

INNOVANCE LIMITED

ACN 117 330 757

PROSPECTUS

An underwritten offer of 5,000,000 fully paid ordinary Shares at an issue price of \$0.10 per Share to raise a minimum of \$500,000. Oversubscriptions to a total of 10,000,000 Shares to raise an additional \$1,000,000 may be accepted.

**INVESTMENT IN THE COMPANY'S SHARES SHOULD BE CONSIDERED
SPECULATIVE**

Underwritten by Taylor Collison Limited

NSX DISCLAIMER

Application will be made for listing of the Company's securities offered by this Prospectus on the Stock Exchange of Newcastle Ltd.

The fact that the Stock Exchange of Newcastle Ltd may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or the listed securities.

The Stock Exchange of Newcastle Ltd takes no responsibility for the contents of this Prospectus, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Prospectus.

IMPORTANT NOTICES

This Prospectus is dated 17 November 2006. It was lodged with the ASIC on 17 November 2006. Neither the ASIC nor the NSX takes any responsibility for the contents of this Prospectus. No Shares will be allotted or issued on the basis of this Prospectus later than the expiry date being the date which is 13 months after the date of this Prospectus.

No person is authorised to give any information or to make any representation regarding the Offer. Any information or representation in relation to the Offer which is not contained in this Prospectus may not be relied upon as having been authorised by the Company or its Directors.

Defined terms and abbreviations used in this Prospectus are explained in the Glossary.

This Prospectus provides information for investors to decide if they wish to invest in Innovance Ltd and should be read in its entirety.

In accordance with Chapter 6D of the Corporations Act 2001 this Prospectus is subject to an exposure period of 7 days from the date of lodgement with ASIC. This period may be extended by the ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the exposure period will be dealt with in accordance with Section 724 of the Corporations Act 2001. Applications received prior to the expiration of the exposure period will not be processed until after the exposure period. No preference will be conferred on Applications received in the exposure period and all Applications received during the exposure period will be treated as if they were simultaneously received on the Opening Date.

IMPORTANT INFORMATION

This Prospectus is important and should be read in its entirety, together with the application form attached to this Prospectus. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter then you should consult your professional adviser.

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CORPORATE DIRECTORY

Directors

David Lionel Brookes (Chairman)
Patrick Douglas Ford
Robert James Sydney Greenslade

Company Secretary

Donald Clinton Stephens

Registered and Principal Office

c/- HLB Mann Judd (SA) Pty Ltd
82 Fullarton Road
NORWOOD SA 5067

Solicitors to the Company

O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide SA 5000

Share Registry

Computershare Investor Services Pty Ltd
ABN 48 078 279 277
Level 5, 115 Grenfell Street
Adelaide SA 5000
Enquiries 1300 658 562
Telephone: 03 9415 4232
Facsimile: 08 8236 2305

Independent Accountant

PKF Corporate (SA) Pty Ltd
ABN 54 008 282 620
PKF House
Level 2
139 Frome Street
Adelaide SA 5000
Australia

Underwriter, Sponsoring Broker and Nominated Advisor

Taylor Collison Limited
ABN 53 008 172 450
2nd Floor, 12 Pirie Street
Adelaide SA 5000

and

2nd Floor, 55 Hunter Street
Sydney NSW 2000

Auditors

PKF
PKF House
Level 2
139 Frome Street
Adelaide SA 5000
Australia

CHAIRMAN'S LETTER

INNOVANCE LIMITED

c/- HLB Mann Judd (SA) Pty Ltd, 82 Fullarton Road, Norwood SA 5067

Tel: 08 8130 2000

Facsimile: 08 8363 1980

17 November 2006

Dear Investor

INVESTMENT IN INNOVANCE LTD

On behalf of my fellow directors I have pleasure in inviting you to become a Shareholder of Innovance Ltd ("**Innovance**" or "**the Company**").

Innovance is an investment company. Initially, the focus of the Company will be on investment opportunities in the biotechnology sector, although the Board will consider other related investments. A focus on biotechnology investments is considered appropriate given the experience and background of the Board and the current sentiment for biotechnology as an emerging growth industry.

Under this Prospectus, Innovance is offering for subscription 5,000,000 Shares at an Application Price of \$0.10 per Share to raise \$500,000 with a right to accept oversubscriptions of 10,000,000 Shares at \$0.10 per Share to raise an additional \$1,000,000.

The Company will have a cash asset backing of 7.8 cents per Share if 5,000,000 Shares are issued or 8.8 cents per Share if 15,000,000 Shares are issued.

On behalf of the Board of Innovance, I commend this Prospectus to you and will be delighted to welcome you as a Shareholder.

Yours sincerely



David Brookes
Chairman

OFFER SUMMARY AND KEY DATES

This Prospectus provides the opportunity to participate in the Initial Public Offering of Innovance Ltd.

Share Structure

	Underwritten	Full Subscriptions
Existing shares	1,908,333	1,908,333
Number of new Shares offered under this Prospectus	5,000,000	15,000,000
In lieu of Prospectus fees	350,000	850,000
Total shares on issue	7,258,333	17,758,333
Application price per Share	\$0.10	\$0.10
Market capitalisation at offer price (undiluted)	\$725,833	\$1,775,833
Treasury Options and Options ¹	31,900,000	31,900,000

Notes

1. Details of the Treasury Options and Options are contained in sections 7.10, 7.11 and 7.12 of this Prospectus.

Indicative Timetable

Offer Opens:	27 November 2006
*Offer Closes:	11 December 2006
*Despatch of Statements of Shareholding:	18 December 2006
*Quotation of Shares on the NSX expected to commence:	22 December 2006

*These dates are indicative only and may change. The Underwriter has the right to close the Offer early or extend the Closing Date or decide to withdraw or otherwise not to proceed with the Offer. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

How to Invest

Applications can only be made by completing and lodging an Application Form accompanying this Prospectus.

Instructions on how to apply are set out in Section 2 of this Prospectus and on the back of the Application Form. Applications for Shares must be for at least 20,000 Shares (\$2,000). Applications for more than 20,000 Shares must be in multiples of 1,000 Shares.

1. INVESTMENT OVERVIEW

1.1 About the Company

Innovance is an investment company with an Australian focus that is looking for investment opportunities in the biotechnology sector. Currently, it does not have any investments. The Company was incorporated on 22 December 2005 and all share capital raised to date is retained (after payment of costs) in cash.

1.2 Cash Asset Backing

The Company will have a cash asset backing of \$0.078 cents per share if 5,000,000 Shares are issued under this Prospectus or \$0.088 cents per share if 15,000,000 Shares are issued under this Prospectus after paying the costs of making this Offer. The issue price is \$0.10 per share.

1.3 Purposes of the Offer

The key purposes of the Offer are to provide working capital for the Company to generate investment opportunities in the biotechnology sector.

1.4 Expenditure Plans

The funds available for expenditure are:

	Underwritten Amount	Full Subscriptions
• Cash on Hand	105,750	105,750
• Funds Raised by this Offer	500,000	1,500,000
• Funds Available	\$605,750	\$1,605,750

The funds raised from the Offer will be broadly applied as follows:

Application of Funds

• Pay the cash expenses of the Issue	37,150	37,150
• Investment Funds Available	568,600	1,568,600
	\$605,750	\$1,605,750

1.5 Capital Structure

The existing capital structure as at the date of this Prospectus is:

	No. of Shares	Amount Paid
Existing Shares	1,908,333	\$105,750

The proforma capital structure as at the date of this Prospectus of Innovance following completion of the Offer will be as follows:

- Issued Share Capital (Underwritten Amount)**

	No. of Shares	%	Amount Paid
Existing Shares	1,908,333	26.3%	\$105,750
Shares offered under this Prospectus	5,000,000	68.9%	\$500,000
Shares in lieu of fees	350,000	4.8%	Nil
Total issued capital	<u>7,258,333</u>	100.0%	<u>\$605,750</u>
Treasury Options	30,000,000		Nil
Options	1,900,000		Nil

- Issued Share Capital (Full Subscriptions)**

	No. of Shares	%	Amount Paid
Existing Shares	1,908,333	10.7%	\$105,750
Shares offered under this Prospectus	15,000,000	84.5%	\$1,500,000
Shares in lieu of fees	850,000	4.8%	Nil
Total issued capital	<u>17,758,333</u>	100.0%	<u>\$1,605,750</u>
Treasury Options	30,000,000		Nil
Options	1,900,000		Nil

- Options**

1,000,000 options are exercisable at \$0.20 each within 5 years of the date of grant and will be issued to the Underwriter pursuant to the Underwriting Agreement upon the terms detailed in Section 7.11. Each of the Directors will

receive 300,000 options as detailed in Sections 7.8 and 7.12.

- **Treasury Options**

30,000,000 treasury options exercisable at \$0.20 each within 5 years of the date of grant will be issued to the Underwriter pursuant to the Underwriting Agreement upon the terms detailed in Section 7.11

1.6 Proforma Financials

The following table summarizes the Company's proforma balance sheet as at the date of this Prospectus, assuming completion in full of the Offer and should be read in conjunction with the Independent Accountant's Report in Section 6 of this Prospectus:

Balance Sheet Proforma As at date of this Prospectus	Underwritten Amount	Full Subscriptions
Cash	568,600	1,567,850
Total current assets		
Total assets	568,600	1,567,850
Liabilities	2,695	2,695
Net assets	565,905	1,565,155
Capital raised	640,750	1,690,750
Issue expenses	(61,005)	(111,005)
Retained earnings	(13,840)	(13,840)
Shareholders equity	565,905	1,565,905

1.7 Capital Position

Following completion of the Offer, it is expected that the Company will have adequate funds to finance its existing and planned capital expenditure requirements in the short term. Depending on the success of the Company's investment activities, Innovance may require further debt or equity fundraisings in the medium term to facilitate growth.

1.8 Dividend Policy

Innovance is unlikely to pay a dividend until profits are consistently generated.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon the availability of distributable earnings, the operating results and financial condition of Innovance, future capital requirements, general business and financial conditions and other factors considered relevant by the Directors. No assurances in relation to the payment of future dividends, or the franking credits attached to such dividends, can be given to Shareholders.

2. DETAILS OF THE OFFER

2.1 Introduction

Innovance is offering for subscription a total of 5,000,000 Shares at an Application Price of \$0.10 per Share to raise \$500,000. The rights attaching to the Shares are further described in Section 7.9 of this Prospectus. The terms and conditions of the Treasury Options are set out in Section 7.11 of this Prospectus.

The Directors reserve the right to accept oversubscriptions of up to 10,000,000 Shares to raise an extra \$1,000,000.

The issue of 5,000,000 Shares is underwritten on the terms set out in the Underwriting Agreement referred to in Section 7.2 of this Prospectus.

This Prospectus provides information for investors to decide if they wish to invest in the Company, and should be read in its entirety. If you have any questions about the desirability of or procedure for investing in the Company, please contact your stockbroker, accountant or independent financial adviser.

Applications must be for a minimum of 20,000 Shares at the Application Price of \$0.10 per Share. Applications for more than 20,000 Shares must be in multiples of 1,000 Shares.

There are significant risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee whatsoever with respect to return on capital investment, payment of dividends or the future value of the Shares.

2.2 Minimum Subscription

The minimum level of subscription pursuant to the Offer is 5,000,000 Shares at \$0.10 per Share to raise \$500,000.

2.3 How to Apply for Shares

Applications under the Offer may be made, and will only be accepted, on the relevant Application Form accompanying this Prospectus.

Application Forms must be accompanied by a personal cheque or a bank draft payable in Australian dollars drawn on an Australian registered bank for an amount equal to the number of Shares for which you wish to apply. Cheques or bank drafts should be made payable to "Innovance Ltd Float Account" and crossed "Not Negotiable".

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques or uncleared funds will result in the Application being rejected.

Applicants completing Application Forms should return their completed Application Forms to Taylor Collison Limited at the address shown in the Corporate Directory on the inside front cover of the Prospectus by no later than 5.00 pm (CST) on the Closing Date.

Applications must be received no later than 5.00 pm (CST) on the Closing Date. Detailed instructions on how to complete Application Forms are set out on the reverse of those forms. You are not required to sign the Application Form. Innovance reserves the right to reject any Application (including where an Application has not been correctly completed) or allocate any person fewer Shares than that person applied for, or vary the dates and times of the Offer without prior notice and independently of other parts of the Offer. Where Applications are rejected or fewer Shares are allotted than applied for, surplus Application Monies will be refunded. No interest will be paid on any Application Monies refunded.

2.4 When to Apply

The Offer will be opened at 9.00 am (CST) on 27 November 2006 and will remain open until 5.00 pm (CST) on 11 December 2006, subject to the right of the Underwriter to either close the Offer at an earlier time and date or to extend the closing time and date without prior notice. Applicants are encouraged to submit their Applications as early as possible. The Underwriter has the right to close the Offer early.

2.5 Indicative Timetable

Offer Opens:	27 November 2006
Offer Closes:	11 December 2006
Despatch of Statements of Shareholding:	18 December 2006
Quotation of Shares on the NSX expected to commence:	22 December 2006

The above dates are indicative only.

2.6 Allotment of Shares

The allotment of Shares to Applicants will occur as soon as practicable after Applications and Application Monies have been received for all the Shares, but no earlier than 7 days after this Prospectus was lodged with the ASIC, after which statements of shareholding will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants trading Shares or before they receive their statements of shareholding will do so at their own risk.

Taylor Collison Limited reserves the right to reject any Application.

All Application Monies received with Applications will be held by the Company until the allocations are determined. If an allocation is not accepted, or is accepted in part only, the relevant part of the Application Monies will be refunded without interest.

2.7 Underwriting

The Offer is underwritten to the extent of the minimum subscription amount of 5,000,000 Shares at \$0.10 per Share by Taylor Collison Limited which will receive an underwriting fee of 5.0% of the underwritten amount, which will be paid in shares to be issued at \$0.10 per share, 1,000,000 Options and the Treasury Options. It will also receive a management fee of \$10,000 payable by the issue of 100,000 Shares at \$0.10 per Share.

Applications made on Application Forms and received by the Company that bear the

identification mark of an entity that is a member of the Australian Stock Exchange Ltd or holds a dealers licence issued by the ASIC, will entitle the entity to receive up to a 5.0% handling fee, payable by the Company, on Application Monies which are accepted at the Company's sole and absolute discretion.

2.8 Options

In addition to the Options, the Underwriting Agreement requires the Company to issue Treasury Options to the Underwriter as detailed in section 7.11. The number of Treasury Options granted to the Underwriter will be 30,000,000 at an exercise price of \$0.20 per Share. Neither the Options nor any Treasury Options issued to Taylor Collison Limited will be listed on the NSX.

2.9 Applicants outside Australia

This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be not be lawful to issue the Prospectus. It is the responsibility of any Applicant outside Australia to ensure compliance with all laws of any country relevant to their Application.

No action has been taken to register or qualify the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 and, subject to certain exceptions, may not be offered or sold within the United States of America.

2.10 Stock Exchange of Newcastle Ltd Listing

Innovance will apply to the NSX within 7 days from the date of this Prospectus to be admitted to the Official List and for quotation of the Shares on the NSX. If granted, Official Quotation will commence as soon as practicable after the allotment of the Shares to investors. The NSX takes no responsibility for the contents of this Prospectus. The fact that the NSX may admit the Company to its Official List is not to be taken in any way as an indication of the merits of the Company or the Shares offered pursuant to this Prospectus.

If Innovance is not admitted to the Official List of the NSX and the Shares offered under this Prospectus are not granted Official Quotation within 3 months after the date of this Prospectus, none of the Shares offered under this Prospectus will be allotted and all Application Monies will be refunded without interest to Applicants within the time prescribed by the Corporations Act 2001.

2.11 CHESS

The Company will apply to be admitted to participate in the Clearing House Electronic Subregister System (“CHESS”), in accordance with NSX Listing Rules. On admission to CHESS, the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the Company's principal register of shares.

The Company will not issue certificates to shareholders. Shareholders who elect to hold shares on the issuer-sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of the Company) will provide shareholders with a

holding statement that confirms the number of shares held.

A holding statement (whether issued by CHESS or the Company) will also provide details of a Shareholder's Holder Identification Number in the case of a holding on the CHESS sub-register or Shareholder Reference Number in the case of a holding in the issuer-sponsored sub-register. Following distribution of these initial holding statements to all shareholders, a holding statement will also be provided to a shareholder or optionholder at the end of any subsequent month during which the balance of the shareholder's holding of shares changes.

2.12 Enquires regarding the Offer

This Prospectus provides information for potential investors in the Company, and should be read in its entirety. If you have any questions regarding the content of this Prospectus or how to complete the Application Form, please contact your stockbroker, accountant, lawyer or independent financial adviser.

2.13 Restricted Securities

NSX may, as a condition of granting the Company's application for Official Quotation of its shares, classify certain of its existing shares and Existing Options as restricted securities. If so, prior to the Official Quotation of the Company's Shares, the holders of the restricted securities will be required to enter into restriction agreements with the Company and an escrow agent. The terms of any such restriction agreement will be as determined by NSX in accordance with the Listing Rules of NSX. Any such restriction agreements or escrow agreements will prohibit the transfer of effective ownership or control of those securities subject to those restrictions for such period as NSX may determine unless the written consent of NSX is obtained to any such transfer.

2.14 Speculative Nature of Offer and Projects

This Prospectus and any projects in which the Company may invest should be considered as speculative given the nature of the biotechnology industry and the risks discussed in Section 5 of this Prospectus.

3. PROPOSED INVESTMENT ACTIVITIES

The Board has determined to focus on investment in small to medium sized biotechnology opportunities, both listed and unlisted. Specifically, the Company intends:

- (a) to assist in the development of small to medium sized biotechnology companies and projects with above average growth prospects;
- (b) to provide financial support by way of equity to superior and proven management teams;
- (c) to invest in small to medium sized biotechnology companies where operations can be valuably expanded;
- (d) to invest in companies where research and subsequent evaluation demonstrates a difference between the company's present value and its potential realisable value;
- (e) to invest in projects developing treatments, diagnostics and other biotechnology devices with a goal of receiving licence income from these investments;
- (f) to minimise investment risk by investment across a portfolio of investments; and
- (g) to provide consulting services to other biotechnology entities.

4. CORPORATE INFORMATION

4.1 Board of Directors

David Brookes- Chairman

Age- 46

David is a medical graduate of the University of Adelaide who had practiced as a rural general practitioner in the Northern Territory supervising regional paediatric services until 1995. He moved back to Adelaide with his family and practices in the Adelaide Hills. Since 1996 he has been a biotechnology analyst for Taylor Collison Limited in an informal capacity.

Robert Greenslade – Non-Executive Director

Age - 41

Rob is a founding director of a boutique investment bank, Gryphon Partners Pty Ltd, specialising in resource and energy transactions. Prior to 2002, Rob was Group Executive Corporate for Normandy Mining Limited heading up the company's corporate division. Following the takeover of Normandy by Newmont Mining Corporation Inc., he was appointed Vice President of Newmont Capital responsible for the Group's Australian and Asian Pacific corporate and business development activities.

Patrick Ford- Non- Executive Director

Age- 45

Patrick is a stockbroker with over seventeen years experience as an advisor and investor in the Australian equities market. Over the past decade, he has increasingly specialised in the life sciences and biotechnology sector, where he has co-ordinated capital raisings for numerous Australian biotechnology companies, from seed capital funding to Initial Public Offerings through to post IPO funding. He also provides ongoing strategic advice to a range of these companies. He is a senior client advisor at Taylor Collison Limited and has previously held advisory positions at Bell Potter Securities Ltd, Jardine Fleming Australia Ltd and James Capel Australia Ltd.

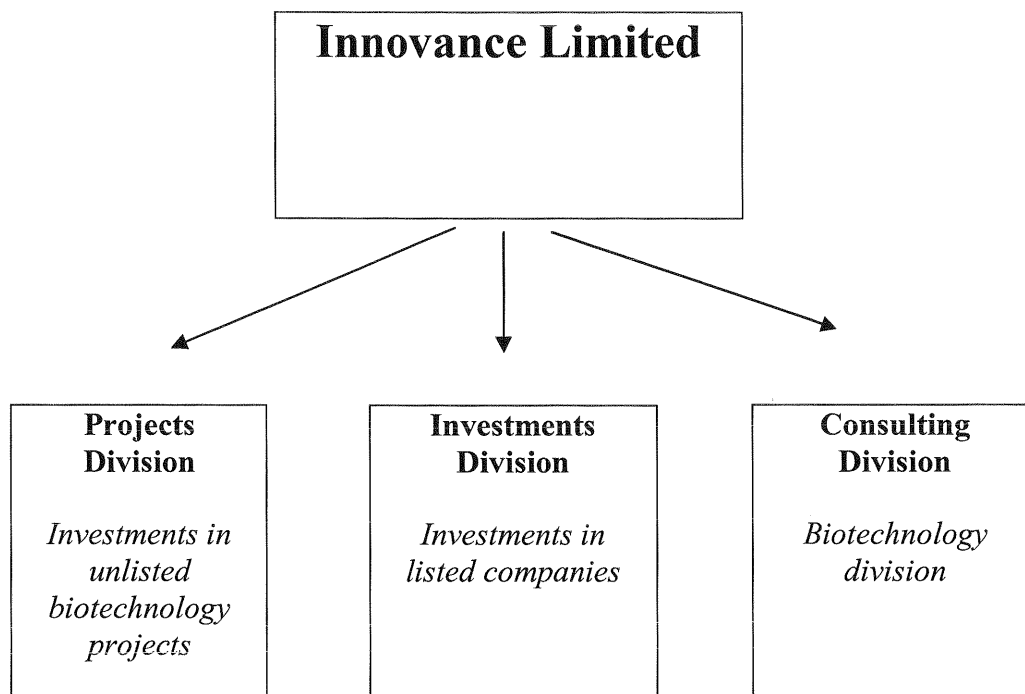
4.2 Management

The Board has extensive business experience in public companies and biotechnology companies. The Directors will engage expertise by way of consultants to assist in research, project identification, project development and technical expertise.

An Investment Committee will initially comprise of Board members to analyse prospective investments suitable for Innovance within the biotechnology industry.

4.3 Corporate Structure

For liability and tax purposes, it is proposed that Innovance will comprise 3 divisions as follows:



4.4 Corporate Governance Practices and Conduct

The Board has adopted corporate governance policies which are summarised below. The Board is responsible for the governance of the Company including its strategic development and the direction and control of the operations of the Company and its subsidiaries. Subject to the Company's constitution, the issues of Board composition and the selection criteria for Directors are dealt with by the Board. The Board is committed to the regular review of its performance to ensure that the Board continues to have a mix of skills and experience necessary for the conduct of the activities of the Company.

Directors, in carrying out their duties as Directors, may, after prior consultation with the Chairman, seek independent advice at the expense of the Company.

The Directors have resolved that because of the limited size and nature of the Company, separate audit, remuneration and risk and compliance committees will not immediately be formed. All of the Directors are non-executive and as part of their ongoing responsibilities attend to the functions normally conducted by such committees.

5. RISK FACTORS

The Company's business operations are subject to risks which may impact upon its future performance. In addition to the other information set out in this Prospectus, the following risk factors should be considered carefully in evaluating Innovance and its business before subscribing for the shares offered under this Prospectus.

Some of these risks can be mitigated by use of contingency plans and safeguards. Acquiring shares in Innovance will expose investors to a number of risks. These can be broadly classified as those general to investing in the share market, and risks associated specific to an investment in Innovance and its potential underlying investments.

5.1 Business Risks

Investment in the biotechnology sector involves elements of significant risk. The success of activities in the biotechnology sector is dependent on many factors such as:

- (a) access to adequate capital for project development;
- (b) restrictions on licensing approvals because of government policy;
- (c) unexpected variables in research and project development;
- (d) access to competent operational management and prudent financial management, administration, employees; and
- (e) other risks detailed in this section.

5.2 Economic and Government Risks

5.2.1 Share Market

Share market conditions may affect listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) movements in, or outlook on, interest rates and inflation rates;
- (c) currency fluctuations;
- (d) commodity prices;
- (e) changes in investor sentiment towards particular market sectors; and
- (f) the demand for, and supply of, capital.

Investors should recognise that once the Shares are listed on NSX, the price of the Shares may fall as well as rise. Many factors will affect the price of the Shares including local and international stock markets, movements in commodity prices, interest rates, economic conditions and investor sentiment generally.

5.2.2 Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and share price can be affected by these factors which are beyond the control of the Company and its Directors.

5.2.3 Government

Changes in government, monetary policies, taxation and other laws can be a significant influence on the outlook for companies and the return to investors. Government policy may also restrict the further development of projects because of ethical issues that are yet to be decided by legislation. (eg Stem cells.)

5.3 Investment Risk

While the Company will attempt to minimise the risks associated with its investments, it is not possible to remove all risks, especially investments in the biotechnology sector.

5.4 Further Risks Specific to the Company

The future operations of the Company, including research, appraisal and possible project activities may be affected by a range of factors, including:

- (a) alterations to programmes and budgets;
- (b) the Company will be engaging external consultants;
- (c) significant hurdles for pharmaceutical and medical devices can be expected on the market;
- (d) any testing, manufacturing and marketing that are subject to various regulatory authorities approvals;
- (e) competing drug development and discovery programs; and
- (f) uninsured losses and liabilities.

5.5 Risks Associated with Investment Companies Generally

- (a) There is a risk that Innovance may not find a suitable investment quickly or at all.
- (b) Administration costs will be incurred irrespective of whether or not investments are found.
- (c) There is no guarantee that any investment made by Innovance will be in the biotechnology sector.
- (d) Any investment will have inherent risks.



Chartered Accountants
& Business Advisers

6. INDEPENDENT ACCOUNTANT'S REPORT

16 November 2006

The Directors
Innovance Ltd
C/- 82 Fullarton Road
NORWOOD SA 5067

Dear Sirs

Independent Accountant's Report

Introduction

We have prepared this report at the request of the directors of Innovance Ltd ("Innovance or "the Company") (ACN 117 330 757) for inclusion in a prospectus to be issued by the Company on or about 17 November 2006 in relation to the application by the Company to be admitted to the Stock Exchange of Newcastle Ltd ("NSX"). The prospectus invites investors to apply for a total of 5,000,000 ordinary shares at 10 cents each, fully paid, to raise \$500,000. Oversubscriptions to a total of 10,000,000 shares to raise an additional \$1,000,000 may be accepted.

Background

Innovance was incorporated in Victoria on 22 December 2005 as an unlisted public company limited by shares.

Innovance is an investment company with an Australian focus that is looking for investment opportunities in the biotechnology sector. The Company does not currently have any investments. The capital raising will provide working capital for the Company to generate investment opportunities in the biotechnology sector.

Since incorporation the Company has entered into the following transactions:

- The Chairman, Dr David Brookes, has been issued with 275,000 shares at \$0.01 per share paid in cash.
- The three directors have each been issued with 100,000 shares and 300,000 share options at \$0.01 per share paid in cash. The share options are exercisable at \$0.10 per share option for an exercise period of five years from the date of listing on the NSX.

Tel 618 7421 1400 | Fax 618 7421 1499
adelaide@pkf.com.au | www.pkf.com.au
PKF Corporate (S.A.) Pty Ltd | ABN 54 008 282 620 | ACN 008 282 620
Investment Advisers Licence No. 1332
Level 2 | 139 Frome Street | Adelaide | South Australia 5000
GPO Box 2505 | Adelaide | South Australia 5001

- The company raised \$100,000 through the issue to seed capitalists of 1,333,333 fully paid ordinary shares to fund the working capital requirements pending the listing of the Company on the NSX.
- Subject to the minimum capital subscription being raised, the Company will enter into the following transaction:
 - Taylor Collison Ltd has acted as sponsoring broker, underwriter and nominated advisor to Innovance in relation to the prospectus. In respect of this work Innovance will issue Taylor Collison Ltd 350,000 fully paid ordinary shares at a value of \$0.10 each if the minimum subscription is achieved and 850,000 fully paid ordinary shares if the maximum subscription is achieved and grant 1,000,000 unlisted share options exercisable at \$0.20 each until the expiry date which is five years after the date of listing on the NSX.
The Company will also issue Taylor Collison Ltd 30,000,000 Treasury Options for these services. The exercise price is \$0.20 each at any time after the date of grant and prior to the expiry date which is five years after the grant date. The Treasury Options are transferable subject to approval by the Company.

Scope

You have requested PKF Corporate (SA) Pty Ltd, as independent accountant, to report on the following:

- The audited financial position as at 30 June 2006 and the results and cash flows for the period ended 30 June 2006.
- The Pro Forma Balance Sheet at 16 November 2006 assuming completion of the financial transactions as set out in this report.

PKF, South Australian Partnership, are the auditors of Innovance. They issued an unqualified audit opinion on the financial report of the Company as at 30 June 2006.

The directors of Innovance are responsible for the financial information contained in this report. We have reviewed the financial information in accordance with Australian Auditing Standard AUS902, "Review of Financial Reports". Our review procedures included enquiries of directors, review of the application of accounting standards and policies, review of accounting records and other documentation and limited verification procedures.

These review procedures are lesser in scope than an audit examination conducted in accordance with Australian Auditing Standards. Accordingly the level of assurance given is less than that given in an audit and therefore we do not express an audit opinion.

Opinion

In our opinion, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial information set out in this report does not present fairly;

- the audited financial position of the Company at 30 June 2006
- the audited financial performance of the Company for period ended 30 June 2006
- the audited cash flows of the Company for the period ended 30 June 2006.
- the Pro Forma Balance Sheets of the Company at 16 November 2006 as they would appear assuming completion of the financial transactions as set out in this report.

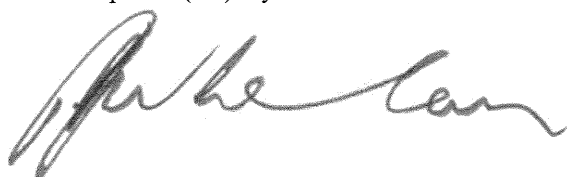
Subsequent Events

To the best of our knowledge and belief, there have been no material items, transactions or events outside of the ordinary course of business of the Company, which are not otherwise disclosed in the prospectus, which require comments upon or adjustment to the information referred to in this report or which would cause such information to be misleading or deceptive.

Declarations

- PKF Corporate (SA) Pty Ltd does not have any interest in the outcome of the matters relating to the issuing of this prospectus other than in connection with the preparation of this report for which normal professional fees will be received.
- PKF Corporate (SA) Pty Ltd is a company controlled by the partners of PKF, Chartered Accountants and Business Advisers, a South Australian partnership. PKF Corporate (SA) Pty Ltd is licensed by ASIC for the purpose of undertaking independent accountant's reports.
- The person responsible for the preparation of this report is Peter Whelan, BEc, FCA who has been a partner in a chartered accounting firm for over 30 years, specialising in audit and corporate advice. He has the necessary experience to prepare the report. He is a director of PKF Corporate (SA) Pty Ltd and a partner of PKF South Australian Partnership.

Yours faithfully
PKF Corporate (SA) Pty Ltd



P J Whelan
Director
Email: peter_whelan@pkf.com.au

Innovance Ltd

ACN 117 330 757

Income Statement for the period ended 30 June 2006.

	\$
Revenue	-
Expenses	(2,695)
Loss for Period before Income Tax	(2,695)
Income Tax Expense	-
Loss for the Period after Income Tax	(2,695)

To be read in conjunction with the attached notes.

Innovance Ltd

ACN 117 330 757

Balance Sheets

	Audited 30 June 2006	Proforma	
		Minimum Subscription 16 November 2006	Maximum Subscription 16 November 2006
	\$	\$	\$
Current Assets			
Cash	750	568,600	1,568,600
Total Current Assets	750	568,600	1,568,600
Total Assets	750	568,600	1,568,600
Current Liabilities			
Payables	2,695	2,695	2,695
Total Current Liabilities	2,695	2,695	2,695
Total Liabilities	2,695	2,695	2,695
Net Assets	(1,945)	565,905	1,565,905
Shareholders Equity			
Issued Capital	750	579,745	1,579,745
Retained Earnings (Accumulated Losses)	(2,695)	(13,840)	(13,840)
Total Shareholders Equity	(1,945)	565,905	1,565,905

To be read in conjunction with the attached notes.

Innovance Ltd

ACN 117 330 757

Statement of Changes in Equity for the period ended 16 November 2006.

	Ordinary Shares	Retained Earnings (Accumulated Losses)
	\$	\$
Balance 22 December 2005	-	-
Issued ordinary shares	750	
Loss to 30 June 2006		(2,695)
Balance 30 June 2006	750	(2,695)
Proforma Transactions		
-Minimum Subscription		
Issued ordinary shares	640,000	-
Issue costs	(72,150)	-
Issue costs tax benefit not recognised	11,145	(11,145)
	578,945	(11,145)
Balance after Proforma	579,745	(13,840)
Minimum Subscription		
Proforma Transactions		
- Maximum Subscription		
Additional issued ordinary shares	1,050,000	-
Additional issue costs	(50,000)	-
	1,000,000	-
Balance after Proforma		
Maximum Subscription	1,579,745	(13,840)

To be read in conjunction with the attached notes.

Innovance Ltd

ACN 117 330 757

Statement of Cash Flows
For the Period ended 30 June 2006

	Note	2006 \$
Cash Flows from Investing Activities		
Payment for Establishment Costs		(2,695)
Net Cash provided by/(used in) investing activities	9	(2,695)
Cash Flows from Operating Activities		
Proceeds from issue of shares		750
Proceeds from borrowing		2,695
Net cash provided by/(used in) financing activities	9	3,445
Cash at the Beginning of the Financial Year		-
Cash at the End of the Financial Year	8	750

To be read in conjunction with the attached notes.

Innovance Ltd

ACN 117 330 757

Notes to the Financial Information

Note 1 Introduction

(a) Background

Innovance Ltd is an unlisted public company incorporated in Australia.

(b) Operations and Principal Activities

Innovance Ltd was incorporated on 22 December 2005 and has not traded to 30 June 2006. The company intends investing in the biotechnology sector.

Note 2 Summary of Significant Accounting Policies

(a) Overall Policy

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Compliance with Australian equivalents to IFRS (AIFRS) ensure that the financial report comprising the company's financial statements and notes complies with IFRS.

(b) Accounts Payable

Trade payables and other accounts payable are recognised when the company becomes obliged to make future payments resulting from the purchase of goods and services.

(c) Acquisition of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(d) Capital Gains Tax

No provision has been made for capital gains tax which may arise in the event of sale of revalued assets as no decision has been made to sell any of these assets.

(e) 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 statement of cash flows 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.

(f) Income Tax

Income taxes are accounted for using the comprehensive balance sheet liability method whereby:

- The tax consequences of recovering (settling) all assets (liabilities) are reflected in the financial statements;
- Current and deferred tax is recognised as income or expense except to the extent that the tax relates to equity items or to a business combination;
- A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available to realise the asset
- Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or liability settled.

(g) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(h) Revenue Recognition

Revenues from fees, interest and other are brought to account on an accruals basis.

(i) Share Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made the value of the goods or services is determined indirectly by reference to the fair value of the equity instrument granted.

Transactions with employees and others providing similar service are measured by reference to the fair value at grant date of the equity instrument granted.

3. Remuneration of Auditors

Auditor of the company

Auditing the financial report

Other services

-
-
-

4. Current Payables

Other Creditors

2,695
2,695

5. Contributed Equity

75,000 ordinary shares paid to 1 cent

750

6. Segment Information

Business Segment

The company did not trade during the period to 30 June 2006.

Geographical Segment

The Company operates in Australia.

7. Related Party Disclosures

(a) Directors' Remuneration

The names of the directors who have held office during the year are:

D L Brookes
R J S Greenslade
D G Whiting
P Ford

No directors' remuneration was paid or incurred by the company during the financial year.

(b) Transactions with related parties have taken place at arms length and in the ordinary course of business.

Mr S W J Evans, the former secretary of the Company is a principal of RJC Evans & Co Pty Ltd Accountants which provided services and disbursements relating to the incorporation and preliminary costs of the company.

8. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

\$

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial positions as follows:

Cash	750
(b) Reconciliation of (Loss)/Profit From ordinary Activities after Related Income Tax to Net Cash Flows from Operating Activities.	
(Loss)/Profit from ordinary activities after related income tax	-
Unrealised (Gain)/Loss from revaluation of investment	-
Changes in net assets:	
Decrease/(increase) in current assets	-
Increase/(Decrease) in payables	2,695
(Decrease)/Increase in provisions	-
Increase in capital	750
Net cash provided by operating activities	3,445

9. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

The following table details the Company's exposure to interest rate risk as at the 30 June 2006:

2006	Average Interest Rate \$	Variable Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial Assets				
Cash		-	750	750
Receivables		-		
Current tax assets		-	-	-
Other current financial assets		-	-	-
			750	750
Financial Liabilities				
Trade payables		-	2,695	2,695
Provisions		-	-	
		-	2,695	2,695

(b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties. The Company measures credit risk on a fair value basis.

The Company does not have significant credit risk exposure to any single counterparty except for the cash balance which is with two banks.

10. Additional Company Information

Innovance Ltd is a company, incorporated and operating in Australia.

Registered Office and Principal Place of Business

82 Fullarton Road
NORWOOD SA 5067

11. Basis of Preparation of the Proforma Balance Sheets

The Proforma Balance Sheets have been prepared by adjusting the Balance sheet at 30 June 2006 for the following transactions.

- The issue of a further 200,000 shares at \$0.01 per share to Dr David Brookes to raise \$2000.
- The issue of 100,000 shares and 300,000 options at \$0.01 per share to each of the other three Directors to raise \$3,000.
- The issue of 1,333,333 shares at \$0.075 per share to seed capitalists.
- The issue to Taylor Collison Ltd for work as sponsoring broker, underwriter and nominated advisor to Innovance 350,000 full paid ordinary shares at a value of \$0.10 each if the minimum subscription is achieved and 850,000 fully paid ordinary shares if the maximum subscription is achieved. Taylor Collison Ltd has also been granted 1,000,000 unlisted share options exercisable at \$0.20 each until the expiry date which is five years after the date of listing on the NSX and 30,000,000 transferable Treasury Options with an exercise price of \$0.20 each at any time after the date and prior to the expiry date which is five years after the date of listing on the NSX.
- The payment of costs associated with the share issue of \$37,150.

12. Share Options

At the completion of the capital raising the following share options will be on issue.

- 900,000 share options held by Directors exercisable at \$0.10 each for an exercise period of five years from the date of listing on the NSX.
- 1,000,000 share options held by Taylor Collison Ltd exercisable at \$0.20 each until the expiry date which is five years after the date of listing on the NSX.
- 30,000,000 Treasury Options held by Taylor Collison Ltd exercisable at \$0.20 each at any time after the grant date and prior to the expiry date which is five years after listing on the NSX. The Treasury Options are transferable subject to approval by the Company.

7. ADDITIONAL INFORMATION

7.1 Company's Tax Status

The Company will be taxed on its income as an Australian resident at the prevailing corporate tax rate, which, for the income year ended 30 June 2007, is 30%.

7.2 Material Contracts

Set out below is a summary of the more important provisions of the contract to which the Company is a party and which is or may be material in terms of the Offer or the operations of the business of the Company or otherwise is or may be relevant to an investor who is contemplating this Offer.

To fully understand all rights and obligations in the material contract it is necessary to read it in full. A copy of the Underwriting Agreement may be inspected during normal business hours at the registered office of the Company.

Set out below is a brief summary of the more important provisions of the Underwriting Agreement, being the only material contract to which the Company is a party.

Underwriting Agreement

The parties to this Agreement, which is dated 17 November 2006, are the Company and Taylor Collison Limited. Pursuant to the Agreement Taylor Collison Limited agrees to underwrite the issue of 5,000,000 Shares at \$0.10 cents per Share to raise \$500,000 subject to the following terms and conditions:

- The Underwriter may terminate the Agreement if there is an adverse change in circumstances.
- The Underwriter may vary the Closing Date by up to three months.
- The Underwriter is entitled to a fee of \$25,000 (payable by an issue of 250,000 Shares in the Company at 10 cents per Share) being 5% of the underwritten amount plus the issue of 1,000,000 Options exercisable at \$0.20 per Share with an expiry date of 5 years after the date of grant and 30,000,000 Treasury Options exercisable at \$0.20 per Share with an expiry date of 5 years after the date of grant.
- Any oversubscriptions obtained under the Prospectus will attract a handling fee of 5% of the amount subscribed.
- The Underwriter is entitled to a management fee of \$10,000 payable by an issue of 100,000 Shares in the Company at \$0.10 per Share.
- The Underwriter's expenses and disbursements are to be fully reimbursed by the Company.

7.3 Litigation

The Directors are not aware of any legal proceedings which have been threatened or actually commenced against the Company.

7.4 Directors' Relevant Interests

7.4.1 Directors' Shareholdings

Directors are not required under the constitution of the Company to hold any Shares.

As at the date of this Prospectus, the Directors have the following relevant interests in Shares and Options immediately prior to the lodgement of this Prospectus with the ASIC.

Director	Relevant Interest in Shares	Options
David Brookes	675,000	300,000
Robert Greenslade	500,000	300,000
Patrick Ford	400,000	300,000

The terms and conditions of the options referred to in the table are the same as those set out in section 7.10 save that the exercise price is \$0.10 per Share.

7.4.2 Interests of Directors

Except as disclosed in this Prospectus, no Director (whether individually or in consequence of a Director's association with any company or firm or in any material contract entered into by the Company) has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities; or
- the Offer of the Shares.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any Director or to any company or firm with which a Director is associated to induce him to become, or to qualify as, a Director, or otherwise for services rendered by him or his company or firm with which the Director is associated in connection with the formation or promotion of the Company or the Offer of the securities.

7.4.3 Remuneration of Directors

The Company's constitution provides that the Directors are entitled to remuneration out of the funds of the Company as determined by the Directors but the remuneration of the non-executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the non-executive Directors will be no more than \$200,000 per annum (allowing for the appointment of future Directors) to

be apportioned among the non-executive Directors in such manner as they determine. The aggregated fees currently payable to non-executive Directors and the chairman as at the date of this Prospectus is nil.

Non-executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as Directors.

7.5 Interests of Named Persons

Except as disclosed in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Prospectus, any interest in:

- the formation or promotion of the Company; or
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer under this Prospectus; or
- the Offer of Shares under this Prospectus.

Except as disclosed in this Prospectus, no amounts of any kind (whether in cash, Shares, Options or otherwise) have been paid or agreed to be paid to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner or to any company in which any of those persons is or was associated with, for services rendered by that person in connection with the formation or promotion of the Company or the Offer under this Prospectus.

- PKF Corporate (SA) Pty Ltd has provided the Independent Accountant's Report in Section 6. The Company has paid or agreed to pay approximately \$5,000 for these services to the date of this Prospectus.
- PKF have agreed to act as auditors of the Company. To date no audit of the Company has been conducted.
- O'Loughlins Lawyers have acted as solicitors to Innovance in relation to this Prospectus and in that capacity has been involved in undertaking due diligence enquiries in relation to the legal matters (apart from tax). In respect of this work, Innovance will pay approximately \$10,000 for these services.

Taylor Collison Limited has acted as underwriter, sponsoring broker and nominated advisor to the Company in relation to this Prospectus. In respect of this work, Innovance will issue 350,000 shares if 5,000,000 Shares are issued under this Prospectus and 850,000 shares if oversubscriptions of 10,000,000 Shares are issued under this Prospectus and grant 1,000,000 Options and grant 30,000,000 Treasury Options for these services. The Company will also pay all reasonable costs and expenses incurred by the Underwriter in relation to the Offer and this Prospectus. The Company will pay Taylor Collison Limited \$5,000 for acting as sponsoring broker.

7.6 Estimated Expenses of the Offer

Estimated expenses connected with the Offer including fees of solicitors, independent accountants, printing and other miscellaneous expenses are payable by the Company. These estimated expenses are as follows:

	Underwritten Amount	Full Subscriptions
Independent Accountant's Report	\$5,000	\$5,000
Underwriter Management Fee*	\$10,000	\$10,000
Legal expenses	\$10,000	\$10,000
Printing, Posting and other Miscellaneous		
Offer and Listing Costs	\$10,000	\$10,000
Underwriting/Handling Fees*	\$25,000	\$75,000
NSX Listing Fees	\$7,150	\$7,150
Sponsoring Broker Fee	\$5,000	\$5,000
TOTAL	\$72,150	\$122,150

*Payable by the issue of Shares pursuant to the Underwriting Agreement (see Section 7.2).

7.7 Consents

Each of the parties referred to in this Section 7.7:

- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based, other than as specified in this Section 7.7; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section 7.7.

PKF Corporate (SA) Pty Ltd has given its written consent to the inclusion in Section 6 of this Prospectus of its Independent Accountant's Report and to all statements referring to that report in the form and context in which they appear and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Each of the following has consented to being named in the Prospectus in the capacity as noted below and have not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:

O'Loughlins Lawyers have given their written consent to being named in this Prospectus as the Solicitors to the Company. O'Loughlins Lawyers have not withdrawn their consent before lodgement of this Prospectus with the ASIC.

Taylor Collison Limited has given its written consent to being named in this Prospectus as the Underwriter, Sponsoring Broker and Nominated Advisor and has not withdrawn its consent before lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn, its written consent to be named as Share Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registrar to the Company. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

PKF has given its written consent to being named in this Prospectus as Auditors to the Company. PKF has not withdrawn its consent before lodgement of this Prospectus with the ASIC.

For the purposes of the Corporations Act, notwithstanding that it may be referred to elsewhere in the Prospectus as the auditor of the Company, PKF has not been involved in the preparation of any part of this Prospectus nor has it authorised or caused the issue of any part of this Prospectus and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Prospectus.

Copies of the consents to the issue of this Prospectus are available for inspection, without charge, during normal business hours at the registered office of the Company.

7.8 Details of Shareholders

The holders of Shares on issue at lodgement of this prospectus are as follows:

Shareholders	No. of shares in the Company
Elisabeth Mary Brookes	575,000
Gryphon Partners Pty Ltd	400,000
Diskdew Pty Ltd	300,000
Yoix Pty Ltd	200,000
Taycol Nominees Pty Ltd	133,333
David Lionel Brookes	100,000
Robert James Sydney Greenslade	100,000
Patrick Ford	100,000

7.9 Rights Attaching To Shares

The Shares to be issued under this Prospectus will rank equally with the fully paid ordinary shares in the Company. The rights attaching to shares are set out in the Company's Constitution, and, in certain circumstances, are regulated by the Corporations Act, the NSX Listing Rules and general law. The Constitution of the Company may be inspected during normal business hours at the registered office of the Company.

The following is a summary of the more significant rights of the holders of ordinary shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members. The summary assumes that the Company is admitted to the Official List of NSX.

7.9.1 General Meeting

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Company's Constitution, the Corporations Act or the Listing Rules.

7.9.2 Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares whether by the terms of their issue, the Constitution, the Corporations Act or the NSX Listing Rules, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by a representative has one vote on a show of hands and every such holder present in person or by a representative, proxy or attorney has one vote per share on a poll. A person who holds an ordinary share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share. A member is not entitled to vote unless all calls and other sums presently payable by the member in respect of shares in the Company have been paid. Where there are two or more joint holders of the share and more than one of them is present at a meeting and tenders a vote in respect of the share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of members.

7.9.3 Issue of Further Shares

The Directors may, on behalf of the Company, issue, grant options over or otherwise dispose of unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Company's Constitution, the NSX Listing Rules, the Corporations Act and any rights for the time being attached to the shares in special classes of shares.

7.9.4 Variation of Rights

At present, the Company has on issue one class of shares only, namely ordinary shares. The rights attached to the shares in any class may be altered only by special resolution of the Company and a special resolution passed at a separate meeting of the holders of the issued shares of the affected class, or with the written consent of the holders of at least three quarters of the issued shares of the affected class.

7.9.5 Transfer of Shares

Subject to the Company's Constitution, the Corporations Act, SCH Business Rules (replaced by the ASTC Settlement Rules) and the NSX Listing Rules, ordinary shares are freely transferable.

The shares may be transferred by a proper transfer effected in accordance with SCH Business Rules (replaced by the ASTC Settlement Rules), by any other method of transferring or dealing introduced by NSX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by the Directors that is permitted by the Corporations Act. The Company may decline to register a transfer of shares in the circumstances described in the Company's Constitution and where permitted to do so under the NSX Listing Rules. If the Company declines to register a transfer, the Company must, within five business days after the transfer is lodged with the Company, give the lodging party written notice of the refusal and the reasons for refusal. The Directors must decline to register a transfer of shares when required by law, by the NSX Listing Rules or by the SCH Business Rules (replaced by the ASTC Settlement Rules).

7.9.6 Partly Paid Shares

The Directors may, subject to compliance with the Company's Constitution, the Corporations Act and the NSX Listing Rules, issue partly paid shares upon which amounts are or may become payable at a future time(s) in satisfaction of all or part of the unpaid issue price.

7.9.7 Dividends

The Directors may authorise the payment to the members of such dividends as appear to the Directors to be justified by the Company's profits and for that purpose may declare such dividends.

The Company in general meeting may determine a dividend, but may only do so if Directors have recommended a dividend. The dividend so determined cannot exceed the dividend recommended by the Directors.

Subject to the rights of members entitled to shares with special rights as to dividend (if any), all dividends in respect of shares (including ordinary shares) are to be declared and paid proportionally to the amount paid up or credited as paid up on the shares.

7.9.8 Winding Up

Subject to the rights of holders of shares with special rights in a winding up, if the Company is wound up, members (including holders of ordinary shares) will be entitled to participate in any surplus assets of the Company in proportion to the shares held by them respectively irrespective of the amount paid up or credited as paid up on the shares.

7.9.9 Dividend Plans

The members of the Company, in general meeting, or the Directors may establish and maintain dividend plans under which (among other things) a member may elect that dividends payable by the Company be reinvested by way of subscription for shares in the Company or a member may elect to forego any dividends that may be payable on all or some of the shares held by that member and to receive instead some other entitlement, including the issue of shares.

7.9.10 Directors

The Company's Constitution states that the minimum number of Directors is three.

7.9.11 Powers of the Board

The Directors have power to manage the business of the Company and may exercise that power to the exclusion of the members, except as otherwise required by the Corporations Act, any other law, the NSX Listing Rules or the Company's Constitution.

7.10 Terms of Options

Set out below are the terms of Options to be issued to Taylor Collison Limited:

- 7.10.1 The exercise price of each Option is 20 cents cash.
- 7.10.2 Any Shares issued pursuant to the exercise of any of the Options will be issued on the same terms as all of the other Shares that are issued pursuant to this Prospectus, and will rank in all respects on equal terms with the other existing fully paid Shares.
- 7.10.3 The Options are exercisable at any time after the date of grant and prior to the expiry date which is 5 years after the date of grant.
- 7.10.4 An Option will not entitle the holder to participate in any new issue of Shares by the Company unless it has been exercised prior to the relevant record date.
- 7.10.5 Some or all of the Options may be exercised at any one time or times prior to the expiry date provided that no less than 10,000 Options are exercised at any one time.
- 7.10.6 The Options are not transferable and accordingly will not be listed on the NSX.
- 7.10.7 Should the Company reorganise its capital then the number of Options and the exercise price will be reconstructed in the same proportion to ensure that the holder of the Option will not receive a benefit or suffer a detriment which is not conferred upon or suffered by holders of ordinary shares.

7.11 Terms of Treasury Options

Set out below are the terms of Treasury Options to be issued to Taylor Collison Limited pursuant to the Underwriting Agreement:

- 7.11.1 The exercise price of each Treasury Option is 20 cents cash.
- 7.11.2 Any Shares pursuant to the exercise of any of the Treasury Options will be issued on the same terms as all of the other Shares that are issued pursuant to this Prospectus, and will rank in all respects on equal terms with the other existing fully paid Shares.
- 7.11.3 The Treasury Options are exercisable at any time after the date of grant and prior to the expiry date which is 5 years after the date of grant.
- 7.11.4 A Treasury Option will not entitle the holder to participate in any new issue of Shares by the Company unless it has been exercised prior to the relevant record date.
- 7.11.5 Some or all of the Treasury Options may be exercised at any one time or times prior to the expiry date provided that no less than 10,000 Options are exercised at any one time.
- 7.11.6 Should the Company reorganise its capital then the number of Treasury Options and the exercise price will be reconstructed in the same proportion to ensure that the holder of the Treasury Option will not receive a benefit or suffer a detriment which is not conferred upon or suffered by holders of ordinary shares.
- 7.11.7 The Treasury Options shall lapse if there is a change in control of Taylor

Collison Limited.

- 7.11.8 Taylor Collison Limited cannot transfer or exercise any Treasury Options without the consent of the Company.

7.12 Terms of Existing Options

The only Existing Options granted by the Company are the options which have been issued to the Directors as set out in section 7.4.1 of this Prospectus.

8 GLOSSARY AND INTERPRETATION

"A\$" and "\$" means Australian dollars, unless otherwise stated;

"**Applicant**" means a person who submits an Application;

"**Application**" means a valid application to subscribe for Shares;

"**Application Form**" means the application form contained in this Prospectus or a copy of the application form contained in this Prospectus or a direct derivative of the application form which is contained in this Prospectus;

"**Application Price**" means \$0.10 being the amount payable in respect of each Share under the Offer;

"**ASIC**" or "**Commission**" means Australian Securities and Investments Commission;

"**ASTC**" means ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532;

"**ASTC Settlement Rules**" means the operating rules of the ASTC and, to the extent that they are applicable, the operating rules of NSX and the operating rules of Australian Clearing House Pty Ltd;

"**Auditor**" means PKF;

"**Board**" means the Board of Directors of the Company unless the context indicates otherwise;

"**Business Day**" means a day on which the trading banks are open in Adelaide;

"**Chairman**" means the chairman of the Board;

"**CHESS**" means ASX Clearing House Electronic Subregistry System;

"**Closing Date**" means the date on which the Offer closes;

"**Company**" or "**the Company**" means Innovance Ltd ACN 117 330 757;

"**Completion of the Offer**" means the allotment of all the Shares and Subscriber Options offered under this Prospectus;

"**Corporate Directory**" means the directory contained in this Prospectus outlining the particulars of certain parties;

"**Corporations Act 2001**" or "**Act**" means the Corporations Act 2001 of Australia;

"**CST**" means Central Standard Time the time applicable in Adelaide, South Australia.

"**Directors**" means directors of Innovance unless the context indicates otherwise;

"**email**" means an electronic mail service that allows users to send and receive messages via the Internet;

"**Existing Options**" means the options described in Section 7.12 of this Prospectus;

"**Full Subscription**" means the issue of 15,000,000 Shares pursuant to the Offer;

"HIN" means holder identification number;

"Innovance" means Innovance Ltd ACN 117 330 757;

"Independent Accountant" means PKF Corporate (SA) Pty Ltd;

"Independent Accountant's Report" means the report in Section 6;

"Initial Public Offering" or **"IPO"** means the first offering of shares pursuant to a prospectus;

"Issue" means the issue of not less than 5,000,000 Shares and not more than 15,000,000 Shares pursuant to this Prospectus;

"Issuer Sponsored" means securities issued by an issuer that are held in uncertificated form without the holder entering into a sponsorship agreement with a broker or without the holder being admitted as an institutional participant in CHES;

"Listing Rules" means Listing Rules of the NSX;

"NSX" means Stock Exchange of Newcastle Ltd ACN 008 624 691;

"Offer" means the invitation to apply for Shares pursuant to this Prospectus;

"Offer Period" means the period commencing on the Opening Date and ending on the Closing Date;

"Official List" means the Official List of the NSX;

"Official Quotation" means quotation of the Shares on the Official List;

"Opening Date" means the date on which the Offer opens;

"Optionholder" means a holder of any options issued by the Company;

"Options" means an option to subscribe for a Share subject to the terms and conditions set out in Section 7.10 of this Prospectus;

"Oversubscriptions" means the right of Directors of the Company to accept Applications for Shares totalling more than 5,000,000 but no more than 15,000,000;

"Proper ASTC Transfer" has the same meaning given in the Corporations Act 2001;

"Prospectus" means this disclosure document dated 17 November 2006 for the issue of up to 15,000,000 Shares at \$0.10 per Share;

"Share" means an ordinary share in the capital of the Company;

"Shareholders" means the holders of Shares in the Company;

"Subsidiaries" means the same as that term is defined under Section 9 of the Corporations Act 2001;

"Treasury Options" means the 30,000,000 options to be granted to Taylor Collison Limited on the terms set out in section 7.11;

"Underwritten Amount" means the issue of 5,000,000 Shares pursuant to the Offer;

"Underwriter" means the Taylor Collison Limited ABN 53 008 172 450;

"Underwriter Options" means the 1,000,000 options to be issued to Taylor Collison Limited pursuant to the Underwriting Agreement upon the terms set out in Section 7.10.

9 DIRECTORS' RESPONSIBILITY STATEMENT AND CONSENT

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect of any other statements made in the Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

The Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 17 November 2006



David Brookes
Chairman
Innovance Ltd


ACN 117 330 757


This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

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A\$

	Title or Company Name	Given Name(s)	Surname
			

[illegible][illegible][illegible]

Contact Name

()

Holder Identification Number (HIN)

X							
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Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A\$

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A\$

See back of form for completion guidelines



How to complete this form

A Shares Applied for

Enter the number of shares you wish to apply for. The application must be for a minimum of 20,000 shares. Applications for greater than 20,000 shares must be in multiples of 1,000 shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of shares by the price per share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHES) participants should complete their name identically to that presently registered in the CHES system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHES

Innovance Ltd (the Company) will apply to participate in CHES, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHES, the company will operate an electronic CHES Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of shares allotted. If you are a CHES participant (or are sponsored by a CHES participant) and you wish to hold shares allotted to you under this Application on the CHES Subregister, enter your CHES HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to "Innovance Ltd Float Account" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for shares in Innovance Ltd is upon and subject to the terms of the prospectus and the Constitution of Innovance Ltd agrees to take any number of shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Adelaide office of Taylor Collison Ltd by no later than 5.00pm (CST) on 11 December, 2006.

Return the Application Form with cheque(s) attached to:

Taylor Collison Ltd
GPO Box 2046
ADELAIDE SA 5001

OR

Taylor Collison Ltd
Level 2,
12 Pirie Street
ADELAIDE SA 5000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact Taylor Collison Ltd on (618) 8217 3900.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund