. The full financial statements and notes accompanying the statements are set out in section 11.

You should also carefully consider the commentary in section 7.2 below in relation to outstanding creditor claims and disputes.

7.2 Commentary on creditor claims and disputes

While the Company is subject to a number of creditor claims, many of whom have agreed to defer their claim until the earlier of completion of the Sino-Excel Acquisition or when the Company has sufficient funds to satisfy the amounts of those claims, there are certain creditor claims that remain unresolved which could materially adversely impact on the Company's financial position. Material creditor claims and disputes are discussed below.

Tax liabilities outstanding

Norwood Abbey, Inc (a United States' subsidiary of the Company) owes payroll tax to the United States' Tax Office in the amount of $120,000 relating to withholdings from staff salary during 2007. However, the Company has made provision for this amount in its financial statements and the US Tax Office has made no demands in respect of this amount.

The Company has also been the subject of a review by the Australian Taxation Office (**ATO**) of its compliance with its Superannuation Guarantee Contribution obligations during 2008. The result of the review is that the ATO issued amended assessment notices and by agreement with the ATO, the Company is currently paying the outstanding amount (currently $150,000) in instalments of $5,000 per month. The Company is intending to file objections to some of the findings of the ATO which it considers to be factually incorrect (approximately $50,000 of the assessment). The amounts to be paid to the ATO are reflected in the Company's financial statements.

Amounts owed to former director Richard Zahn

Former director, Mr Richard Zahn, is owed approximately US$90,000 in respect of a loan made by Mr Zahn to the Company. This liability is reflected in the Company's financial statements. The Company is currently attempting to negotiate a program of repayments to Mr Zahn with any amounts outstanding to be repaid upon the completion of the proposed Sino-Excel Acquisition. However, there is no guarantee that the Company will be successful in reaching a repayment agreement. The Company is also in discussion with Mr Zahn in relation to director's fees accrued to Mr Zahn. While an amount equal to the director's fees (approximately A$50,000) is accrued in the Company's financial statements, NAL is in discussions relating to the conversion of these fees to equity upon the completion of the proposed Sino-Excel Acquisition.

Amounts owed to former managing director Peter Hansen

The Company has an outstanding obligation to former executive chairman Peter Hansen under a deed of release. The amounts owed are in respect of accrued long service leave, annual leave and certain reimbursable expenses totalling approximately $160,000. The exact amount owed to Mr Hansen is currently in dispute however the Company has made provision in its accounts for $160,000 in liabilities. The Company has received demands from Mr Hansen in respect of these amounts and, should Mr Hansen choose to terminate the settlement deed for non-payment, certain additional amounts previously owing to Mr Hansen under his employment agreement will be reinstated. These amounts total approximately $830,000. The Company intends to pay the amounts owing under the settlement deed upon completion of the proposed Sino-Excel Acquisition. As at the date of this Prospectus, the Company has not secured a waiver from Mr Hansen in respect of the current breach of the settlement agreement and there is no guarantee that the Company will be successful in doing so. As these potential reinstatement amounts are not currently accrued in the Company's financial statements, if Mr Hansen were to terminate the settlement deed, the accrued liabilities of the Company would increase by approximately $830,000.

Amounts owed in respect of the Eyecare Restructure Deed

As noted in section 9 certain amounts are owed by a subsidiary of the Company pursuant to the Restructure Deed relating to the Company's Eyecare Project. The outstanding payment obligations relating to incurred patent costs of approximately US$90,000 and incurred legal fees of approximately US$10,000. These amounts have not been paid pursuant to the terms of the Restructure Deed, however these amounts have been accrued in the Company's financial statements. The Company is currently in breach of these payment obligations.

While the Company believes that it is unlikely that FOS will terminate the agreement (as FOS understands from the Company that it will receive payment upon completion of the Sino-Excel Acquisition) the Company intends to obtain a short conditional release document with FOS that provides for the automatic release of the Company in relation to the existing breach upon payment of the outstanding amounts following completion of the Sino-Excel Acquisition. There is no guarantee that the Company will be successful in doing so.

7.3 Balance sheet

	Note	Consolidated	
		31 December 2009 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents		427,502	397,911
Trade and other receivables	7	34,908	36,837
TOTAL CURRENT ASSETS		462,410	434,748
NON-CURRENT ASSETS			
Other financial assets	8	605,062	695,455
TOTAL NON-CURRENT ASSETS		605,062	695,455
TOTAL ASSETS		1,067,472	1,130,203
CURRENT LIABILITIES			
Trade and other payables	10	1,567,954	1,664,210
Borrowings	11	1,230,000	525,000
Provisions	12	54,441	43,539
TOTAL CURRENT LIABILITIES		2,852,395	2,232,749
TOTAL LIABILITIES		2,852,395	2,232,749
NET ASSETS		(1,784,923)	(1,102,546)
EQUITY			
Issued capital	13	106,467,701	106,467,701
Accumulated losses		(111,940,332)	(111,257,955)
Reserves		3,687,708	3,687,708
Parent entity interest		(1,784,923)	(1,102,546)
Minority interest			
TOTAL EQUITY		(1,784,923)	(1,102,546)

Notes to the balance sheet are included in section 11.

7.4 Income statement

	Note	Consolidated	
		6 months to 31 December 2009	12 months to 30 June 2009
		$	$
Continuing operations			
Revenue from the sale of goods	3	**-**	**72,172**
Cost of sales		**-**	**(14,964)**
Gross profit/(loss)		**-**	**57,208**
Other revenue	3	**-**	**989,667**
Other income/(expense)	5	**(148,763)**	**1,291,875**
Distribution expenses		**(1,597)**	**(55,704)**
Marketing expenses		(10,449)	(38,562)
Occupancy expenses		(5,738)	(38,110)
Administration expenses		(422,876)	(981,789)
Finance costs	4	(2,588)	(57,137)
Impairment of available-for-sale investments	9	(90,366)	(1,583,089)
Other expenses from ordinary activities		-	(485,531)
Loss before income tax expense	5	(682,377)	(901,172)
Income tax expense relating to ordinary activities	6	-	-
Loss for the year from continuing operations		(682,377)	(901,172)
Attributable to:			
Equity holders of the parent		(682,377)	(901,172)
Minority interest		-	-
		(682,377)	(901,172)
Loss per share			
From continuing and discontinued operations:			
Basic and diluted (cents per share)	14	(0.18)	(0.25)
From continuing operations:			
Basic and diluted (cents per share)	14	(0.18)	(0.25)

Notes to the income statement are included in section 11.

7.5 Statement of cashflows

	Note	Consolidated 31 December 2009 $	30 June 2009 $
Cash flows from operating activities			
Receipts from customers		12,919	46,802
Payments to suppliers and employees		(685,740)	(1,241,512)
Interest received		-	697
Dividends received		-	988,970
Interest paid		(2,588)	(9,302)
Other revenue		-	-
Net cash used in operating activities	16(b)	(675,409)	(214,345)
Cash flows from investing activities			
Proceeds from repayment of loans		-	-
Payment for plant and equipment		-	-
Proceeds from borrowings		-	-
Proceeds on sale of plant and equipment		-	-
Payment for acquisition of intangible assets		-	-
Proceeds from sale of investments		-	-
Deconsolidation of controlled entity		-	-
Net cash provided/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		850,000	552,000
Repayment of notes		(145,000)	(70,000)
Repayment of borrowings		-	(102,226)
Payment of share issue costs		-	-
Proceeds from issue of shares		-	70,000
Net cash provided by financing activities		705,000	449,774
Net (decrease) in cash and cash equivalents		29,591	235,431
Cash and cash equivalents at the beginning of the financial year		397,911	162,480
Effects of exchange rates on the balance of cash held in foreign currencies		-	-
Cash at the end of the financial year	16(a)	427,502	397,911

Notes to the statement of cashflows are included in section 11.

7.6 Basis of Preparation and Presentation

Refer to the full financial statements contained in section 11.

8. Investment risks

8.1 Introduction

There are various risks, including risks that are specific to the Company and general investment risks, which may materially and adversely affect the financial performance and/or financial position of the Company and the value of the Shares. As it is not possible to identify all risks, the risks contained in this section are not exhaustive.

The risks identified in this section have been separated into:

(a) risks relating to the Company and the Shares;

(b) a high level summary of risks relating to the Coal Business if the Sino-Excel Acquisition proceed; and

(c) general risks.

Identification of each risk was based on an assessment by the Directors of the probability of the risk occurring and the impact of the risk if it did occur. That assessment was based on the knowledge of the Directors as at the date of this Prospectus and there is no guarantee or assurance that the relative importance of the various risks will not change.

8.2 Key risks associated with the Company

The risks identified in this section 8.2 are risks that relate to the current position of the Company and its business (and the consequences if the Sino-Excel Acquisition does not proceed) and does not contemplate risks associated with the Coal Business.

(a) **Non-completion of the Sino-Excel Acquisition**

The success of the Company is largely dependent on the successful acquisition of Sino-Excel and its subsequent business operations. The Sino-Excel Acquisition may not proceed if:

(i) the Company identifies materially adverse issues during the course of due diligence investigations relating to Sino-Excel, DeBang or the Coal Business;

(ii) final transaction terms and conditions cannot be agreed upon between the parties to the Sino-Excel Acquisition;

(iii) a term in the transaction documents is breached by a party to the Sino-Excel Acquisition;

(iv) one or more conditions identified in section 5.2(d)(iii) are not fulfilled or waived (to the extent they can be waived); or

(v) the Directors come to a view that the Sino-Excel Acquisition is not in the best interests of the Company at any stage before completion of the Sino-Excel Acquisition.

If the Sino-Excel Acquisition does not proceed:

(vi) the Shares (including the Issue Shares that are issued to TER and Perez) are likely to remain suspended from quotation on the official list of the ASX;

(vii) the Company will have incurred costs and expended management time and resources in developing and pursing the Sino-Excel Acquisition without the benefits of the Sino-Excel Acquisition being delivered; and

(viii) the Company's remaining working capital will be extremely limited and unless additional finance is sourced in the short term, the Company will face a very uncertain future, with the most likely outcome being a winding up or the appointment of an administrator.

(b) **Suspension of Shares from quotation on the official list of the ASX**

If the Sino-Excel Acquisition does not proceed, the Shares (including the Issue Shares that are issued to TER and Perez) are likely to remain suspended from quotation on the official list of the ASX.

If the Sino-Excel Acquisition proceeds, the Company will attempt take the necessary steps to apply for re-quotation of the Shares to the official list of the ASX in accordance with the ASX Listing Rules. However, there is no guarantee that the Shares (including the Issue Shares) will be reinstated to quotation on the official list of the ASX. Therefore, there is a real and material risk that the Shares will remain suspended from quotation even if the Sino-Excel Acquisition proceeds. Accordingly, this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market and it is noted that TER and Perez will acquire the Issue Shares unconditionally.

Whilst the Shares are suspended from quotation on the official list of the ASX, Shareholders will be unable to readily realise value for their Shares and Shareholders will be unable to trade the Shares they hold on-market.

(c) **Claims and litigation risks**

The Company has been the subject of various contractual disputes, legal claims and litigation during the course of its business. There is an on-going risk that the Company may have disputes with counterparties and this may have an adverse impact on the Company's financial performance and/or financial position.

The Company is currently subject to a number of creditor claims, many of whom (unless specified in this Prospectus) have agreed to defer their claim until after completion of the Sino-Excel Acquisition or when the Company has sufficient funds to satisfy the amounts of those claims. There are certain creditor claims that remain unresolved which could materially adversely impact on the Company's financial position. Refer to section 7.2 for more detailed information on these claims and disputes.

8.3 Key risks after the Sino-Excel Acquisition and the Coal Business

This section 8.3 identifies some key risks that may be associated with the Coal Business and the fact that the Coal Business operates in China which may adversely affect the Company and the Shares should the Sino-Excel Acquisition proceed.

The Company's due diligence investigations in relation to Sino-Excel, DeBang and the Coal Business have not been completed at the date of this Prospectus and therefore, this section 8.3 may not identify all material risks that may relate to Sino-Excel, DeBang, the Coal Business and the coal industry in china generally.

Investors should pay particular attention to the fact that the business operates in Peoples' Republic of China and thus will largely be governed by a legal and regulatory environment that may differ substantially from that of Australia and that most of the Group’s Revenues and much of the Group’s Costs will be in RMB, a currency which is not yet freely convertible.

Should the Sino-Excel Acquisition proceed, the prospectus that will be issued pursuant to the Public Offer will include a comprehensive summary of key risks associated with Sino-Excel, DeBang, the Coal Business and the Chinese coal industry that is relevant for potential investors to consider in relation to investing in Shares at that time.

(a) **Chinese coal industry generally**

The following list sets out at high level various factors that may adversely affect the Coal Business and the Company:

(i) changes in China's economic, political and social conditions;

(ii) the price of coal and other sources of energy;

(iii) the demand for coal (in China and internationally) and coal trading services;

(iv) transportation and logistics (including costs and reliability);

(v) occupational health and safety (including mining accidents);

(vi) changes to national, provincial and local governmental laws, regulations, policies and controls in China;

(vii) failure to obtain all the approvals required to operate the Mining Business in the most efficient manner;

(viii) Chinese government and local provincial influences;

(ix) labour costs; and

(x) environmental issues.

(b) **Concentration of ownership of Shares**

Should the Sino-Excel Acquisition proceed, the Vendors will become the majority Shareholders and the holdings of the Existing Shareholders will be substantially diluted. Refer to the capitalisation table in section

The Vendors could exert substantial influence over the financial and operational aspects of the Company, including electing directors, and in doing so they may not act in the best interests of other minority Shareholders (including the Existing Shareholders).

This concentration of ownership of the Company's Share capital may also discourage, delay or prevent a change in control of the Company, which could deprive the Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of the Shares.

(c) **Past financial performance**

There is no guarantee in relation to the financial results of the Coal Business or whether they can be maintained or increased. Past performance is not necessarily indicative of future performance. No assurance can be made that profits will be achieved or that losses will not be incurred by the Coal Business.

(d) **Retention of staff**

Should the Sino-Excel Acquisition proceed, the Company will rely on a new team to manage the Coal Business including key management persons located in China.

Therefore, the Company's prospects depend in part on the ability of its executive officers and senior management to operate effectively both independently and as a group. However, competition for quality staff is strong. If the Company fails to attract, retain, motivate and train its key employees, this may have an adverse effect on the Company's operating results and its ability to achieve material business objectives.

8.4 General risks

(a) **Stock market fluctuations**

There is no guarantee that the Shares (including the Issue Shares) will be reinstated to quotation on the official list of the ASX. Therefore, there is a real and material risk that the Shares will remain suspended from quotation even if the Sino-Excel Acquisition proceeds. Although this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market, if they were, then the price at which Shares may be traded on ASX may rise or fall due to numerous factors that may affect the market performance of the Company, which are beyond the control of the Company and the Directors, including:

(i) general economic conditions, including changes in inflation rates, interest rates and exchange rates;

(ii) variations in the domestic and international market for listed stocks;

(iii) changes in government policy, legislation and regulation;

(iv) general operational and business risks; and

(v) share market fluctuations in Australia and other stock markets around the world.

In particular, the share prices for many companies may reflect a diverse range of non-company specific influences such as acts of terrorist and the general state of the economy. Such market fluctuations may materially adversely affect the price of the Shares.

No guarantee can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors which will be beyond the control of the Company and the Directors.

(b) **Liquidity**

Although this Prospectus does not imply or infer that the Issue Shares will ultimately be quoted on a financial market, if they were, then there can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares.

(c) **Government policies and legislation**

The Company may be affected by changes to government policies and legislation (both in Australia and in foreign jurisdictions) concerning property, the environment, superannuation, taxation and the regulation of trade practices and competition, government grants and incentive schemes.

9. Material contracts

The Company considers that the following project and non-project related commercial contracts are necessary for the continuance of the business of the Company or are otherwise material to be disclosed.

(a) **Sino-Excel LOI**

This agreement sets out the basis upon which the parties will progress the proposed Sino-Excel Acquisition under which the Company would acquire all of the issued shares in Sino-Excel by way of an offer to Sino-Excel shareholders on a scrip for scrip basis. Further information on this proposed transaction is set out in section 5.

The agreement sets out typical terms for a letter of intent and is highly conditional. Certain of the conditions are solely within the control of the Company and certain of the conditions are solely in the control of DeBang and Sino-Excel. Certain conditions, such as the Company shareholder approval and regulatory authority approvals, are largely outside the control of any of the parties.

The key merger value ratio of Sino-Excel to the Company is based on applying a price earnings ratio of 6 times to the pro forma earnings of Sino-Excel for the latest year and a valuation of the Company of $0.017 per Share.

Under the agreement, the parties are required to complete targeted due diligence on each other, to act in good faith and use all reasonable endeavours to negotiated the proposed transaction and enter into a definitive merger agreement.

Pursuant to the Sino-Excel LOI, Sino-Excel or its nominee was required to advance A$150,000 to the Company as a deposit against due diligence costs for the Sino-Excel Acquisition, with such advance to be automatically converting into Shares at A$0.01 per Share upon completion of the Sino-Excel Acquisition, or otherwise automatically converting at A$0.01 per Share on 31 December 2010. Sino-Excel nominated Marvel Earn Limited to advance these funds.

The Sino-Excel LOI is expressed to be legally binding.

(b) **Marvel Earn Limited Funding**

In addition to the funding advanced by Marvel Earn Limited under the Sino-Excel LOI above, Marvel Earn Limited was required to advance the sum of A$450,000 to the Company, with A$150,000 to be automatically converting into Shares at A$0.01 upon completion of the Sino-Excel Acquisition, or otherwise automatically converting at A$0.01 per Share on 31 December 2010. In relation to the remaining A$300,000, this amount was deposited into a mutually agreed account, such amount to be released to the Company for working capital purposes upon receipt of shareholder approval of the Sino-Excel Acquisition.

(c) **MIT Agreement**

The Norwood Abbey Sponsored Research Invention Administration Agreement between the Company and Massachusetts Institute of Technology (**MIT**) dated 19 June 2009 (**MIT Agreement**) replaces the previous licence granted by MIT to the Company over all patents and intellectual property flowing from its sponsored research in relation to the Company's Needlefree Project.

Under the new agreement the Company is entitled to 25% of the net revenues flowing from the future development and/or commercialisation of the Needlefree technology. Net revenues are required to be determined after allowance for MIT administrative costs, un-reimbursed patent prosecution costs and previous amounts outstanding to MIT under the prior Sponsored Research Agreement (approximately US$375,000).

Under the agreement, MIT is required to assume all responsibility for ongoing management and commercialisation of the technology.

(d) **Eyecare Restructure Deed**

The Restructure Deed between the Company, Norwood Eyecare Pty Ltd (**NEC**), Norwood Devices Pty Ltd (**ND**), Sightrate, BV (**Sightrate**), FOS Holding S.A. (**FOS**), Dr Ioannis Pallikaris (**Pallikaris**) and Thaddeus Limited (**Thaddeus**) dated 3 July 2008 relates to the Company's Eyecare Project.

By way of background, with effect from 27 April 2004, FOS (a company controlled by Dr Ioannis Pallikaris) and Sightrate (a subsidiary of the Company) entered into a Master Agreement which provided for amongst other things the entry into a certain transaction documents relating to Sightrate's acquisition of certain rights and other assets held by Ciba Vision A.G. (**Master Agreement**) which formed the basis of the Company's Eyecare project (refer section 4.3).

Pursuant to the Master Agreement, FOS and Sightrate entered into an exclusive licence agreement pursuant to which FOS licensed to Sightrate certain core intellectual property (**Licence Agreement**).

Due to an inability to successfully commercialise the licensed intellectual property, FOS and Sightrate subsequently agreed to vary the Licence Agreement to extinguish all royalty and other fee obligations owed by the Company to FOS and to award FOS' nominee (Thaddeus Ltd) a significant proportion of the equity in ND, a subsidiary of the Company.

Pursuant to the Eyecare Restructure Deed, the parties agreed to restructure their obligations and affairs in relation to their existing agreements. Under the terms Eyecare Restructure Deed, ongoing royalty and other fee obligations under the Licence Agreement were extinguished, subject to the terms noted below.

Pursuant to the deed FOS nominated Thaddeus to receive fully paid ordinary shares in ND equal to 30% of the post-issue share capital of ND as part consideration for the variation to the Licence Agreement and, subject to all other payment obligations of the Company under the Restructure Deed, full satisfaction of any obligation to make payments under the Licence Agreement.

Subject to the Company's payment obligations, FOS releases the Company from any claims it may have in relation to Sightrate's compliance with the Licence Agreement.

The payment obligations of ND referred to above comprise:

- the US$100,000 licence fee, which has been paid.
- payment to FOS' patent and legal attorneys, certain incurred patent costs (approximately US$90,000) and incurred legal fees (approximately US$30,000).

The incurred patent costs referred to above and US$10,000 of the incurred legal costs have not been paid to date but that these amounts have been accrued in the accounts of the relevant Company group entities. The Company is in breach of these payment obligations. FOS is entitled, if it so chooses, to terminate the Restructure Deed by providing written notice to all parties and if it does so it is required to retain 50% of the licence fee and will have its equity in ND cancelled for no consideration. In this event, the variations to the Licence Agreement referred above would also be revoked.

While the Company believes that it is unlikely that FOS will terminate the agreement (as FOS understands that it will receive payment upon completion of the Sino-Excel Acquisition) the Company intends to obtain a short conditional release document with FOS that provides for the automatic release of the Company in relation to the existing breach upon payment of the outstanding amounts following completion of the Sino-Excel Acquisition.

As noted in section 4, the Company is in the process of attempting to realise (by way of licence, sale or equivalent corporate transaction) the Eyecare Project. The Company has engaged the services of Magnum Group (a US based consultancy) to effect such a transaction. The likely fee to be paid to Magnum Group as a result of the sale will be US$50,000. This fee is payable from the proceeds of the licence or sale.

(e) **TER Settlement Deed**

Pursuant to the Settlement Deed between the Company, TER and Perez dated 29 September 2009 (**TER Settlement Deed**), the Company is required to issue a number of shares (**Release Shares**) to TER (as to 73.5%) and Perez (as to 26.5%). The Release Shares are the subject of this Prospectus.

Subject to the Company issuing the Release Shares referred to above, TER and Perez have provided an absolute and irrevocable release and discharge of all liability owed by the Company and its related bodies corporate and directors and officers in relation to certain creditor claims by TER and Perez. The Company has provided a similar (although unconditional) release to TER and Perez.

(f) **Lettered Management Agreement**

The Company entered into a Converting Loan Agreement with Lettered Management Pty Ltd (**LM**) on 23 December 2009 (**Lettered Management Agreement**). By way of background, in September 2008 the Company invited LM to participate in a placement of shares and options in the Company. Also in September 2008, LM agreed to provide a secured loan to the Company to facilitate its ongoing working capital needs. The Company and LM entered into a Placement and Loan Agreement dated 9 September 2008. In relation to the working capital loan, amounts totalling A$380,000 remain outstanding.

Unless these amounts are converted to equity in accordance with the terms of the Agreement, the loan amounts will be repayable at the expiry of the term (31 December 2010). A loan amount may not be repaid earlier without LM's consent.

The Company has agreed that it at any time prior to 31 December 2010 (or conversion of the loan to equity) the Company receives a cash payment of any description from NIM or sells shares in NIM, the Company must deposit the first A$380,000 or such lesser sum received into a separate bank account until the earlier of conversion of the loan to equity or expiry of the loan.

LM may, in its absolute discretion, elect at any time prior to the expiry of the term of the loan to convert part or all of the outstanding loan amount into Shares at the conversion rate of A$0.01 per Share and to the extent of such conversion, the Company's corresponding payment obligations will be discharged.

If the Sino-Excel Acquisition occurs prior to the expiry of the loan, the outstanding loan amount will automatically convert into Shares at the conversion rate of A$0.01 per Share and, similarly, to the extent of such conversion upon quotation of those shares the Company's repayment obligations will be fully discharged. Automatic conversion will also occur if a Change of Control Event (as defined in the agreement) occurs prior to expiry of the term. Conversion would be on a similar basis or, if the transaction value is lower value than A$0.01 per Share, at that lower value.

For each Share issued on conversion of the loan amount, LM will receive 1 free option to acquire 1 Share exercisable at A$0.015 on or before 31 December 2010.

The obligations of the Company under the Agreement are secured by way of a mortgage granted by the Company over a certain number of its shares held in NIM (**NIM Mortgage**).

The NIM Mortgage is in a generally standard form and, subject to the terms of the NIM Mortgage, is initially expressed to be in respect of 42,000,000 fully paid ordinary shares in NIM.

(g) **Boman Agreement**

The Company entered into a Converting Loan Agreement with Boman Asset Pty Ltd (**Boman**) on 27 October 2009 (**Boman Agreement**). Under this agreement, Boman agreed to advance

A$250,000 to the Company from the date of the agreement (26 October 2009) with a loan term of 12 months from that date. The advance bears interest of 10% per annum capitalised and commencing 1 March 2010.

The loan amount automatically converts to Shares at a conversion rate of A$0.01 per Share upon Shareholder approval being obtained for the Sino-Excel Acquisition. Upon conversion Boman will receive 1 free option to acquire 1 Share exercisable at A$0.015 on or before 20 June 2014 provided that the options must be exercised if, after 31 December 2010, the VWAP for Shares for any 30 day period exceeds A$0.03.

Should the Sino-Excel Acquisition not complete the Company is required to seek alternative merger opportunities and the loan amount would continue for the duration of the term with a continuing right to conversion on the same terms. Conditions subsequent to conversion of the loan amount are:

- successful due diligence;
- the merger parties contribute an additional A$300,000 to the Company; and
- shareholder approval for the issue of Shares upon conversion being obtained.

Boman has the right to redeem the loan amount at maturity if it has not been otherwise converted prior to that date.

(h) **Hansen Settlement Deed**

The Company entered into a Settlement Deed with former Managing Director, Mr Peter Hansen (**Hansen**) on 31 August 2007. This deed has an effective date of 31 August 2007 and records the terms upon which Hansen and the Company agreed to terminate Hansen's employment and his position as the Company's executive chairman.

The only outstanding obligations of the Company to Hansen under the deed of release are in respect of accrued long service leave, annual leave and certain reimbursable expenses totalling approximately $160,000. The exact amount owed to Mr Hansen is currently in dispute however the Company has made provision in its accounts for $160,000 in liabilities. The Company has received demands from Mr Hansen in respect of these amounts and, should Mr Hansen choose to terminate the settlement deed for non-payment, certain additional amounts previously owing to Mr Hansen under his employment agreement will be reinstated. These amounts total approximately $830,000. The Company intends to pay the amounts owing under the settlement deed upon completion of the proposed Sino-Excel Acquisition. As at the date of this prospectus, the Company has not secured a waiver from Mr Hansen in respect of the current breach of the settlement agreement and there is no guarantee that the Company will be successful in doing so. If Mr Hansen were to terminate the settlement deed, the accrued liabilities of the Company would increase by approximately $830,000.

10. Additional information

10.1 Incorporation

The Company was registered in Victoria on 13 November 1998 as a public company limited by shares.

10.2 Rights attaching to the Issue Shares

The Issue Shares will rank equally with the Existing Shares. The rights attaching to Shares are detailed in the Constitution. The following is a summary of the material provisions of the Constitution and the privileges and restrictions attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement o the rights and liabilities of Shareholders. A copy of the Constitution may be inspected during normal business hours at the registered office of the Company.

(a) **Voting**

Subject to any restriction agreement entered into between the Company and a Shareholder, every Shareholder present in person or by proxy, attorney or representative at a meeting of Shareholders has one vote on a show of hands and one vote on a poll for every Share held. A poll may be demanded by the Chairman of the meeting, 5 Shareholders entitled to vote on the resolution or Shareholders who together hold at least 5 percent of the votes that may be cast on the resolution on a poll, or who together hold voting shares paid up to a value of not less than 5 percent of the total sum paid up on all voting shares.

(b) **General meetings**

Each Shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution or the Corporations Act.

(c) **Dividends**

Where dividends are payable out of the Company profits they will be declared by the Board or the Company in a general meeting provided the Board has recommended a dividend and the dividend is not a greater amount than that recommended. Dividends declared will (subject to any special rights or restrictions attaching to a class of Shares created under any arrangement as to dividend) be payable on the Shares in accordance with the Corporations Act.

(d) **Transfer of Shares**

A Shareholder may transfer Shares by instrument in writing or any other form approved by the ASTC Settlement Rules or the Board. The Board may refuse to register a transfer of Shares where the refusal to register the transfer is permitted under the Constitution.

(e) **Issue of Shares**

The Board may (subject to the restrictions on the issue of Shares imposed by the Constitution or the Corporations Act) issue, grant options in respect of, or otherwise dispose of further Shares as they see fit.

(f) **Winding up**

Subject to any special or preferential rights attaching to any class or classes of Shares, on a winding up of the Company a liquidator may divide among the Shareholders in kind the whole or any part of the property of the Company in proportions to the Shares held by them respectively. The liquidator may for that purpose set the value he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders. The liquidator may vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is liability.

(g) **Directors**

The minimum number of Directors is 3 and the maximum is 9 unless the Company in general meeting determines otherwise (provided the number does not fall below 3). A share qualification for Directors may be fixed by the Company in general meeting.

(h) **Directors' indemnity**

To the extent permitted by law and without limiting the powers of the Company, it may indemnify each person who is or has been a Director or officer of the Company out of the property of the Company for every liability incurred by the person in that capacity.

10.3 Deeds of Access and Indemnity

The Company has executed Deeds of Access and Indemnity in favour of each Director. The indemnity is subject to the restrictions prescribed in the Corporations Act. The Deeds also give each Director a right of access to Board papers and permits the Company to maintain insurance cover for the Directors. Such insurance is in place.

10.4 Holdings of Directors

At the date of this Prospectus, the relevant interests held by each of the Directors (including companies and trusts associated with the Directors) in the Company are as follows:

Directors who holds an interest in Shares directly or indirectly	Number of Shares	Number of Options
Ronald Lewis	6,000,000	4,000,000 exercisable at $0.015 by 31 December 2010
Leo Peng WeiLi	333,332	Nil.
Rohan Boman	Nil.	Nil.
Spencer Chan	Nil.	Nil.

10.5 Remuneration of Directors

The Constitution provides that the Directors' remuneration must not exceed the maximum aggregate sum determined by the Company in general meeting. At present that sum is fixed at a maximum of $500,000, in aggregate, per annum.

This maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

(a) **Payment of expenses**

In addition to remuneration, Directors are entitled to receive travelling and other expenses reimbursement that they properly incur in attending Directors' meetings, attending any general meetings of the Company or in connection with the Company business.

(b) **Payment for extra services**

Any Director called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties, may be remunerated either by a fixed sum or a salary as determined by the Directors. This may be in addition to or in substitution for the Director's share in the usual remuneration provided.

(c) **Effect of cessation of office**

With the approval of the Company in general meeting the Directors may, upon a Director ceasing to hold office or at any time after a Director ceases to hold office whether by retirement or otherwise, pay to the former Director or any of the legal personal representatives or dependents of the former Director in the case of death a lump sum in respect of past services of the Director of an amount not exceeding the amount either permitted by the Corporations Act or the ASX Listing Rules.

The Company may contract with any Director to secure payment of the lump sum to the Director, his or her legal personal representatives or dependants or any of them, unless prohibited by the Corporations Act or the ASX Listing Rules.

(d) **Payment of superannuation contributions**

The Company may also pay the Directors' superannuation contributions of an amount necessary to meet the minimum level of superannuation contributions required under any applicable legislation to avoid any penalty, charge, tax or impost.

10.6 Other interests of directors

In addition to normal directors' fees, the following directors interests are noted (in certain instances, these will require shareholder approval, which the Company will seek as part of the package of shareholder approvals required for the proposed Sino-Excel Acquisition):

(a) Mr Ron Lewis, in respect of accrued consulting fees owed by the Company to Lewis Trende of approximately A$101,200, which are to be converted to Shares at a conversion price of A$0.01 per share.

(b) Converting loan agreement of $250,000 from Mr Rohan Boman's entity (Boman Asset Pty Ltd) to the Company – refer to section 9(g).

10.7 Costs of the Issue

The total estimated expenses of the Issue payable by the Company including lodgement fees, listing fees and other miscellaneous expenses (including taxes and other government charges), will be approximately $22,500 inclusive of GST.

10.8 Interest of Directors

Other than as set out above, or elsewhere in this Prospectus, no Director has, or had within 2 years before lodgement of this Prospectus with the ASIC, any interest in:

(a) the promotion or formation of the Company;

(b) property acquired or proposed to be acquired in connection with its promotion or formation or the Issue under this Prospectus; or

(c) the Issue of the Issue Shares under this Prospectus.

Except as set out in this Prospectus, no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

(a) to induce him or her to become, or to qualify him or her as, a Director; or

(d) for services rendered by him or her in connection with the formation or promotion of the Company of the Issue of the Issue Shares under this Prospectus.

10.9 Documents available for inspection

Copies of the following documents are available for inspection during normal office hours free of charge at the registered office to the Company at Level 16, Rialto Towers, 525 Collins Street, Melbourne, Victoria 3000 for a period of not less than 12 months from the date of this Prospectus:

(a) Directors' consents for the lodgement of this Prospectus; and

(b) the constitution of the Company.

10.10 Directors' statement

The Directors' report that, in their opinion, after having made relevant inquiries:

(a) except as disclosed in this Prospectus, they are not aware of any circumstances that have materially affected or will materially affect the assets and liabilities, the financial position, the profits and losses, or the prospects of the Company on completion of the Issue; and

(b) they have reasonable grounds to, and do, believe that this Prospectus contains no statements that are false or misleading and that there are no material omissions from this Prospectus.

This Prospectus was signed on behalf of the Directors by the Chairman of the Board.

11. Additional financial information

NORWOOD ABBEY LIMITED

ABN 20 085 162 456

FINANCIAL REPORT

FOR THE 6 MONTHS ENDED 31 DECEMBER 2009

FOR THE 12 MONTHS ENDED 30 JUNE 2009

The financial reports contained in this document have not been audited or the subject of any review engagement. Norwood Abbey Limited is currently suspended from Official Quotation on ASX Limited.

NORWOOD ABBEY LIMITED

INCOME STATEMENT

	Note	Consolidated	
		6 months to 31 December 2009	12 months to 30 June 2009
		$	$
Continuing operations			
Revenue from the sale of goods	3	**-**	**72,172**
Cost of sales		**-**	**(14,964)**
Gross profit/(loss)		**-**	**57,208**
Other revenue	3	**-**	**989,667**
Other income/(expense)	5	**(148,763)**	**1,291,875**
Distribution expenses		**(1,597)**	**(55,704)**
Marketing expenses		(10,449)	(38,562)
Occupancy expenses		(5,738)	(38,110)
Administration expenses		(422,876)	(981,789)
Finance costs	4	(2,588)	(57,137)
Impairment of available-for-sale investments	9	(90,366)	(1,583,089)
Other expenses from ordinary activities		-	(485,531)
Loss before income tax expense	5	(682,377)	(901,172)
Income tax expense relating to ordinary activities	6	-	-
Loss for the year from continuing operations		(682,377)	(901,172)
Attributable to:			
Equity holders of the parent		(682,377)	(901,172)
Minority interest		-	-
		(682,377)	(901,172)
Loss per share			
From continuing and discontinued operations:			
Basic and diluted (cents per share)	14	(0.18)	(0.25)
From continuing operations:			
Basic and diluted (cents per share)	14	(0.18)	(0.25)

Notes to the financial statements are included on pages 41 to 59.

NORWOOD ABBEY LIMITED

BALANCE SHEET

	Note	Consolidated 31 December 2009 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents		427,502	397,911
Trade and other receivables	7	34,908	36,837
TOTAL CURRENT ASSETS		462,410	434,748
NON-CURRENT ASSETS			
Other financial assets	8	605,062	695,455
TOTAL NON-CURRENT ASSETS		605,062	695,455
TOTAL ASSETS		1,067,472	1,130,203
CURRENT LIABILITIES			
Trade and other payables	10	1,567,954	1,664,210
Borrowings	11	1,230,000	525,000
Provisions	12	54,441	43,539
TOTAL CURRENT LIABILITIES		2,852,395	2,232,749
TOTAL LIABILITIES		2,852,395	2,232,749
NET ASSETS		(1,784,923)	(1,102,546)
EQUITY			
Issued capital	13	106,467,701	106,467,701
Accumulated losses		(111,940,332)	(111,257,955)
Reserves		3,687,708	3,687,708
Parent entity interest		(1,784,923)	(1,102,546)
Minority interest			
TOTAL EQUITY		(1,784,923)	(1,102,546)

Notes to the financial statements are included on pages 41 to 59.

NORWOOD ABBEY LIMITED

STATEMENT OF CHANGES IN EQUITY

	CONSOLIDATED 6 Months to 31 December 2009					CONSOLIDATED Year Ended 30 June 2009				
	Issued capital $	**Accumulated losses $**	**Equity settled-benefits reserves $**	**Minority interest $**	**Total $**	**Issued capital $**	**Accumulated losses $**	**Equity settled-benefits reserves $**	**Minority interest $**	**Total $**
Opening balance	106,467,701	(111,257,955)	3,687,708	-	(1,102,546)	106,097,701	(110,356,783)	3,687,708	-	(571,374)
Loss for the period	-	(682,377)	-	-	(682,377)	-	(901,172)	-	-	(901,172)
Total recognised income/(expense)	-	(682,377)	-	-	(682,377)	-	(901,172)	-	-	(901,172)
Issue of shares	-	-	-	-	-	370,000	-	-	-	370,000
Gain on investment in subsidiary	-	-	-	-	-	-	-	-	435,011	435,011
Issue of shares by Norwood Eyecare				-	-				(435,011)	(435,011)
Transfers	-	-	-	-	-	-	-	-	-	-
Closing balance	106,467,701	(111,940,332)	3,687,708	-	(1,784,923)	106,467,701	(111,257,955)	3,687,708	-	(1,102,546)

Notes to the financial statements are included on pages 41 to 59.

NORWOOD ABBEY LIMITED

STATEMENT OF CASHFLOWS

	Note	Consolidated 31 December 2009 $	30 June 2009 $
Cash flows from operating activities			
Receipts from customers		12,919	46,802
Payments to suppliers and employees		(685,740)	(1,241,512)
Interest received		-	697
Dividends received		-	988,970
Interest paid		(2,588)	(9,302)
Other revenue		-	-
Net cash used in operating activities	16(b)	(675,409)	(214,345)
Cash flows from investing activities			
Proceeds from repayment of loans		-	-
Payment for plant and equipment		-	-
Proceeds from borrowings		-	-
Proceeds on sale of plant and equipment		-	-
Payment for acquisition of intangible assets		-	-
Proceeds from sale of investments		-	-
Deconsolidation of controlled entity		-	-
Net cash provided/(used in) investing activities		-	-
Cash flows from financing activities			
Proceeds from borrowings		850,000	552,000
Repayment of notes		(145,000)	(70,000)
Repayment of borrowings		-	(102,226)
Payment of share issue costs		-	-
Proceeds from issue of shares		-	70,000
Net cash provided by financing activities		705,000	449,774
Net (decrease) in cash and cash equivalents		29,591	235,431
Cash and cash equivalents at the beginning of the financial year		397,911	162,480
Effects of exchange rates on the balance of cash held in foreign currencies		-	-
Cash at the end of the financial year	16(a)	427,502	397,911

Notes to the financial statements are included on pages 41 to 59.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Norwood Abbey Limited (the company) is a listed public company, incorporated and operating in Australia.

Norwood Abbey Limited's registered office and its principal place of business are as follows:

c/- Minter Ellison
Rialto Towers
Level 16
525 Collins Street
MELBOURNE VIC 3000

2. SUMMARY OF ACCOUNTING POLICIES

This financial report has been prepared in accordance with ASX listing rule 4.3 and the disclosure requirements of ASX Appendix 4E.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise stated.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below. The Group has also adopted the following Standards as listed below which only impacted on the Group's financial statements with respect to disclosure:

- AASB 101 'Presentation of Financial Statements (revised October 2006)'
- AASB 7 'Financial instruments: Disclosures'

Going concern basis

The Consolidated entity is an emerging medical technologies business and as such expects to be cash absorbing until its technologies are commercialized. During the half year ended 31 December 2009 the consolidated entity incurred a net loss of $634,116 and as of that date the consolidated entity's current liabilities exceeded its total assets by $1,736,662.

Whilst the consolidated entity and company do not have sufficient cash resources to fund their current level of activities for at least the next 12 months, and there are uncertainties as to the exact timing and form of additional fund raising, the directors have reasonable expectation that they can raise additional cash resources and or reduce costs during the period for this purpose. These financial statements have therefore been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and settlement of liabilities in the ordinary course of business.

The Directors believe the going concern basis of preparation to be appropriate given the following reasons:

During its lifetime Norwood Abbey Limited (NAL) has been able to attract funds to advance their technologies. To date the company has raised in excess of $102,000,000 in equity and a further $18,000,000 in convertible notes.

During the 2009 financial year, the company entered into a convertible note arrangement that raised $595,000 at an interest rate of 10% per annum. $70,000 was repaid during the financial year and a further $145,000 was repaid subsequent to the end of the 2009 financial year. The face value of the convertible notes outstanding at the date of this report is $380,000. During the half year ended 31 December 2009, the company entered into additional convertible note arrangements for a further $850,000.

The consolidated entity and the company intends to continue attracting funds from these sources, where appropriate, supplemented by the following:

- The licensing of the Eyecare project targeted to generate upfront licensing fee(s) plus OEM revenues and or royalties. In addition, as part of the proposed Eyecare licensing strategy, it is intended the obligation for servicing patent and certain research and consulting costs be transferred to prospective licensee/s.
- Dividends from Norwood Immunology Limited upon the achievement of certain developmental milestones relating to the virosomal technology sold by Norwood Immunology Limited during the financial year and receipt by Norwood Immunology Limited of the relevant milestone payments. Further funds are expected to be received by Norwood Immunology Limited in the foreseeable future relating to convertible notes held in Mymetics, Inc., the company who purchased the virosomal technology from Norwood Immunology Limited. On 31 July, 2009, the shareholders of Norwood Immunology Limited voted in favour to wind down the operations of the company and remove it from the London Stock Exchange Alternative Investment Market with a view to limiting the cash out flows of the company until such time as future funds are received in order to maximize the returns to shareholders from those in flows.

Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's and company's ability to effectively manage their expenditures, the directors believe that the consolidated entity and company will continue to operate as going concerns for the foreseeable future and therefore that it is appropriate to prepare the financial statements on a going concern basis.

In the event that the consolidated entity and the company are unable to raise sufficient funds as set out above, there is significant uncertainty whether the consolidated entity and company could continue as going concerns. If the consolidated entity and company are unable to continue as going concerns they may be required to realise their assets and extinguish their liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amount and classification of liabilities that might be necessary should the consolidated entity and company not continue as going concerns.

Significant Accounting Policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the company (its subsidiaries)(referred to as ‘the Group’ in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the financial year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the Company, intra-group transactions (‘common control transactions’) are generally accounted for by reference to the existing (consolidated) book value of the items. Where the transaction value of common control transactions differ from their consolidated book value, the difference is recognised as a contribution by or distribution to equity participants by the transacting entities.

Minority interests in net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the group’s equity therein. Minority interests consist of the amount of those interests at the date of the original business combination. Losses applicable to the minority in excess of the minority’s interest in the subsidiary’s equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Borrowings

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(d) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(e) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity accounting method in the consolidated financial statements and the cost method in the company financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available for sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 11. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve with the exception of impairment losses which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted.

Any subsequent increase in fair value after impairment loss of available-for-sale equity instruments is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(f) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Compound instruments

The component parts of compound instruments are classified separately as liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt.

The equity component initially brought to account is determined by deducting the amount of the liability component from the amount of the compound instrument as a whole.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments. Interest is accrued at the effective interest rate on the carrying value of the debt.

(g) Foreign currency

The individual financial statements of each group entity are presented in its functional currency being the currency of the primary economic environment in which the entity operates. For the purposes of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Norwood Abbey limited and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

Foreign operations

Foreign operations are not considered to be self-sustaining and as such the Australian dollar is considered to be the functional currency of the foreign operations. On consolidation, the monetary assets and liabilities of the consolidated entity's overseas operations are translated at exchange rates prevailing at the reporting date and non-monetary assets and liabilities are translated at historic rates prevailing at of acquisition. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognised in the profit and loss statement.

(h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(i) Impairment of assets – other than Goodwill

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(j) Income tax

<u>Current tax</u>

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Norwood Abbey Limited is the head entity in the tax-consolidated group. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the ‘stand alone taxpayer’ approach.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Norwood Abbey Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

(k) Intangible assets

Patents, trademarks and licenses

Costs associated with the development of new products and technologies including the original patent application costs are capitalised.

Intellectual property and patents are recorded at the cost of acquisition. Intellectual property acquired through gaining control of the company's wholly owned subsidiaries is recorded at its fair value upon acquisition. The directors give due consideration to the technical and commercial life of the intellectual property and patents to determine their useful life. In the opinion of the directors the intellectual property does not have a finite useful life.

Patents are amortised on a straight line basis so as to write off the cost of each asset over its expected useful life. Amortisation of the intellectual property begins upon the commercialisation of the related project and continues over the period in which the corresponding benefits are expected to arise. The following useful lives are used in the calculation of amortisation:

- Patents & Intellectual Property 10 - 18 years

The directors regularly review the carrying value of the intellectual property and patents to ensure its carrying value does not exceed its recoverable amount, based on the cash flow forecast and advancement of project milestones.

Patent renewal costs are written off as an expense as they are incurred.

(l) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses are assigned to inventory on hand by the method most appropriate to each particular class of inventor, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(m) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the consolidated entity's general policy on borrowing costs.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(n) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment and is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

• Leasehold improvements	3 years
• Plant, equipment and office furniture	5 - 15 years
• Computer software	3 years
• Motor vehicles under finance lease	6 - 7 years

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Restructuring

Provision for restructurings are recognised when the consolidated entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by:

- starting to implement the plan; or
- announcing its main features to those affected by it.

Onerous contracts

An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received

(p) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Dividend and interest revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

No amount has been recognised in the financial statements in respect of the other equity-settled share based payments.

Equity settled share based payment transactions with other parties are measured at fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. For cash-settled share based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Standards and Interpretations issued not yet effective

At the date of authorization of the financial report, the following Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the consolidated entity's and company's financial report:

• AASB 101 'Presentation of Financial Statements' (revised September 2007)	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 8 – 'Operating Segments'	Effective for annual reporting periods beginning on or after 1 January 2009
• AASB 123 – 'Borrowing Costs' (revised)	Effective for annual reporting periods beginning on or after 1 January 2009

The potential effect of the initial application of the expected issue of an Australian equivalent accounting standard to the following Standard has not yet been determined:

• IFRS 3 'Business Combinations' and IAS 27 ' Separate and Consolidated Financial Statements'	Effective for annual reporting periods beginning on or after 1 July 2009

	CONSOLIDATED	
	31 December 2009	**30 June 2009**
	$	**$**

3. REVENUE

	CONSOLIDATED	
	31 December 2009 $	**30 June 2009** $
Continuing operations		
Revenue from sale of goods	-	72,172
Interest revenue	-	697
Dividends received	-	988,970
Other revenue	-	-
	-	1,061,839

	CONSOLIDATED	
	31 December 2009	**30 June 2009**
	$	**$**

4. FINANCE COSTS

	CONSOLIDATED	
	31 December 2009 $	**30 June 2009** $
Interest on obligations under finance lease	-	(4,970)
Interest on bank overdrafts and loans	-	(4,333)
Interest on convertible notes	(2,588)	(47,834)
	(2,588)	(57,137)
Attributable to:		
Continuing operations	(2,588)	(57,137)
Discontinued operations	-	-
	(2,588)	(57,137)

	CONSOLIDATED					
	Continuing		Discontinuing		Total	
	31/12/2009	30/06/2009	31/12/2009	30/06/2009	31/12/2009	30/06/2009
	$	$	$	$	$	$

5. LOSS FOR THE YEAR

(a) Gains and losses

Loss for the year has been arrived at after crediting/charging the following gains and losses:

Gain on disposal off fixed assets	2,600		-	-	2,600	-
Gain on creditor settlements	-	986,406	-	-	-	986,406
Gain on investment in subsidiary	342,379	435,011	-	-	342,379	435,011
Net foreign exchange gains/(losses)	(493,742)	(129,542)	-	-	(493,742)	(129,542)
	(148,763)	1,291,875	-	-	(148,763)	1,291,875

(b) Other expenses

Loss for the year includes the following expenses:

Cost of sales	-	(14,964)	-	-	-	(14,964)
Inventory:						
- Impairment of inventory value	-	-	-	-	-	-
Depreciation of non-current assets:						
- Plant and equipment	-	-	-	-	-	-
- Leased assets	-	-	-	-	-	-
Operating lease rental expenses						
- Minimum lease payments	-	(3,541)	-	-	-	(3,541)
Employee benefits expense:						
- Post employment benefits:						
Defined contribution plans	(10,931)	1,538	-	-	(10,931)	1,538
	(10,931)	1,538	-	-	(10,931)	1,538
- Termination benefits	-	-	-	-	-	-
- Other employee benefits	(183,821)	(426,789)	-	-	(183,821)	(426,789)
	(194,752)	(425,251)	-	-	(194,752)	(425,251)

	CONSOLIDATED	
	31 December 2009	30 June 2009
	$	$

6. INCOME TAXES

(a) The prima facie expense/(benefit) on pre tax accounting loss from operations is reconciled to the income tax expense in the financial statements as follows:		
Prima facie tax benefit on loss from ordinary activities at 30% (2009: 30%)	(204,713)	(270,352)
Add tax effect of:		
- Temporary difference and losses not recognised	204,713	296,243
- Non deductible expenses	-	54,218
	204,713	350,461
	-	80,109
Tax losses recognised as an offset	-	(80,109)
Income tax expense	-	-
(b) Recognised deferred taxes net of recognised losses:		
Deferred tax liabilities attributable to investment in associates	-	-
Tax losses recognised as an offset	-	-
	-	-
(c) Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility occur:		
- temporary differences	17,101,885	16,897,172
- tax losses:		
- operating losses	19,537,898	19,537,898
- capital losses	-	-
	36,639,783	36,435,070

	CONSOLIDATED	
	31 December 2009	30 June 2009
	$	$

7. CURRENT TRADE AND OTHER RECEIVABLES

Trade receivables	256,682	245,351
Allowance for doubtful debts	(221,774)	(226,329)
	34,908	19,022
Goods and services tax (GST) recoverable	-	1,912
Other receivables	-	15,903
	34,908	36,837

	CONSOLIDATED	
	31 December 2009	**30 June 2009**
	$	**$**

8. OTHER FINANCIAL ASSETS

Investments carried at cost:		
Non-current:		
Shares and options	5,696	5,696
Available-for-sale investments carried at fair value:		
Non-current:		
Shares and options	599,366	689,759
	605,062	695,455

During the year ended 30 June 2008, Norwood Abbey ceased to exert significant influence over Norwood Immunology. Accordingly equity accounting is no longer being used in respect of accounting for the investment in Norwood Immunology. Instead, the shares are recorded as an available for sale financial asset in accordance with AASB 139 “Financial Instruments: Recognition and Measurement” and are valued at the closing bid price on the final day of the reporting period, with changes in fair value recorded in the income statement. Norwood Abbey holds 26.16% of the shares in Norwood Immunology.

9. ASSETS PLEDGED AS SECURITY

At 31 December 2009, in accordance with the security arrangements of liabilities, as disclosed in note 11 to the financial statements, certain financial assets of the company were pledged as collateral for those liabilities . At 31 December 2009 the carrying value of the assets pledged as security was $599,366. At 30 June 2009, the carrying value of assets pledged as security was $689,759.

	CONSOLIDATED	
	31 December 2009	**30 June 2009**
	$	**$**

10. CURRENT TRADE AND OTHER PAYABLES

Trade payables	977,354	1,075,006
Accrued payables	590,600	589,204
	1,567,954	1,664,210

	CONSOLIDATED	
	31 December 2009	**30 June 2009**
	$	**$**

11. CURRENT BORROWINGS

Secured:		
At amortised cost		
Notes payable (i)	1,230,000	525,000
	1,230,000	525,000

(i) During the financial year ended 30 June 2009, the company raised $595,000 through the issue of 12 month convertible notes in three tranches. The notes were issued with an interest rate of 10% per annum with interest of $43,000 on the first two tranches (face value of $430,000) prepaid at the time of drawdown. The notes are convertible at $0.01 per share. These notes are secured, as disclosed in note 12, by the pledge of certain non current financial assets of the company. The carrying value of these assets at 30 June 2009 was $689,759. During the year ended 30 June 2009 the face value of the notes was reduced to $525,000 through the repayment of $70,000. Subsequent to 30 June 2009 the face value of the notes was further reduced to $380,000 through the further repayment of $145,000. Additional notes issued on the same terms were entered into during the 6 months to 31 December 2009 with a face value of $850,000.

	CONSOLIDATED	
	31 December 2009	30 June 2009
	$	$
12. CURRENT PROVISIONS		
Employee benefits	54,441	43,539
	54,441	43,539

	CONSOLIDATED	
	31 December 2009	30 June 2009
	$	$
13. ISSUED CAPITAL		
Fully paid ordinary shares		
384,529,319 fully paid ordinary shares (2009: 374,529,319)	106,467,701	106,467,701

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

	COMPANY 31 December 2009		COMPANY 30 June 2009	
	No.	$	No.	$
Fully Paid Ordinary Shares				
Balance at beginning of financial year	374,529,319	106,467,701	337,529,319	106,097,701
Shares issued				
- cash	-	-	7,000,000	70,000
- non-cash	10,000,000	-	30,000,000	300,000
Share issue costs	-	-	-	-
Balance at end of financial year	384,529,319	106,467,701	374,529,319	106,467,701

Dividends

Fully paid ordinary shares carry one vote per share and carry the right to dividends. No dividends were declared or paid in respect of the half year ended 31 December 2009 (2009:nil)

14. LOSS PER SHARE

	31 December 2009 Cents per share	30 June 2009 Cents per share
Basic and diluted earnings per share from continuing operations	(0.18)	(0.25)
Basic and diluted earnings per share from discontinued operations	-	-
Basic and diluted earnings per share	(0.18)	(0.25)

	31 December 2009 No.	30 June 2009 No.
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share and diluted earnings per share	374,638,015	360,134,798

All options on issue during the year are considered potential ordinary shares and are therefore excluded from the weighted average number of ordinary shares used in the calculation of basic earnings per share.

All options on issue during the year are considered potential ordinary shares for the purposes of calculating diluted earnings per share. Potential ordinary shares that are not dilutive are excluded from the calculation of weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

	31 December 2009 $	30 June 2009 $
Earnings used in the calculation of basic earnings per share and diluted earnings per share reconciles to the net profit in the income statement as follows:		
Net loss	682,377	901,172
Net loss used in the calculation of basic earnings per share and diluted earnings per share	682,377	901,172
Adjustments to exclude profit for the period from discontinued operations	-	-
	682,377	901,172

	31 December 2009 No	30 June 2009 No
The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:		
Options – Ordinary shares	52,829,679	61,164,679

15. CONTINGENT LIABILITIES

Royalties:

(a) During 1994, Electrospect, Inc. (Electrospect) (formerly Transmedica International, Inc. which was acquired by the company on 23 December 1999) paid a licensing fee to Massachusetts General Hospital for a patent rights license agreement. The licence fee, net of accumulated amortisation, is included on the statement of financial position as patent costs. Under the terms of the agreement, Electrospect, Inc. will be required to pay additional royalties on products sold which are covered by the patent right. The directors consider that no royalties are due and payable as at 30 June 2009. Such royalties are to be computed at 5% of the net sales price in the case of products subject to exclusive licence and 2.5% for products non-exclusively licensed and 1% of the net sales price in the case of certain other products.

(b) On 14 June 2000, Norwood Abbey Limited entered into an agreement with University of Arkansas Medical Services (UAMS) to amend the royalty agreement between Electrospect, Inc. and UAMS dated 19 December 1994. This agreement provides for a maximum royalty at the rate of 2.5% of the net sales of devices manufactured for the withdrawal of blood or the delivery of local topical anaesthesia using a laser device (capped at $1,000,000 per annum). If a royalty is payable to a third party then the 2.5% rate shall be reduced by the percentage royalty payable to such a third party except that the royalty rate payable to UAMS shall never be less than 1.0%. The directors consider that no royalties are due and payable as at 30 June 2009.

(c) Other royalty obligations are considered not to be material on the basis that such obligations will either have expired prior to the first commercial sale, are capped at amounts which are not material or are predicated upon sales through particular distribution channels in respect of which Norwood Abbey Ltd has no obligation to sell.

	CONSOLIDATED	
	31 December 2009	30 June 2009
	$	$

16. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at the end of the financial year as shown in the cash flow statement of cash flows is reconciled to the related items in the balance sheet as follows:

	31 December 2009 $	30 June 2009 $
Cash	427,502	397,911

(b) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

	31 December 2009 $	30 June 2009 $
Loss from ordinary activities after related income tax	(682,377)	(901,172)
Depreciation and amortisation of non-current assets	-	-
Unrealised foreign exchange loss/(gain)	493,742	158,655
Interest	-	43,000
(Gain)/Loss on disposal of non-current assets	-	(435,011)
Creditor recoveries	-	(986,406)
Impairment of investments	(342,379)	1,583,089
Impairment of non-current assets	-	-
Changes in net assets and liabilities, net of the effects of purchase of subsidiaries:		
(Increase)/decrease in current receivables	1,929	46,802
(Increase)/decrease in current prepayments	-	3,693
Increase/(decrease) in current payables	(157,226)	461,199
Increase/(decrease) in provisions	10,902	(188,194)
Net cash used in operating activities	(675,409)	(214,345)

(c) Finance facilities

	31 December 2009 $	30 June 2009 $
Lease finance facility, reviewed annually		
- amount used	-	-
- amount unused	-	-
Equity line facility		
- amount used	-	-
- amount unused	-	-
	-	-

17. SUBSIDIARIES

Name of Entity	**Country Of Incorporation**	**Ownership Interest**	
		31 December 2009 %	**30 June 2009 %**
Parent Entity			
Norwood Abbey Limited (i)	Australia		
Subsidiaries			
Norwood Immunology, Inc.	U.S.A.	100	100
Norwood Devices Pty Ltd (ii)	Australia	95	95
Controlled Entity			
Norwood EyeCare Pty Ltd (ii)	Australia	70	70
Sightrate B.V.	Netherlands	100	100
Norwood Abbey, Inc.	U.S.A.	100	100
Eliza, Inc.	U.S.A.	100	100
Electrospect, Inc.	U.S.A.	100	100
Spectral BioSystems, Inc.	U.S.A.	100	100
Norwood Lasers U.K.	U.K.	100	100

(i) Norwood Abbey Limited is the head entity within the tax-consolidated group.
(ii) This company is a member of the tax-consolidated group.

12. Authorisation

This Prospectus is issued by Norwood Abbey Limited. Each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn his consent as at the date of this Prospectus.

Glossary

In this Prospectus the following terms and abbreviations have the following meanings unless the context requires otherwise.

Application Form means the application form attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 624 691.

ASTC Settlement Rules means the ASTC Settlement Rules issued by ASTC.

ASX means ASX Limited ABN 98 008 624 691.

ASX Listing Rules means the Listing Rules of the ASX.

Board means the Board of Directors of the Company.

CHESS means the Clearing House Electronic Sub register System.

Coal Business means the exclusive management rights over a profitable coal trading operation in Henan Province in China and an option to acquire three significant coal concessions in Henan Province that will be acquired by DeBang before or at completion of the Sino-Excel Acquisition.

Company or **Norwood Abbey Limited** means Norwood Abbey Limited ACN 085 162 456.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

DeBang means DeBang Resources Ltd, a wholly-owned subsidiary of Sino-Excel.

Director means a director of the Company as at the date of the Prospectus.

Existing Shareholders means the holders of Existing Shares.

Existing Shares means 384,529,319 Shares on issue at the date of this Prospectus.

Holding Statements means Holding Statements for Shares under CHESS.

Issue means the issue of 44,756,415 Shares to TER and 16,136,667 Shares to Perez to be issued by the Company pursuant to this Prospectus.

Issue Date means the date on which the Issue Shares are expected to be issued to TER and Perez.

Issue Shares means 44,756,415 Shares issued to Tissue Engineering Refraction Inc and 16,136,667 Shares issued to Dr Edward Perez under this Prospectus.

LOI means the letter of intent executed by the Company, Sino-Excel and DeBang on 14 September 2009 as announced to the ASX on the same date and described in section 9.

MIT means the Massachusetts Institute of Technology.

Option means an option to acquire a Share at a specified exercise before a specified expiry date.

Perez means Dr Edward Perez.

Prospectus means this prospectus, both in paper and electronic form, dated 26 February 2009 (and any replacement prospectus) as varied or modified by any supplementary prospectus.

Public Offer means the proposed offer of Shares via a prospectus to raise a minimum of $2 million at 1.7 cents per Share to fund and expand the Coal Business which forms a condition to completion of the Sino-Excel Acquisition.

section means a section of this Prospectus.

Settlement Deed means the deed between the Company, TER and Perez dated 29 September 2009, the material content of which was announced to ASX on 5 October 2009.

Shares means fully paid ordinary shares in the capital of the Company.

Shareholder means a holder of a Share.

Sino-Excel means Sino-Excel Energy Pte Ltd, a company incorporated in Singapore.

Sino-Excel Acquisition means the Company's proposed acquisition of Sino-Excel as announced to the ASX on 14 September 2009 as described in section 4.

TER means Tissue Engineering Refraction Inc, a company incorporated in the United States of America.

Vendors means the shareholders of Sino-Excel.

Corporate Directory

Directors	Mr Ron Lewis (Chairman) Mr Leo Peng WeiLi Mr Spencer Chan Kum Ei Mr Rohan Boman
Company Secretary	Mr Jeffrey Bell
Registered Office and principal place of business	Level 16, Rialto Towers 525 Collins Street Melbourne VIC 3000