

Innovance Ltd

and Controlled Entities

ABN 15 117 330 757

Consolidated Half Year Report

for the half year ended 31 December 2007

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Directors' Report

The directors of Innovance Ltd submit their report of the consolidated group for the half-year ended 31 December 2007.

The names of the company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Dr David L Brookes, Chairman
Mr Stephen Evans,
Mr Robert J S Greenslade

Review of Operations

Innovance continues to review many types of projects looking for a suitable investment to move forward with, and again market uncertainty has been a factor in delaying discussions. It is worth noting that projects reviewed have tended to be in the "resources" area.

Amadori Pty Ltd is a wholly owned subsidiary of the Company and funds the experiments with commercial food preparations under the supervision of Prof. Bob Elliott, in Auckland NZ. These experiments relate particularly to milk products and the results of these mice experiments will be known in approximately 3 months. These experiments are expected to consolidate the patent process by confirming Proof of Principle. Amadori progressed to these experiments after certain biochemical measures were consistent with the initial Provisional Patent.

Auditor's independence declaration

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half year ended 31 December 2007.

Signed in accordance with a resolution of directors made pursuant to section 306(3) of the Corporations Act 2001.



Dr David L Brookes
Chairman

5 March 2008

AUDITOR'S INDEPENDENCE DECLARATION

**To : The Directors
Innovance Limited**

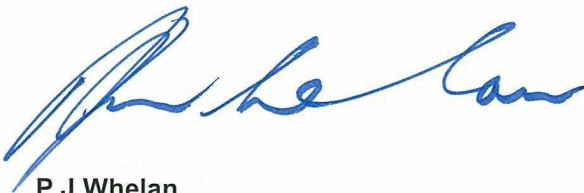
As lead engagement partner for the review of Innovance Limited for the half year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

Signed this 5th day of March, 2008.



PKF
Chartered Accountants



P J Whelan
Partner

Consolidated Income Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

| | Note | Consolidated Group | |
|--|------|--------------------------------------|--------------------------------------|
| | | Half year ended 31 Dec 2007 \$ | Half Year ended 31 Dec 2006 \$ |
| Revenue | | 44,529 | 547 |
| Employee benefits expense | | (19,770) | - |
| Other expenses | | (52,038) | (54,694) |
| Loss before income tax expense | | (27,279) | (54,147) |
| Income tax expense | | - | - |
| Loss for the period | | (27,279) | (54,147) |
| Loss attributable to members of the parent entity | | (27,279) | (54,147) |
| Earnings per share: | | <i>Cents</i> | <i>Cents</i> |
| Basic earnings per share | | (0.09) | (6.64) |
| Diluted earnings per share | | (0.08) | (6.64) |

The income statement is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Balance Sheet

AS AT 31 DECEMBER 2007

| | | Consolidated Group | |
|----------------------------------|---|--------------------|------------------|
| | | 31 December | 30 June |
| | | 2007 | 2007 |
| | | \$ | \$ |
| | | Note | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 1,379,950 | 1,378,941 |
| Trade and other receivables | | 27,671 | 34,208 |
| TOTAL CURRENT ASSETS | | 1,407,621 | 1,413,149 |
| TOTAL ASSETS | | | |
| | | 1,407,621 | 1,413,149 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 12,339 | 10,358 |
| TOTAL CURRENT LIABILITIES | | 12,339 | 10,358 |
| TOTAL LIABILITIES | | | |
| | | 12,339 | 10,358 |
| NET ASSETS | | 1,395,282 | 1,402,791 |
| EQUITY | | | |
| Issued equity | 3 | 1,466,803 | 1,466,803 |
| Accumulated losses | | (212,601) | (185,322) |
| Reserves | | 141,080 | 121,310 |
| TOTAL EQUITY | | 1,395,282 | 1,402,791 |

The balance sheet is to be read in conjunction with the notes to the consolidated interim financial report

Consolidated Statement of Changes in Equity

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

| | Note | Consolidated Group | | | Total \$ |
|---|------|------------------------------------|-----------------------------|----------------------------------|-------------|
| | | Share Capital Ordinary \$ | Accumulated Losses \$ | Share Option Reserve \$ | |
| Balance at 1 July 2006 | | 750 | (2,695) | - | (1,945) |
| Loss attributable to members of the parent entity | | - | (54,147) | - | (54,147) |
| Shares issued via placement | | 105,000 | - | 26,100 | 131,100 |
| Balance at 31 December 2006 | | 105,750 | (56,842) | 26,100 | 75,008 |
| Balance at 1 July 2007 | | 1,466,803 | (185,322) | 121,310 | 1,402,791 |
| Loss attributable to members of the parent entity | | - | (27,279) | - | (27,279) |
| Options issued to Director | | - | - | 19,770 | 19,770 |
| Balance at 31 December 2007 | | 1,466,803 | (212,601) | 141,080 | 1,395,282 |

The statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated Cash Flow Statement

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

| | Consolidated Group | |
|---|--|--|
| | Half year ended 31 Dec 2007 | Half year ended 31 Dec 2006 |
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | (43,081) | (17,804) |
| Interest received | 44,090 | 547 |
| NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES | 1,009 | (17,257) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | - | 105,000 |
| Transaction costs of issue of shares | - | (750) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | - | 104,250 |
| Net increase/(decrease) in cash and cash equivalents | 1,009 | 86,993 |
| Cash at the beginning of the reporting period | 1,378,941 | 750 |
| CASH AT THE END OF THE REPORTING PERIOD | 1,379,950 | 87,743 |

The cash flow statement is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The half year financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act.

The interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the consolidated entity as at and for the period ended 30 June 2007.

b. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for investments in associates, which have been measured using the equity method of accounting and available-for-sale investments, which have been measured at fair value. All amounts are presented in Australian dollars, unless otherwise noted.

c. Changes in accounting policies

In the current year, the Australian Accounting Standards Board (the AASB) have issued new and revised Standards and Interpretations. As these changes have no impact on the financial statements of the company, the accounting policies contained within the company's annual report are consistent with those applied in the half year report.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

e. Trade and other receivables

Trade and other receivables are recognised at cost and carried at original invoice amount less allowances for impairment losses. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

f. Trade and other payables

Trade payables and other payables are stated at cost.

g. Share Capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

h. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

i. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of Goods and Services Tax (GST).

2. SEGMENT INFORMATION

The Company originally intended to operate in the biotechnology sector but due to market pressures, such as the negative sentiment towards small cap biotech projects, and the strong interest in resource and energy stocks, the focus was broadened by the Directors in 2007. Innovance is now more focused towards the resources sector.

3. ISSUED CAPITAL

| | Consolidated Group | |
|-----------------------------------|--------------------------|--------------------------|
| | As at 31 Dec 07 \$ | As at 30 Jun 07 \$ |
| Fully paid ordinary shares | 1,466,803 | 1,466,803 |
| | 1,466,803 | 1,466,803 |
| | | |
| Half year ended 31 Dec 07 | | |
| | Number | \$ |
| Ordinary shares | | |
| Balance at beginning of period | 16,571,833 | 1,466,803 |
| No transactions throughout period | - | - |
| Balance at end of financial year | 16,571,833 | 1,466,803 |

4. INCORPORATION OF SUBSIDIARY

The Company formed a subsidiary, Amadori Pty Ltd on 5 July 2007. The company has 100% ownership.

Notes to the Financial Statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2007

5. SUBSEQUENT EVENTS

There were no subsequent events affecting the financial statements.

6. SHARE BASED PAYMENTS

On 14 December 2007, a total of 300,000 options, exercisable any time until 14 December 2012, were issued with a strike price of \$0.20.

Fair Value of Options

The fair value of options granted during the year was \$0.0659.

The fair value of the equity- settled share options granted under the option scheme is estimated as at the date of grant using a Black- Scholes model taking into account the terms and conditions upon which the options were granted.

Directors' Declaration

In accordance with a resolution of the directors of Innovance Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 , including:
 - (i) give a true and fair view of the financial position as at 31 December 2007 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Dr David L Brookes
Chairman

5th March 2008

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF INNOVANCE LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Innovance Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, and selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entity it controlled at 31 December 2007 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Innovance Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors of Innovance Limited at the same date of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any other matter that makes us believe that the half-year financial report of Innovance Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



PKF
Chartered Accountants



P J Whelan
Partner

Signed in Adelaide this 5th day of March 2008