

Norwood Immunology Ltd

Proposed off-market Buy-Back of Shares and Cancellation of Trading on AIM

Norwood Immunology Ltd ("Norwood" the Company") has posted a Circular to Shareholders, following the Company's statement made on the 2 June 2009 regarding the completion of the strategic review and the decision to return cash to its Shareholders and cancel trading on AIM.

The Circular sets out the terms of the buy-back of up to a maximum of 30%, 68,472,416 of the Company's Shares and contains notice of a Extraordinary General Meeting of Shareholders in order to approve certain Resolutions required to effect or otherwise in connection with the buy-back, including:

- the buy back by the Company of up to 30% per cent. of the Company's Shares at 0.25 pence per Share;
- the cancellation of the admission of the Company's Ordinary Shares to trading on AIM; and
- the Re-registration of Norwood as a proprietary company.

A copy of the Circular is available on the Company's website, www.norwoodimmunology.com

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Introduction

Your Directors announced on 17 April 2009 that, following the Company's extraordinary general meeting held on 1 April 2009, completion of the sale of Bestewil Holdings B.V (the holding company of the Virosome Biologicals vaccine delivery project) to Mymetics Corporation, was completed. At completion, the Company received €5 million cash (before expenses and repayment of vendor loan notes) and was issued with a €2.5 million convertible redeemable loan note and options as detailed in the prior EGM notice. In addition, further consideration may be received by way of milestones and royalties depending upon the achievements of the business sold.

The sale of the Virosome Biologicals subsidiary followed from a decision by the Board earlier in 2008 to endeavour to convert assets into cash and to focus the ongoing activities of the Company on revenue producing activities.

Since the initial announcement of the proposed sale of Virosome Biologicals, the Board has discussed the future of the Company with its AIM NOMAD, as well as with a number of major Shareholders. Shareholders collectively holding in excess of the majority of the Share capital expressed a strong desire: (a) to have a significant proportion of the cash consideration received from completion of the sale of Virosome Biologicals returned to them as soon as possible; (b) that the Board should consider carefully the merits of pursuing the Company's remaining projects (in particular the "thymus" project which represents the core technology of the original Company listed on AIM in 2004); and (c) that there should be a significant reduction in the costs of the Company's operation in the future. The Board both understands and respects the views of Shareholders and, accordingly, a special interim dividend of 1p per Share was declared and paid on 8 May 2009. The cash cost to the Company of this dividend was approximately £2.28 million.

Following the sale of Virosome Biologicals, the Company has interest in two ongoing projects: (a) the thymus project, based upon reactivation of the thymus and rebuilding the immune system via the use of temporary sex steroid suppression (partnered with Abbott Laboratories (formerly TAP Pharmaceuticals); and (b) stem cell projects, predominantly in the veterinary arena.

The Company's interim financial results for the six months ended 31 December 2008 were released on 20th May 2009, and at that time the inconclusive performance of the US clinical trials for the thymus project were covered. Designing alternative trials – or trials in other geographies, where patient recruitment may be quicker and more cost effective – has been considered, but your Directors believe that a lack of a drug partner in such markets makes that commercially impractical.

Against this background, the Board has spent significant time evaluating different strategic alternatives for the Company. These deliberations have taken into account the current and anticipated financial position of the Company following the Virosome divestment, the Company's progress towards the commercial success of its pipeline, the current and anticipated financial climate and the relative benefits of being a private limited company compared with the ongoing costs of maintaining a listing on AIM. The Board has also taken into account the views of the Company's institutional Shareholders, as well as assessing the position of the Shareholders as a whole. The Board has considered the merits of reducing costs via a de-listing from AIM and a significant reduction in the Company's overhead base through a rationalisation of ongoing projects, commitments and management and employees. In addition it has considered the possibility of changing the status of the Company to that of a private company. Given the requirements to reduce shareholder numbers to qualify for re-registration as a private Company and the consequences of a de-listing from AIM, the Board has canvassed certain Institutional shareholders and they have expressed an interest in having their stock repurchased. Accordingly, the Board are recommending an Off Market Buy-Back Offer, as further set out below.

Strategic Review

The management of the Company has implemented a number of changes over the last two years in order to reduce operating costs and minimise cash burn. However, the Company will, even after the Virosome disposal, continue to be loss making and cash absorbing. The Board have concluded in the light of its strategic review to:

- cease further expenditure on the thymus project except where pre-existing contractual commitments exist for the finalisation of data analysis in the Company's US clinical trials. This will mean abandonment of existing IP claims and patent applications;
- terminate research and development contracts with Monash University (where the thymus project R&D is undertaken). Total R&D funding to Monash University, including the payments made by the Company on its co-funded research project with the Australian Stem Cell Centre ("the ASCC Contract") in the 12 months to 31 December 2008 were A\$725,000 (A\$370,000 net of R&D credits). Expenditure for the six months to 30 June 2009 is expected to be A\$250,000. The only remaining commitment after 30 June 2009 will be A\$187,500, being the remaining commitment under the ASCC Contract which expires on 31 March 2010;
- invest a maximum of A\$250,000 into the veterinary project (as further described below);
- terminate the current employment, consultancy and services contracts of the Company's Directors, employees and consultants, giving the required 3 months notice where the Company is required to do so, with the option open to the Company to pay the required notice period without such notice being served by the director, consultant or employee;
- re-engage the existing Directors on revised terms, so as to comply with ASIC director requirements and to enable the process of rationalisation to be carried through ; and
- seek to maximise future returns to Shareholders through future receipts arising from the sale of Virosome Biologicals to Mymetics Corporation, including realisation of loan notes, exercise where appropriate of share options and receipt of contingent milestones and royalties.

In formulating its recommendations, the Board has had regard to, inter alia:

- available cash resources of the Company following the disposal of Virosome Biologicals and payment of the special interim dividend, having taken account of the payment of costs associated with the disposal, accrued liabilities at the time of the disposal and ongoing operating costs required to maintain the Company, albeit in streamlined form, in a manner able to receive future non contingent and contingent payments from Mymetics Corporation;
- costs of terminating executive and employee contracts;
- non cancellable commitments under pre existing arrangements entered into by Norwood;
- commercial opportunities open to the Group in the area of veterinary stem cell therapies; and
- verbal indications from certain major Shareholders, collectively holding approximately 70% of the Company's Share capital, that they did not intend to participate in the off market buy-back of Shares and will vote their Shares in favour of the Resolutions.

De-Listing

The Board has also concluded that it would be in the best interests of the Company to cancel the quotation of the Company's Shares on AIM. The Board believes that the costs and regulatory requirements associated with maintaining the Company's listing are a significant burden on the Company's financial resources. These costs include fees paid to the Company's brokers and registrars, annual fees paid to the London Stock Exchange, costs relating to public announcements, fees and expenses of Directors and fees and expenses of accountants and lawyers engaged to provide services in connection with the Shares being quoted on AIM.

In addition to the overheads involved in maintaining the Company's listing:

- Since the initial listing of the Company's Shares in 2004, there has been extremely limited trading of Shares;
- the Board considers that the Company's size and share price increase the difficulty of raising any further equity capital; and
- given its relatively small size and proposed future strategy, the Company is unlikely to benefit from any new institutional investors or additional analyst interest in the secondary market.

Therefore, the Board believes that the costs of the Company's current listing outweigh the benefits and that, accordingly, it would be in the best interests of the Company and Shareholders as a whole if the Company's admission to quotation on AIM were cancelled. The Company will submit a notice to cancel the listing on AIM shortly after the Extraordinary General Meeting (assuming that the relevant Resolution is passed and that the other conditions are satisfied).

Consequential Amendment to Company Constitution

A number of provisions in the Company's constitution are included in the context of Norwood being listed on AIM. Subject to the approval of the Resolution to de-list from AIM, it is proposed that the following provisions be deleted from the Company's constitution. If the Resolution to de-list is not approved, the Company's constitution will remain unchanged.

The provisions that will be deleted are:

- paragraph 30, which provides that where the Company is listed on the ASX or AIM, Shareholders must notify the company where they:
- either acquire an interest in shares that provides them with an aggregate interest in three percent or more of the voting rights attaching to the Company's share capital; or
- cease to hold such an interest;
- paragraph 104, which provides that Shareholders must disclose to the Company any arrangements entered into which restrict the transfer of Shares where those arrangements must be disclosed by the Company under the listing rules of a stock exchange; and
- paragraph 105, which broadly provides that the Company cannot issue more Shares than would exceed 10% of the maximum number of Shares on issue during the previous 12 months.

If you wish to view a copy of the current constitution to see the specific provisions that will be deleted and the provisions that will cease to apply if the De-Listing occurs, please visit the AIM Rule 26 Disclosure information on the Company's website at www.norwoodimmunology.com

Effects of De-Listing

The De-Listing will have the following principal effects on Shareholders:

- there would no longer be a formal market on which Shareholders may trade their Shares and the existing CREST facility will be cancelled. Shareholders who currently hold Shares in uncertificated form will receive share certificates in due course following the De-Listing. Share transfers may still be effected after the date of De-Listing by depositing a duly executed and stamped stock transfer form together with an appropriate share certificate with the Company secretary at the registered office of the Company. While the Shares will remain freely transferable, they may be more difficult to sell compared with shares of companies listed on AIM. It may also be more difficult for Shareholders to determine the market value of their stockholdings in the Company at any given time;
- the Company would not be bound to announce material events, nor to announce interim or final results;
- the Company would no longer be required to comply with many of the corporate governance requirements applicable to AIM-listed companies;
- the Company would no longer be subject to the Disclosure Rules and Transparency Rules and would therefore no longer be required to disclose major shareholdings in the Company;

- the Company would no longer be subject to the AIM Rules. Shareholders would therefore no longer be afforded the protections given by the AIM Rules. Such protections include the requirement to be notified of certain events including, amongst other things, substantial transactions (the size of which results in a 10% threshold being reached under any one of the class tests) and related party transactions and the requirement to obtain Shareholder approval for reverse takeovers (the size of which results in a 100% threshold being reached under any one of the class tests) and fundamental changes in the Company's business. As noted above, certain provisions of the Company's constitution will cease to apply if the De-Listing occurs;
- the cancellation might have either positive or negative taxation consequences for Shareholders; and
- the Company would remain subject to Australian company law which mandates shareholder approval for certain matters.

The Company will continue to communicate information about the Company (including annual accounts and other financial information) to its Shareholders.

Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately.

Shareholders should be aware that if the De-Listing proceeds, they will at that time cease to hold shares in a company whose shares are admitted to quotation on AIM and the matters set out above will automatically apply to the Company from the date of De-Listing.

Re-registration as a proprietary company

Following the De-Listing, the Board believes that the requirements and associated costs of the Company maintaining its public company status will be difficult to justify and that the Company will benefit from the more flexible requirements and lower costs associated with maintaining a proprietary (private) limited company status. However, under the Corporations Act in Australia, a proprietary company may have a maximum of 50 individual shareholders, a requirement that the Company does not currently satisfy. It is possible however that following the buy-back, or thereafter, the 50 shareholder (or less) rule will be met by the Company and, accordingly, your Board seeks approval at the EGM to take the necessary actions, if the requirements are met at that time (or a later date), to re-register the Company as a proprietary company.

If Shareholders approve the Resolution, and subject to the relevant requirements being met, the Company will lodge the necessary documents with ASIC. ASIC will then give 1 month's notice of the proposed change on its database and in an advertisement in the Australian Government Gazette. Any Shareholder who opposes the change may seek a remedy during such notice period. In the absence of any opposition, the change takes effect on expiry of the 1 month notice period (and when ASIC amends details of the Company's registration and issues a new certificate of registration).

Proposed Off Market Buy-Back

The Board is recommending an off market Buy-Back Offer of 0.25p per Ordinary Share, limited to a maximum number of shares equal to 30% of the Company's Ordinary Shares ("the Maximum").

The price of 0.25p and a maximum buy-back of 30% of the Company's Ordinary Shares is considered by the Board to be both appropriate and the maximum amount that could be justified given the remaining assets of the Company, the risks and timescale associated with the holding and potential realization of those assets and existing and future cash commitments.

It is hoped that as a result of the share buy-back proposal the number of shareholders will be reduced to less than 50 and that, following such reduction, the Company would, if it so approved at the EGM, be able to change its status to that of a private company.

Shareholders do not have to offer their Shares for buy-back if they do not wish to do so and accepting Shareholders are advised that should buy-back acceptances exceed the Maximum, the Buy-Back Offer will be withdrawn. Shareholders are advised to refer to the section headed "Position of the Company following implementation of the Proposals" below.

Veterinary Project - Background

The use of stem cells in regenerative medicine offers a promise to potentially revolutionize the practice of medicine and it has been the focus of immense research projects over the past decade. Stem cells offer the possibility of a renewable source of replacement cells and tissues to compensate for the limitations of current clinical treatments. The therapeutic use of stem cells has the potential to treat, and possibly cure, a large range of medical conditions.

The development of stem cell therapies is largely being driven by unmet clinical need - the inability of traditional drug-based medicine to satisfactorily treat a range of diseases and medical conditions. There are significant potential commercial opportunities in the development of efficacious stem cell therapies.

Since mid 2008, the Company has been conducting both scientific research and a commercial evaluation of the potential opportunities flowing from the development of stem cell therapies. Primarily, for commercial reasons, the focus of activities has been in the use of stem cells in the veterinary setting.

Internationally, the use of stem cell therapy as a treatment for arthritis and tendon injuries, as well as to regrow damaged bone or joint tissue, is well advanced in veterinary applications. The use of stem cells in animals has resulted in some excellent results.

Current Position

NIM has the right to subscribe for capital in a new Australian company ('StemCellVet') being established to provide stem cell based therapies in veterinary settings. StemCellVet believe that the provision of stem cell therapies in veterinary settings will provide the opportunity for the generation of meaningful early revenues and profits.

StemCellVet is currently negotiating to secure an exclusive license ('License') with respect to the therapeutic use of a selected class of stem cells in the veterinary setting. It is expected that the License will initially cover Australia, New Zealand and Singapore. Thereafter it is planning to generate revenues by the processing and culturing of stem cells – and the sale of those cells to veterinarians for use in the provision of treatments.

The initial focus has been on the use of stem cells in the treatment of two conditions - arthritis and atopic dermatitis, in the canine setting. These are two of the major conditions affecting dogs in Australia, with current pharmaceutical-based treatments being viewed as far from efficacious in many situations. There are approximately 4 million 'pet dogs' in Australia – with an average of 3 dogs for every 5 homes.

Clinical trials on a number of dogs have been conducted in Australia, to assess the use of certain stem cells in the treatment of each of these conditions. Initial results have been encouraging. On advice from veterinarians involved in the project, it has recently been decided to introduce commercial treatments on a limited basis.

In the relatively short term, StemCellVet is planning to conduct trials and, subject to trial outcomes, introduce commercial therapies in selected conditions in cats. In addition StemCellVet is evaluating the opportunities in regard to the treatment of horses (treatment and repair of tendon and ligament injuries).

NIM has undertaken to invest up to A\$250,000 in StemCellVet. This undertaking is subject to StemCellVet securing the appropriate License. Future funding, to further expand operations will, if required, be sought from third parties.

Position of the Company Following Implementation of the Proposals

Shareholders will, conditional upon Shareholders voting in favour of the Resolutions set out in the Notice of Extraordinary General Meeting, become Shareholders in an unlisted company (which may also in due course be re-registered as a proprietary company) the value of which is uncertain given a range of factors, including:

- the level of acceptances for the Buy-Back Offer and whether such Offer proceeds;
- any costs incurred in respect of effecting the proposals and subsequent rationalisation of the Company;
- the future realisations, if any, from Mymetics following the sale of Virosome Biologicals;
- profits, if any, arising from the Company's investment in the veterinary project;
- realisations, if any, from parties seeking to acquire or licence any of the Company's thymus related IP; and
- other liabilities which the Company may incur in the future.

The Board believes that the principal remaining asset of the Company after implementation of the proposals is the potential future consideration receivable from Mymetics Corporation. This is however dependent upon the progress of the business sold and the future prospects of Mymetics Corporation. There can be no guarantee that the Company will receive any or all of the payments that may arise from the above sources, however if the Company does receive a payment, the Company will periodically assess its ability to return additional funds to Shareholders (including the form which that return of funds takes). The directors note that the most recent Securities and Exchange Commission Filing by Mymetics Corporation (Forms 8-K and 8-K/A, lodged in June 2009) detailed pro forma current consolidated current assets at 31 March 2009 of US\$234,000 (including cash of \$157,000), current liabilities of US\$9,673,000 and long term liabilities of US\$13,128,000. It is clear, therefore that Mymetics Corporation will require additional financing to undertake its projects and meet its obligations, including those to the Company arising as a result of the acquisition of Bestewil Holding BV. The directors did take steps to take security for the €2.5 million convertible redeemable loan note in the form of a lien over one third of the entire issued share capital of Bestewil Holdings BV.

Following the payment of the special dividend of £2.28 million in May 2009, and the implementation of the proposals, the Company (prior to any buy-back of Shares) is expected to have uncommitted cash of approximately A\$500,000. This is after making an allowance for the settlement of existing creditors and the running costs of the Company, albeit in its de-listed and "mothballed" state for three years, as well as the costs of terminating existing activities. The allowance for three years running costs has been made in the context of the expected timing of receipt of the Mymetics €2.5 million loan note, which is due for repayment in April 2012.

An unaudited summary of the calculation of uncommitted cash is as follows:

A\$000

Cash on hand at 31 March 2009:	232
Proceeds from sale of Bestewil (April 2009):	9,400
Costs associated with the disposal:	(760)
Bestewil vendor loan note settlement:	(528)
Creditors/accruals at date of disposal:	(659)
4 months running costs of Company to 31 July 2009:	(614)
Accrued and unpaid R&D costs - (Including ASCC Contract to 31.3.2010):	(688)
Investment in veterinary project:	(250)
Severance costs:	(300)
Allowance for 2009-2012 running costs (3 years):	(550)
Special dividend paid in May 2009:	(4,633)
Costs associated with implementing EGM Proposals	
-(NOMAD/legal and professional fees/registrar fees, etc):	(150)
Uncommitted cash:	<u>500</u>

Having regard to the Shareholders who have already indicated to the Company that they do not intend to accept the Buy-Back Offer (collectively holding approximately 70% of the Ordinary Share capital), if all the remaining Shareholders were to accept the Buy-Back Offer, the cash cost to the Company would be approximately A\$350,000. A retained “cash contingency” of A\$150,000 is considered by the Board as appropriate given the uncertainties regarding the future costs of running the Company and the exact costs of terminating current operations.

If Shareholders decide to vote against the Delisting from AIM, the ongoing costs of maintaining the Company whilst its remaining assets are realised will inevitably increase and, as a result, the Directors will exercise their right to withdraw the Buy-Back Offer.

Action to be taken by Shareholders

Shareholders should note that the De-Listing proposal is subject to Shareholders authorising the De-Listing at the EGM by special resolution.

Shareholders should note that the re-registration to a proprietary company is subject to Shareholders authorising the re-registration at the EGM by special resolution.

Shareholders should note that the Buy-Back Offer, in accordance with the Corporations Act, is subject to Shareholders authorising the Buy-Back Offer at the EGM by ordinary resolution and acceptances of the Offer not exceeding shares representing the Maximum.

Recommendation

The Directors believe that the passing of the Resolutions set out in the Notice of Extraordinary General Meeting would be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions as set out in the Notice of Extraordinary General Meeting.

Expected Timetable of principal events

Record Date	27 July 2009
Shares quoted Ex Entitlement to participate in this Buy-Back Offer on AIM. Shares acquired on AIM on or after this date will not confer an entitlement to participate in this Buy-Back Offer.	25 July 2009
Buy-Back Offer Period opens	10.00 a.m. on 30 June 2009 (Melbourne time)
Latest time and date for receipt of Forms of Instruction re EGM	10.00 a.m. on 27 July 2009 (London time)
Latest time and date for receipt of Forms of Proxy re EGM	10.00 a.m. on 29 July 2009 (Melbourne time)
Latest time and date for receipt of TTE Instructions	10.00a.m. on 27 July 2009 (London time)
Buy-Back Offer Period closes in the UK. TTE Instructions must be received no later than	3.00 p.m. on 28 July 2009 (London time)
Buy-Back Offer Period closes in Australia. Acceptance Forms must be received no later than	10.00 a.m. on 29 July 2009 (Melbourne time)
Extraordinary General Meeting	10.00 a.m. on 31 July 2009 (Melbourne time)
Cancellation of Shares bought back pursuant to the Buy-Back Offer	3 August 2009
Cheques issued/CREST accounts credited for proceeds in respect of Ordinary Shares sold in Buy-Back offer.	By 17 August 2009
De-Listing from AIM	10 August 2009
Despatch of share certificates by the Company in respect of holding of Ordinary Shares/Shares held previously in uncertificated form on CREST	22 September 2009
Application to be made to ASIC to re-register the Company as a proprietary company subject to relevant requirements being met	To be filed as soon as the necessary resolution has been approved at the EGM <i>and</i> the total number of shareholders is 50 or fewer

DEFINITIONS

The following definitions apply throughout this announcement unless the context requires otherwise:

"AIM"	the Alternative Investment Market, a sub-market of the London Stock Exchange
"AIM Rules"	the market rules of AIM
"ASIC"	Australian Securities and Investment Commission
"Board" or "Directors"	the directors of Norwood
"Buy-Back Offer"	the offer made by the Company to each eligible Shareholder to buy-back their Shares
"Circular"	the circular to Shareholders dated [June 2009] containing the Notice
"Company" or "Norwood"	Norwood Immunology Ltd ABN 91 095 271 186
"Corporations Act"	<i>Corporations Act 2001</i> (Cth)
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST regulations)
"De-Listing"	the proposed de-listing of the Company from AIM
"DI Holders"	holders of depositary interests issued by Computershare Investor Services PLC representing Shares
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for 10.00 a.m. 31 July 2009 (Melbourne time) at the offices of Minter Ellison, Level 23, South Tower, 525 Collins Street, Melbourne, Victoria, Australia
"Group"	Norwood Immunology Ltd and its subsidiaries
"Notice of Extraordinary General Meeting"	the notice of Extraordinary General Meeting set out at the end of the circular posted to Shareholders
"Record Date"	27 July 2009, being the date of determination of Shareholders entitled to participate in, and the number of Shares entitled to be offered into, this Buy-back Offer.
"Resolution"	each of the ordinary resolutions set out in the Notice of Extraordinary General Meeting
"Shares"	a fully paid ordinary share in the issued capital of the Company.
"Shareholders"	means a holder of Shares, and includes, for the purposes of this announcement only, DI Holders