

**INNOVANCE LIMITED**  
**ACN 117 330 757**

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**NOTICE OF GENERAL MEETING**  
**EXPLANATORY MEMORANDUM**  
**PROXY FORM**

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**Date of Meeting**  
13 September 2010

**Time of Meeting**  
11.00 am (SA time)

**Place of Meeting**  
Level 10  
81 Flinders Street  
Adelaide SA 5000

**NOTICE OF GENERAL MEETING  
INNOVANCE LIMITED  
ACN 117 330 757**

Notice is hereby given that a general meeting of shareholders of Innovance Limited will be held at 11.00 am (SA time) on 13 September 2010 at Level 10, 81 Flinders Street, Adelaide, South Australia.

**Resolution 1: Consolidation of shares and options**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 2 to 14 (inclusive), that pursuant to section 254H(1) of the Corporations Act 2001 (Cth), rule 113.1 of the Company’s Constitution and for all other purposes, the issued capital of the Company be consolidated on the basis that:*

- (a) every two ordinary shares on issue be consolidated into one ordinary share;*
- (b) every two options each to acquire an ordinary share with an exercise price of \$0.20 per share be consolidated into one option each to acquire an ordinary share with an exercise price of \$0.40 per share; and*
- (c) every two options each to acquire an ordinary share with an exercise price of \$0.10 per share be consolidated into one option each to acquire an ordinary share with an exercise price of \$0.20 per share,*

*and where this consolidation results in a fraction of a share or option being held by a shareholder or optionholder (as the case may be), that fraction be rounded down to the nearest whole number.’*

**Resolution 2: Issue of up to 20,000,000 ordinary shares**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 and 3 to 14 (inclusive), that for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval be and is hereby given to the allotment and issue by the Company of up to 20,000,000 ordinary shares on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.’*

**Resolution 3: Issue of 5,000,000 ordinary shares, 7,500,000 A class performance shares, 7,500,000 B class performance shares and 7,500,000 C class performance shares to Castillian Resources Corp and/or its nominee**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1, 2 and 4 to 14 (inclusive), that for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval be and is hereby given to the allotment and issue by the Company of 5,000,000 ordinary shares, 7,500,000 A class performance shares, 7,500,000 B class performance shares and 7,500,000 C class performance shares to Castillian Resources Corp and/or its nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.’*

**Resolution 4: Issue of 1,500,000 options to Forbes & Manhattan Inc and/or its nominee**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 to 3 (inclusive) and 5 to 14 (inclusive), that for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,500,000 options to Forbes & Manhattan Inc and/or its nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.’*

**Resolution 5: Issue of 1,500,000 options to Gryphon Partners Advisory Pty Limited and/or its nominee**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*‘Subject to the passing of resolutions 1 to 4 (inclusive) and 6 to 14 (inclusive), that for the purposes of NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,500,000 options to Gryphon Partners Advisory Pty Limited and/or its nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.’*

**Resolution 6: Issue of 1,500,000 options to Taylor Collison Limited and/or its nominee**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 to 5 (inclusive) and 7 to 14 (inclusive), that for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 1,500,000 options to Taylor Collison Limited and/or its nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.’*

**Resolution 7: Election of Mr Simon O’Loughlin as a director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 to 6 (inclusive) and 8 to 14 (inclusive), that for the purpose of rule 9.1 of the Company’s Constitution and for all other purposes, Mr Simon O’Loughlin, being eligible and offering himself for election, is elected as a director of the Company.’*

**Resolution 8: Election of Mr David Gower as a director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 to 7 (inclusive) and 9 to 14 (inclusive), that for the purpose of rule 9.1 of the Company’s Constitution and for all other purposes, Mr David Gower, being eligible and offering himself for election, is elected as a director of the Company.’*

**Resolution 9: Election of Mr David Argyle as a director**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*‘Subject to the passing of resolutions 1 to 8 (inclusive) and 10 to 16 (inclusive), that for the purpose of rule 9.1 of the Company’s Constitution and for all other purposes, Mr David Argyle, being eligible and offering himself for election, is elected as a director of the Company.’*

**Resolution 10: Issue of 500,000 options to Mr Simon O'Loughlin and/or his nominee**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*'Subject to the passing of resolutions 1 to 9 (inclusive) and 11 to 14 (inclusive), that for the purposes of section 208 of the Corporations Act 2001 (Cth), NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval be and is hereby given to the grant, allotment and issue by the Company of 500,000 options to Mr Simon O'Loughlin and/or his nominee on the terms and conditions described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting.'*

**Resolution 11: Change to nature or scale of activities**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*'Subject to the passing of resolutions 1 to 10 (inclusive) and 12 to 14 (inclusive), that for the purpose of NSX Listing Rule 6.41 and for all other purposes, the significant change in the nature or scale of business activities of the Company by virtue of the Acquisition as described in the Explanatory Memorandum which is attached to and forms part of this Notice of General Meeting be approved.'*

**Resolution 12: Voluntary withdrawal of listing**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*'Subject to the passing of resolutions 1 to 11 (inclusive), 13 and 14 and the Company being granted admission to the official list of ASX and the ordinary shares of the Company being quoted on ASX, that for the purpose of NSX Listing Rule 2.25 and for all other purposes, the voluntary withdrawal by the Company of its listing on NSX be approved.'*

**Resolution 13: Increase in aggregate non-executive directors' fees**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*'Subject to the passing of resolutions 1 to 12 (inclusive) and 14, that for the purpose of rule 43.1 of the Company's Constitution and for all other purposes, approval be and is hereby given to an increase in the aggregate maximum fees which may be paid by the Company to its non-executive directors of \$100,000 from \$200,000 per annum to \$300,000 per annum.'*

**Resolution 14: Change of name**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*'Subject to the passing of resolutions 1 to 13 (inclusive), that for the purpose of section 157(1) of the Corporations Act 2001 (Cth) and for all other purposes, the name the Company be changed from Innovance Limited to Kagera Nickel Limited.'*

DATED 13 August 2010

By order of the Board



Donald Stephens  
Company Secretary

## **NOTES:**

### **1. Definitions**

Terms used in this Notice which are defined in the Explanatory Memorandum which is attached to and forms part of this Notice have the meanings ascribed to them therein.

### **2. Voting Exclusion Statements**

#### **2.1 Resolution 2**

The Company will disregard any votes cast on Resolution 2 by persons who may participate in the issue of shares referred to in Resolution 2 and associates of those persons.

#### **2.2 Resolution 3**

The Company will disregard any votes cast on Resolution 3 by Castillian Resources Corp and associates of Castillian Resources Corp.

#### **2.3 Resolution 4**

The Company will disregard any votes cast on Resolution 4 by Forbes & Manhattan Inc and associates of Forbes & Manhattan Inc.

#### **2.4 Resolution 5**

The Company will disregard any votes cast on Resolution 5 by Gryphon Partners Advisory Pty Limited and associates of Gryphon Partners Advisory Pty Limited.

#### **2.5 Resolution 6**

The Company will disregard any votes cast on Resolution 6 by Taylor Collison Limited and associates of Taylor Collison Limited.

#### **2.6 Resolution 7**

The Company will disregard any votes cast on Resolution 7 by Mr Simon O'Loughlin and associates of Mr O'Loughlin.

#### **2.7 Resolution 8**

The Company will disregard any votes cast on Resolution 8 by Mr David Gower and associates of Mr Gower.

#### **2.8 Resolution 9**

The Company will disregard any votes cast on Resolution 9 by Mr David Argyle and associates of Mr Argyle.

#### **2.9 Resolution 10**

The Company will disregard any votes cast on Resolution 10 by Mr Simon O'Loughlin and associates of Mr O'Loughlin.

### 2.10 **Resolution 13**

The Company will disregard any votes cast on Resolution 15 by a Director, Mr O'Loughlin, Mr Argyle and Mr Gower, and associates of each of these persons.

### 2.11 **All Resolutions**

However the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

## 3. **Proxies**

A shareholder entitled to attend the Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

## 4. **Voting Entitlement**

The Company may specify a time, not more than 48 hours before the Meeting, at which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting. The Company (as convenor of the Meeting) has determined that a person's entitlement to vote at the Meeting will be the entitlement of that person set out in the register of shareholders as at 5.00 pm (SA time) on 11 September 2010. This means that any shareholder registered at 5.00 pm (SA time) on 11 September 2010 is entitled to attend and vote at the Meeting.

## 5. **Corporate Representative**

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and / or share registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

## EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening a general meeting of shareholders of Innovance Limited to be held on 13 September 2010. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

### Background

#### 1. Overview of Acquisition

As announced to NSX on 15 June 2010, the Company entered a Share Sale Agreement on 15 June 2010 (**Share Sale Agreement**) to acquire 100% of the shares of Castillian Resources (Tanzania) Limited from Castillian Resources Corp (**Castillian**) (**Acquisition**).

Settlement of the Acquisition will deliver to the Company 100% of the Kagera Nickel Sulphide Project in Tanzania. The acquisition of the Kagera Nickel Sulphide Project will give the Company a significant position in the highly prospective area known as the Kabanga-Musongati mafic-ultramafic belt. Details of the Kagera Nickel Sulphide Project and the Kabanga-Musongati mafic-ultramafic belt are contained in the Company's announcement to NSX on 15 June 2010, a copy of which is contained in Annexure A.

The Share Sale Agreement is conditional upon (among other things):

- shareholders approving a consolidation of the Company's Shares on a 2 for 1 basis;
- the Company undertaking a placement of at least 10,000,000 Shares at an issue price of \$0.20 (or on such other agreed terms); and
- shareholders passing all resolutions as required under the NSX Listing Rules, the Constitution of the Company and the Corporations Act for the transaction contemplated by the Share Sale Agreement.

One of the purposes of the Meeting is to seek the shareholder approvals referred to above.

Taylor Collison Limited will be the sponsoring broker for the placement referred to above, and Forbes & Manhattan Inc has agreed to subscribe for 5,000,000 Shares. The Company has agreed to grant each of Taylor Collison Limited and Forbes & Manhattan and/or their respective nominees 1,500,000 Options each with an exercise price of \$0.20 and an exercise period expiry date of four years after the date of grant. One of the purposes of the Meeting is to seek shareholder approval to the grant of the Options.

On Completion the Company must (among other things):

- issue 5,000,000 Shares to Castillian and/or its nominee;
- issue 7,500,000 A class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the drilling of three holes with a minimum four metre intersection grading at least 1% nickel no later than three years from the date of issue;
- issue 7,500,000 B class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 5,000,000 tonnes of



nickel with a grade of not less than 1% nickel in-situ or equivalent no later than five years from the date of issue; and

- issue 7,500,000 C class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 10,000,000 tonnes of nickel with a grade of not less than 1% nickel in-situ or equivalent no later than five years from the date of issue.

One of the purposes of the Meeting is to seek shareholder approval of the issue of the Shares and performance shares referred to above.

As it is unnecessary to do so, it is not the purpose of the Meeting to seek shareholder approval of the issue of Shares the subject of the Resolutions for the purpose of item 7 of section 611 of the Corporations Act.

The conditions in the Share Sale Agreement must be satisfied or waived on or before 23 September 2010 or such later date agreed between the Company and Castillian. Completion will occur on the third business day after fulfilment or waiver of all the conditions or such other date agreed between the Company and Castillian.

On Completion Castillian has the right to appoint up to two directors of the Company and the Board of the Company shall consist of no more than four directors. Messrs David Gower and David Argyle will be Castillian's appointees to the Board.

The Board of the Company currently comprises Messrs David Brookes, Stephen Evans and Robert Greenslade. On Completion, Messrs Brookes and Evans will retire as directors (with Mr Greenslade remaining as a director) and Mr Simon O'Loughlin will be appointed as a director.

One of the purposes of the Meeting is to seek shareholder approval to the appointment of the Company's new directors, Messrs Gower, Argyle and O'Loughlin, and a grant of Options to Mr O'Loughlin.

The Company has engaged Gryphon Partners Advisory Pty Limited (a company associated with Mr Greenslade) as corporate advisor for the Acquisition. The Company has agreed to grant to Gryphon Partners Advisory Pty Limited and/or its nominee 1,500,000 Options each with an exercise price of \$0.20 and an exercise period expiry date of four years after the date of grant. One of the purposes of the Meeting is to seek shareholder approval to the grant of the Options.



The capital structure of the Company is set out in the table below:

|   | Pre-consolidation                               | Post Transaction <sup>(1)</sup> |
|---|---|---------------------------------|
| <b>Existing Shareholders</b>                    | 16,571,833                                      | 8,285,917                       |
| <b>Existing Directors' Options</b>              | 1,200,000                                       | 600,000                         |
| <b>Existing Other Options</b>                   | 1,000,000                                       | 500,000                         |
| <b>Existing Treasury Options <sup>(2)</sup></b> | 30,000,000                                      |                                 |
| <b>Resolution 2</b>                             | Issue of up to 20 million ordinary shares       | 20,000,000                      |
|   | Issue of 5 million ordinary shares              | 5,000,000                       |
|   | Issue of 7.5 million A class performance shares | 7,500,000                       |
| <b>Resolution 3</b>                             | Issue of 7.5 million B class performance shares | 7,500,000                       |
|   | Issue of 7.5 million C class performance shares | 7,500,000                       |
| <b>Resolution 4</b>                             | Issue of 1.5 million options                    | 1,500,000                       |
| <b>Resolution 5</b>                             | Issue of 1.5 million options                    | 1,500,000                       |
| <b>Resolution 6</b>                             | Issue of 1.5 million options                    | 1,500,000                       |
| <b>Resolution 10</b>                            | Issue of 500,000 options                        | 500,000                         |
| <b>Total Ordinary Shares</b>                    |   | <b>33,285,917</b>               |
| <b>Total Performance Shares</b>                 |   | <b>22,500,000</b>               |
| <b>Total Options</b>                            |   | <b>6,100,000</b>                |

Note (1): Assumes that all resolutions under this notice of meeting are approved and that the maximum 20 million ordinary shares are issued.

Note (2): To be cancelled prior to the Meeting.

The pro-forma balance sheet of the Company on completion of the Acquisition is included as Annexure B.

## 2. Change of Business Activities

The nature and scale of the business activities of the Company will significantly alter as a result of the Acquisition and one of the purposes of the Meeting is to seek shareholder approval to the change in those business activities.

## 3. Voluntary Withdrawal from NSX

As a result of the Acquisition, it is proposed that the Company will transition its current listing with NSX to ASX. In order to carry out this transition, shareholders are required to approve the voluntary withdrawal of the Company from NSX. One of the purposes of the Meeting is to seek shareholder approval of the voluntary withdrawal of the Company from NSX, subject to the Company being granted admission to the official list of ASX and the ordinary shares of the Company being quoted on ASX.

#### 4. **Non-Executive Directors' Remuneration**

With the transition of the Company to ASX, the Directors have determined that the maximum aggregate remuneration of non-executive directors in any financial year should be increased by \$100,000 from \$200,000 to \$300,000. This will allow the Board greater flexibility in attracting appropriate persons to the Board in the future. One of the purposes of the Meeting is to seek shareholder approval to this increase in the maximum aggregate remuneration of non-executive directors.

## **Resolution 1: Consolidation of shares and options**

Resolution 1 seeks shareholder approval to consolidate the number of Shares and Options on issue on a two for one basis.

Section 254H(1) of the Corporations Act and rule 113.1 of the Company's Constitution authorise the Company to consolidate all of any of its shares into a larger or smaller number by resolution passed at a general meeting.

The terms and conditions of the Options provide that if the Company reorganises its capital, the number of Options and the exercise price will be reconstructed in the same proportion to ensure that an optionholder will not receive a benefit or suffer a detriment which is not conferred upon or suffered by a shareholder.

If passed, Resolution 1 will result in the issued capital of the Company reducing, on a two for one basis, from:

- 16,571,833 Shares to 8,285,917 Shares;
- 1,000,000 Options exercisable at \$0.20 each to 500,000 Options exercisable at \$0.40 each; and
- 1,200,000 Options exercisable at \$0.10 each to 600,000 Options exercisable at \$0.20 each,

subject to rounding.

As the consolidation applies equally to all shareholders (subject only to the rounding of fractions), it will have no material effect on the percentage interest of each shareholder in the Company. Furthermore, the aggregate value of each shareholder's proportional interest in the Company should not materially change solely as a result of the consolidation (the only changes will be immaterial due to rounding).

Following the consolidation, each Share will continue to carry the same rights as the existing Shares (including the right to vote and to receive dividends).

It is not considered that any taxation consequences will exist for shareholders or optionholders arising from the consolidation. However, shareholders or optionholders are advised to seek their own tax advice on the effect of the consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the consolidation.

Resolution 1 is an ordinary resolution.

The passing of Resolution 1 depends on the passing of Resolutions 2 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 1 and recommend that shareholders vote in favour of Resolution 1.

If Resolution 1 is passed:

- the consolidation will take effect on the date of this Meeting; and
- within a reasonable period of time after this Meeting the Company's share registry will issue updated holding statements to all shareholders and optionholders to notify them of the new number of Shares or Options (as the case may be) they hold.

## **Resolution 2: Issue of up to 20,000,000 ordinary shares**

As noted in the Background, the Share Sale Agreement is conditional upon (among other things) the Company undertaking a placement of at least 10,000,000 Shares at an issue price of \$0.20 (or on such other agreed terms). In satisfaction of this condition, the Company proposes to undertake a placement of a minimum of 12,000,000 Shares and a maximum of 20,000,000 Shares (**Placement Shares**) at an issue price of \$0.20.

In summary, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the Placement Shares without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the Placement Shares therefore depends upon shareholders passing Resolution 2. The purpose of Resolution 2 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25 and for all other purposes. If shareholders approve the issue of the Placement Shares for the purpose of NSX Listing Rule 6.25, the issue of the Placement Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Placement Shares for the purpose of NSX Listing Rule 6.25, the issue of the Placement Shares will not occur.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for shareholders' consideration:

- A minimum of 12,000,000 Shares and a maximum of 20,000,000 Shares will be issued.
- The Placement Shares will be issued on or about Completion.
- The allottees of the Placement Shares will be applicants for Placement Shares as determined by the Board.
- The terms and conditions of the Placement Shares are the same as the terms and conditions of already issued Shares.
- Funds raised from the issue of the Placement Shares will be used to fund exploration and development of the Kagera Nickel Sulphide Project in Tanzania.

Resolution 2 is an ordinary resolution.

The passing of Resolution 2 depends on the passing of Resolutions 1 and 3 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 2 and recommend that shareholders vote in favour of Resolution 2.

**Resolution 3: Issue of 5,000,000 ordinary shares, 7,500,000 A class performance shares, 7,500,000 B class performance shares and 7,500,000 C class performance shares to Castillian Resources Corp and/or its nominee**

As noted in the Background, on Completion the Company must (among other things):

- issue 5,000,000 Shares to Castillian and/or its nominee;
- issue 7,500,000 A class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the drilling of three holes with a minimum four metre intersection grading at least 1% nickel no later than three years from the date of issue;
- issue 7,500,000 B class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 5,000,000 tonnes of nickel with a grade of not less than 1% nickel in-situ or equivalent no later than five years from the date of issue; and
- issue 7,500,000 C class performance shares to Castillian and/or its nominee, which shall convert into 7,500,000 Shares upon the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 10,000,000 tonnes of nickel with a grade of not less than 1% nickel in-situ or equivalent no later than five years from the date of issue,

(collectively **Castillian Shares**).

In summary, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the Castillian Shares without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the Castillian Shares therefore depends upon shareholders passing Resolution 3. The purpose of Resolution 3 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25 and for all other purposes. If shareholders approve the issue of the Castillian Shares for the purpose of NSX Listing Rule 6.25, the issue of the Castillian Shares will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Castillian Shares for the purpose of NSX Listing Rule 6.25, the issue of the Castillian Shares will not occur.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for shareholders' consideration:

- A maximum of 5,000,000 Shares, 7,500,000 A class performance shares, 7,500,000 B class performance shares and 7,500,000 C class performance shares will be issued.
- The Castillian Shares will be issued on Completion.
- The allottee of the Castillian Shares will be Castillian and/or its nominee.
- The terms and conditions of the Shares are the same as the terms and conditions of already issued Shares.
- The terms and conditions of the A class performance shares, the B class performance shares and the C class performance shares are contained in Annexure C.

- No funds will be raised by the issue of the Castillian Shares.

Resolution 3 is an ordinary resolution.

The passing of Resolution 3 depends on the passing of Resolutions 1, 2 and 4 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 3 and recommend that shareholders vote in favour of Resolution 3.

#### **Resolution 4: Issue of 1,500,000 options to Forbes & Manhattan Inc and/or its nominee**

As noted in the Background, the Company has agreed to grant Forbes & Manhattan Inc and/or its nominee 1,500,000 Options each with an exercise price of \$0.20 and an exercise period expiry date of four years after the date of grant (**Forbes & Manhattan Options**).

In summary, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the Forbes & Manhattan Options without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the Forbes & Manhattan Options therefore depends upon shareholders passing Resolution 4. The purpose of Resolution 4 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25 and for all other purposes. If shareholders approve the issue of the Forbes & Manhattan Options for the purpose of NSX Listing Rule 6.25, the issue of the Forbes & Manhattan Options will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Forbes & Manhattan Options for the purpose of NSX Listing Rule 6.25, the issue of the Forbes & Manhattan Options will not occur.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for shareholders' consideration:

- A maximum of 1,500,000 Options will be issued.
- The Forbes & Manhattan Options will be issued on or about Completion.
- The allottee of the Forbes & Manhattan Options will be Forbes & Manhattan Inc and/or its nominee.
- The terms and conditions of the Forbes & Manhattan Options are contained in Annexure D.
- No funds will be raised by the issue of the Forbes & Manhattan Options.

Resolution 4 is an ordinary resolution.

The passing of Resolution 4 depends on the passing of Resolutions 1 to 3 (inclusive) and 5 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 4 and recommend that shareholders vote in favour of Resolution 4.



## **Resolution 5: Issue of 1,500,000 options to Gryphon Partners Advisory Pty Limited and/or its nominee**

As noted in the Background, the Company has agreed to grant Gryphon Partners Advisory Pty Limited and/or its nominee 1,500,000 Options each with an exercise price of \$0.20 and an exercise period expiry date of four years after the date of grant (**Gryphon Partners Options**).

The grant of the Gryphon Partners Options to Gryphon Partners Advisory Pty Limited requires the approval of shareholders pursuant to NSX Listing Rule 6.44. Shareholder approval is required under NSX Listing Rule 6.44 because Mr Robert Greenslade (a director of the Company) is a director of and controls Gryphon Partners Advisory Pty Limited and, as such, Gryphon Partners Advisory Pty Limited is a related party of the Company.

In addition, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the Gryphon Partners Options without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the Gryphon Partners Options therefore depends upon shareholders passing Resolution 5. The purpose of Resolution 5 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25 and for all other purposes. If shareholders approve the issue of the Gryphon Partners Options for the purpose of NSX Listing Rule 6.25, the issue of the Gryphon Partners Options will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Gryphon Partners Options for the purpose of NSX Listing Rule 6.25, the issue of the Gryphon Partners Options will not occur.

In seeking approval pursuant to NSX Listing Rules 6.25 and 6.44, the Company provides the following information for shareholders' consideration:

- A maximum of 1,500,000 Options will be issued.
- The Gryphon Partners Options will be issued on or about Completion.
- The allottee of the Gryphon Partners Options will be Gryphon Partners Advisory Pty Limited and/or its nominee.
- The terms and conditions of the Gryphon Partners Options are contained in Annexure D.
- No funds will be raised by the issue of the Gryphon Partners Options.

Resolution 5 is a special resolution.

The passing of Resolution 5 depends on the passing of Resolutions 1 to 4 (inclusive) and 6 to 14 (inclusive).

The Directors (other than Mr Greenslade) do not have an interest in the outcome of Resolution 5 and recommend that shareholders vote in favour of Resolution 5.

## **Resolution 6: Issue of 1,500,000 options to Taylor Collison Limited and/or its nominee**

As noted in the Background, the Company has agreed to grant Taylor Collison Limited and/or its nominee 1,500,000 Options each with an exercise price of \$0.20 and an exercise period expiry date of four years after the date of grant (**Taylor Collison Options**).

In summary, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the Taylor Collison Options without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the Taylor Collison Options therefore depends upon shareholders passing Resolution 6. The purpose of Resolution 6 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25 and for all other purposes. If shareholders approve the issue of the Taylor Collison Options for the purpose of NSX Listing Rule 6.25, the issue of the Taylor Collison Options will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the Taylor Collison Options for the purpose of NSX Listing Rule 6.25, the issue of the Taylor Collison Options will not occur.

In seeking approval pursuant to NSX Listing Rule 6.25, the Company provides the following information for shareholders' consideration:

- A maximum of 1,500,000 Options will be issued.
- The Taylor Collison Options will be issued on or about Completion.
- The allottee of the Taylor Collison Options will be Taylor Collison Limited and/or its nominee.
- The terms and conditions of the Taylor Collison Options are contained in Annexure D.
- No funds will be raised by the issue of the Taylor Collison Options.

Resolution 6 is an ordinary resolution.

The passing of Resolution 6 depends on the passing of Resolutions 1 to 5 (inclusive) and 7 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 6 and recommend that shareholders vote in favour of Resolution 6.

## **Resolution 7: Election of Mr Simon O'Loughlin as a director**

As noted in the Background, on Completion Mr Simon O'Loughlin will be appointed as a director of the Company. A biography for Mr O'Loughlin follows:

### **Simon O'Loughlin BA (Acc), Law Society Certificate in Law**

Mr O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide based medium sized specialist commercial law firm. He has obtained extensive experience in the corporate and commercial law fields while practising in Sydney and Adelaide. More recently, he has been focusing on the resources sector. Mr O'Loughlin also holds accounting qualifications. He is currently chairman of Bondi Mining Limited and Avenue Resources Limited and a director of Aura Energy Limited, Living Cell Technologies Limited, Petratherm Limited, Chesser Resources Limited, Probiomics Limited and WCP Resources Limited. He has comprehensive experience with companies in the small industrial and resources sectors.

Mr O'Loughlin is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

Rule 9.1 of the Company's Constitution relevantly provides that the Company in general meeting may by resolution appoint a person qualified to be a director as an addition to the existing directors.

Resolution 7 is an ordinary resolution.

The passing of Resolution 7 depends on the passing of Resolutions 1 to 6 (inclusive) and 8 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 7 and recommend that shareholders vote in favour of Resolution 7.

## **Resolution 8: Election of Mr David Gower as a director**

As noted in the Background, on Completion Mr David Gower will be appointed as a director of the Company. A biography for Mr Gower follows:

### **David Gower PEng**

Mr Gower has over 20 years of experience in exploration with Falconbridge, Noranda (now X-strata) most recently as director of Global Nickel and PGM exploration. He was a member of the Senior Operating Team responsible for mining projects with Falconbridge. He has led exploration teams which were responsible for brownfields discoveries at Raglan and Sudbury, Matagami, Falcondo – DR, and greenfield discoveries at Araguaia in Brazil, Kabanga in Tanzania and significant increases in known resources at Kabanga in Tanzania and El Pilar in Mexico.

Rule 9.1 of the Company's Constitution relevantly provides that the Company in general meeting may by resolution appoint a person qualified to be a director as an addition to the existing directors.

Resolution 8 is an ordinary resolution.

The passing of Resolution 8 depends on the passing of Resolutions 1 to 7 (inclusive) and 9 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 8 and recommend that shareholders vote in favour of Resolution 8.

## **Resolution 9: Election of Mr David Argyle as a director**

As noted in the Background, on Completion Mr David Argyle will be appointed as a director of the Company. A biography for Mr Argyle follows:

### **David Argyle MBA**

In August 2007, Mr Argyle was appointed President and Chief Executive Officer of Dynamite Resources which was subsequently merged with Avion Gold Corporation in Feb 2009. Prior to joining Dynamite, he was the Managing Director of Tau Mining. Mr Argyle brings with him 20 years experience in senior management positions on mining and chemical projects in China, South East Asia, Central Asia and Australia. He holds a degree in Commerce from the University of Western Australia and an MBA from the University of Michigan.

Rule 9.1 of the Company's Constitution relevantly provides that the Company in general meeting may by resolution appoint a person qualified to be a director as an addition to the existing directors.

Resolution 9 is an ordinary resolution.

The passing of Resolution 9 depends on the passing of Resolutions 1 to 8 (inclusive) and 10 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 9 and recommend that shareholders vote in favour of Resolution 9.

## **Resolution 10: Issue of 500,000 options to Mr Simon O'Loughlin and/or his nominee**

As noted in the Background, on Completion Mr Simon O'Loughlin will be appointed as a director of the Company.

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 500,000 options to Mr O'Loughlin and/or his nominee, each to acquire one new ordinary share in the Company. Each of the options will be exercisable at \$0.20 and have an exercise period of four years commencing on the date of Completion and expiring on the fourth anniversary of that date.

The options will be granted as a key component of Mr O'Loughlin's remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under NSX Listing Rule 6.44 and section 208 of the Corporations Act because Mr O'Loughlin believes or has reasonable grounds to believe that he will become a related party to the Company (that is, a director of the Company) in the future.

In addition, NSX Listing Rule 6.25 requires a company not to issue or to agree to issue more than 15% of its capital in a 12 month period without shareholder approval, unless an exception applies (none of which do).

The issue of the options to Mr O'Loughlin without shareholder approval will result in the Company breaching the 15% limit referred to in NSX Listing Rule 6.25. The issue of the options therefore depends upon shareholders passing Resolution 7. One of the purposes of Resolution 7 is to obtain shareholder approval for the purpose of NSX Listing Rule 6.25. If shareholders approve the issue of the options to Mr O'Loughlin for the purpose of NSX Listing Rule 6.25, the issue of the options will not count towards determining the number of equity securities which the Company can issue in any 12 month period. However, if shareholders do not approve the issue of the options to Mr O'Loughlin for the purpose of NSX Listing Rule 6.25, the issue of the options will not occur.

In seeking approval pursuant to NSX Listing Rules 6.25 and 6.44 and for the purposes of section 219 of the Corporations Act, the Company provides the following information for shareholders' consideration:

- Subject to shareholder approval, it is proposed that Mr O'Loughlin will be issued 500,000 options to subscribe for new ordinary shares in the Company. It is considered appropriate to grant the options to Mr O'Loughlin as a key component of his remuneration in order to retain his services and to provide incentive linked to the performance of the Company. It is further considered that the performance of Mr O'Loughlin and the performance and value of the Company will be closely related. As such, the options to be granted will only be of benefit if Mr O'Loughlin performs to the level whereby the value of the Company increases sufficiently to warrant exercising the options.
- No funds will be raised by the grant of the options as they are being granted for no consideration. Each option proposed to be granted entitles Mr O'Loughlin to subscribe for one new ordinary share in the Company at the exercise price specified above exercisable during the exercise period specified above. Shares issued on exercise of the options will rank equally in all respects with the existing fully paid ordinary shares in the Company.
- The terms and conditions of the options are set out in Annexure E.
- A valuation of the options has been conducted. The valuation imputes a total value of the options to be issued to Mr O'Loughlin (or his nominee) at \$18,602. The value may increase or decrease after the date of the valuation as it will depend upon the future price of shares in the Company.

The valuation has applied the Black-Scholes valuation methodology together with the following assumptions:

1. a volatility index of 10.3% based on the historic volatility of the Company's shares on the NSX;
  2. the share price on the issue date has been estimated at \$0.20, being the proposed issue price of the up to 20 million shares to be issued subject to the passing of Resolution 2;
  3. for the purposes of the valuation it is assumed that the options will not be exercised any earlier than the expiry date; and
  4. a risk free rate of 4.55% has been used.
- The following table demonstrates the dilution of all other shareholdings in the Company upon exercise of the options issued to Mr O'Loughlin under Resolution 10 assuming that shareholders pass Resolutions 1 to 14 (inclusive):

|   |                   |
|---|-------------------|
| Shares issued (post consolidation) including the maximum placement of 20 million shares to be issued pursuant to Resolution 2, the 5 million shares to be issued pursuant to Resolution 3, but excluding the A, B and C class performance shares pursuant to Resolution 3 | 33,285,917        |
| Shares issued assuming all options are exercised (post consolidation), including all existing options and all options to be issued pursuant to resolutions 4 to 6 (inclusive)   | 5,600,000         |
| Shares issued assuming exercise of all the options referred to in Resolution 10   | 500,000           |
|   |                   |
| <b>Total shares</b>   | <b>39,385,917</b> |
|   |                   |
| Dilution effect   | 1.3%              |

- The market price of shares in the Company would normally determine whether or not Mr O'Loughlin (or his nominee) will exercise the options. If the options are exercised at a price that is lower than the price at which shares are trading, there may be a perceived cost to the Company. The highest, lowest and last recorded closing market price (adjusted on the basis of a 1 for 2 consolidation subject to the passing of Resolution 1) of the shares quoted on NSX during the 12 month period ending on 3 August 2010 (being the day immediately before the date this Notice was lodged at ASIC) were:

|            |                         |
|------------|-------------------------|
| Highest    | \$0.20 on 22 April 2010 |
| Lowest     | \$0.18 on 15 June 2010  |
| Last Trade | \$0.18 on 15 June 2010  |

- The current share and option holdings of Mr O'Loughlin and his associates (pre-consolidation) is as follows:



| Director      | Shares  |          | Options |          |
|---------------|---------|----------|---------|----------|
|               | Direct  | Indirect | Direct  | Indirect |
| Mr O'Loughlin | 100,000 | 500,000  | Nil     | Nil      |

- The share (post consolidation) and option holdings of Mr O'Loughlin and his associates if Resolution 10 is passed will be as follows:

| Director      | Shares |          | Options |          |
|---------------|--------|----------|---------|----------|
|               | Direct | Indirect | Direct  | Indirect |
| Mr O'Loughlin | 50,000 | 250,000  | Nil     | 500,000  |

Resolution 10 is a special resolution.

The passing of Resolution 10 depends on the passing of Resolutions 1 to 9 (inclusive) and 11 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 10 and recommend that shareholders vote in favour of Resolution 10.

### **Resolution 11: Change to nature or scale of activities**

The Company currently conducts business as an investment company with an Australian focus looking for investment opportunities in the biotechnology sector.

As a result of the Acquisition, the Company will conduct a mineral exploration business, initially focussing on the Kagera Nickel Sulphide Project in Tanzania, resulting in a change to the nature or scale of the Company's activities.

NSX requires the Company to obtain shareholder approval to the change in nature or scale of its activities for the purpose of NSX Listing Rule 6.41.

Resolution 11 is an ordinary resolution.

The passing of Resolution 11 depends on the passing of Resolutions 1 to 10 (inclusive) and 12 to 14 (inclusive).

The Directors do not have an interest in the outcome of Resolution 11 and recommend that shareholders vote in favour of Resolution 11.

## **Resolution 12: Voluntary withdrawal of listing**

Subject to settlement of the Acquisition, the Company proposes to make a voluntary withdrawal of listing from NSX and make an application to list on ASX.

NSX Listing Rule 2.25 requires that shareholder approval by special resolution be obtained if a listed entity proposes to voluntarily withdraw its listing on NSX.

The Directors consider that, subject to settlement of the Acquisition, the Company will be in a position to migrate to the official list of ASX and withdraw its listing on NSX. Any withdrawal from NSX is subject to the Company being granted admission to the official list of ASX and the ordinary shares of the Company being quoted on ASX.

Resolution 12 is a special resolution.

The passing of Resolution 12 depends on the passing of Resolutions 1 to 11 (inclusive), 13 and 14.

The Directors do not have an interest in the outcome of Resolution 12 and recommend that shareholders vote in favour of Resolution 12.

### **Resolution 13: Increase in aggregate non-executive directors' fees**

Rule 43.1 of the Company's Constitution provides that the Company must not increase the total amount of directors' remuneration payable by it without first obtaining shareholder approval to the increase.

Resolution 15 seeks shareholder approval to a proposed increase in the total amount of directors' remuneration that may be paid by the Company to its non-executive directors from \$200,000 per annum to \$300,000 per annum (an increase of \$100,000 per annum) for the purpose of rule 43.1 of the Company's Constitution.

It is important for all shareholders that the Company is able to attract and retain well qualified non-executive directors. In addition to their other duties, the Directors are now required to spend substantially more time on activities related to the governance of the Company than has been the case in the past, particularly in view of the Company's proposed transition to ASX.

The Directors' view is that an increase of \$100,000, to bring the total amount of directors' remuneration that may be paid by the Company to its non-executive Directors to \$300,000, will enable the Board to attract and retain directors of a calibre appropriate to the needs of the Company.

Resolution 13 is an ordinary resolution.

The passing of Resolution 13 depends on the passing of Resolutions 1 to 12 (inclusive) and 14.

As the non-executive Directors have an interest in Resolution 13, they do not wish to make a recommendation as to how shareholders ought to vote on Resolution 13.

**Resolution 14: Change of name**

The Company seeks to change its name from Innovance Limited to Kagera Nickel Limited.

Pursuant to section 157(1) of the Corporations Act, if a company wants to change its name it must (among other things) pass a special resolution adopting a new name.

The Directors consider that, after and subject to the Acquisition, it will be more appropriate to name the Company 'Kagera Nickel Limited' in order to more accurately reflect the nature and focus of the Company's future operations.

Resolution 14 is a special resolution.

The passing of Resolution 14 depends on the passing of Resolutions 1 to 13 (inclusive).

The Directors do not have an interest in the outcome of Resolution 14 and recommend that shareholders vote in favour of Resolution 14.

## Glossary

In this Explanatory Memorandum unless the context otherwise requires:

**Acquisition** means the acquisition of 100% of the Shares of each of Castillian Resources (Tanzania) Limited and Sagittarius Minerals Limited pursuant to the Share Sale Agreement;

**ASIC** means the Australian Securities and Investments Commission;

**ASX** means ASX Limited ACN 008 624 691;

**ASX Listing Rules** means the official listing rules of ASX;

**Board** means the board of directors of the Company;

**Castillian** means Castillian Resources Corp;

**Company** means Innovance;

**Completion** means completion of the Acquisition;

**Corporations Act** means *Corporations Act 2001* (Cth);

**Directors** means the directors of the Company;

**Innovance** means Innovance Limited ACN 117 330 757;

**JORC Code** means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia;

**Meeting** means the meeting of shareholders convened by the Notice;

**Notice** means the notice of general meeting to which this Explanatory Memorandum is attached;

**NSX** means National Stock Exchange of Australia Limited ACN 000 902 063;

**NSX Listing Rules** means the official listing rules of NSX;

**Option** means an option to acquire a Share;

**Share** means a fully paid ordinary share in the capital of the Company; and

**Share Sale Agreement** means the letter agreement entered into by the Company and Castillian on 15 June 2010 (as amended, novated, supplemented, varied or replaced from time to time).

## ANNEXURE A

(NSX Announcement on 15 June 2010)

**Innovance Ltd**

A.C.N. 117 330 757

Registered Office  
C/- HLB Mann Judd (SA) Pty Ltd  
82 Fullarton Road  
NORWOOD SA 5067

### **Company Transforming Transaction Project Acquisition**

#### **Key Points**

- Binding agreement to acquire 100% of the Kagera Nickel Sulphide Project in Tanzania
- Secures a significant position in the highly prospective Kabanga-Musongati mafic-ultramafic belt; 960km<sup>2</sup> across 3 mineral licences and 3 mineral applications
- Properties contain three significant ready to drill targets
- 6kms along a geophysical trend north-east of the Kabanga Nickel Deposit, one of the world's largest undeveloped nickel sulphide deposits currently undergoing feasibility studies by Xstrata Nickel / Barrick Gold JV
- Adjacent to Xstrata Nickel / Barrick Gold Luhuma Nickel Exploration Project
- Recent mapping has indicated the presence of a 20km long belt of prospective mafic and ultramafic rocks with geochemical and geophysical characteristics similar to the Kabanga Deposits.

#### **Overview**

Innovance Limited (NSX: IVL) is pleased to announce it has entered into an agreement to purchase 100% of the Kagera Nickel Sulphide Project ("Kagera Project") from Castillian Resources Corp (TSX-V: CT) ("Castillian"), a company associated with the Forbes and Manhattan Group of Toronto, Canada. The acquisition of the Kagera Project will provide Innovance with a significant position in the highly prospective Kabanga-Musongati mafic-ultramafic belt; 960km<sup>2</sup> across 3 mineral licences and 3 mineral applications. Details of the project and the Kabanga-Musongati belt are included in Appendix 1.

Under the terms of the agreement, Castillian will receive the following consideration (post share consolidation):

- 5 million fully paid ordinary shares in Innovance;
- 7.5 million 'A' class performance shares in Innovance, convertible into ordinary shares upon the drilling of 3 holes with a minimum 4 metres intersection grading at least 1% nickel within 3 years of being issued;



- 7.5 million 'B' class performance shares in Innovance, convertible into ordinary shares upon the completion of an independent JORC compliant Mineral Resource estimate of not less than 5Mt of Nickel with a grade of not less than 1% nickel insitu or equivalent within 5 years from the date of issuance ("Conversion Deadline"); and
- 7.5 million 'C' class performance shares in Innovance, convertible into ordinary shares upon the completion of an independent JORC compliant Mineral Resource estimate of not less than 10Mt of Nickel with a grade of not less than 1% nickel insitu or equivalent no later than the Conversion Deadline.
- In the event that Innovance completes less than 3,000 meters of drilling prior to the Conversion Deadline, then the Conversion Deadline will be extended by one year.
- If Innovance decides to drop the claims prior to issuing the 'C class' performance shares, Innovance shall give Castillian a first right of refusal in relation to the claims.
- If there is a change of control event, prior to the conversion of the 'A', 'B' and 'C' class performance shares, then the performance criteria will be deemed to have been achieved and the shares will be converted.

The transaction is conditional upon the following:

- Innovance completing due diligence investigations to its satisfaction;
- Innovance's shareholders:
  - Passing all resolutions as required to give effect to the transaction; and
  - Approving a consolidation of its shares on a 1 for 2 existing shares basis;
- Innovance cancelling all existing "treasury options" (amounting to 30 million);
- Innovance undertaking a placement of at least 10 million shares (post consolidation) at an issue price of A\$0.20 each, to raise A\$2 million. Forbes and Manhattan have agreed to subscribe to 5 million shares of this issue;
- Innovance receiving Newcastle Stock Exchange approval for the terms and conditions of the performance shares; and
- Innovance receiving approval from the Australian Stock Exchange to list upon completion of this transaction.

Post consolidation and share placement, Innovance will have nearly 24 million shares on issue and 7.5 million options (excluding any performance shares issued to Castillian) with A\$3-4 million in cash at the conclusion of the transaction.

Following the completion of the transaction, Castillian may appoint up to two directors to the Innovance Board, consisting of no more than 4 directors. It is anticipated that Castillian will appoint Mr David Gower and Mr David Argyle. David Gower, Castillian's Chairman was previously Falconbridge Limited's General Manager of Global Nickel Exploration and was directly involved in discoveries Falconbridge made on the adjacent Kabanga Project. His addition to the Board will bring a wealth of Nickel exploration experience including the precise exploration techniques that led to the discoveries of the Kabanga deposits. In addition he brings a highly qualified technical team including geophysical and project management expertise from former Falconbridge and Vale Inco professionals. This is a very significant step forward to execute the exploration program.

Innovance has appointed Gryphon Partners as its corporate advisor for this transaction. Taylor Collison has been appointed as the broker to the issue.

## Appendix 1: The Kagera Project and the Kabanga-Musongati Belt

The Kagera Project is in north-west Tanzania. Castillian acquired its interest in the Kagera Project in 2008. The Kagera Project is serviced by paved roads with an airstrip in the district. A camp will be re-established to explore the project area.



Figure 1: Kagera Project in north-west Tanzania

The Kagera Project is 6km directly along a regional geological and geophysical trend northeast of the Kabanga Nickel Project (held by Barrick Gold and Xstrata). The Kagera Project is also 5km southwest of Barrick Gold's 100% owned Luhuma Nickel Exploration Project.

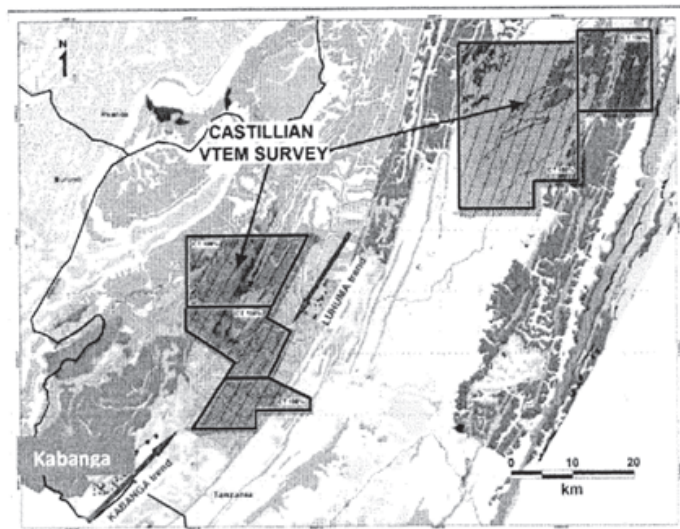


Figure 2: The Kagera Project in relation to the Kabanga and Luhuma trends

In March 2008, Castillian commenced a 6,750 line km VTEM magnetic and electromagnetic (EM) survey over the Kagera Project, including property directly to the north-east of the Kabanga Project. The data was based on survey lines at 200 metre spacings. As part of the transaction, Castillian will provide Innovance with all of the geological information relating to the Kagera Project.

The Kabanga Nickel Project was discovered in the 1970's during a United Nations Development Program (UNDP). The project has been drilled out, having 52Mt at 2.7% Nickel, 0.4% Copper, 0.2% Cobalt, 0.3 g/t Platinum and 0.2 g/t Palladium. Such high grade sulphide nickel projects are extremely rare. It is understood that Barrick Gold and Xstrata intend to develop the Kabanga Project with a low level underground operation. The host rock in this deposit (pentlandite), which is expected to enable higher recoveries and also contains cobalt, copper and platinum group metal credits.

During the 1970's UNDP exploration, six priority targets were identified. Three of these six targets are located within Kagera Project area. These three targets have not been drilled.

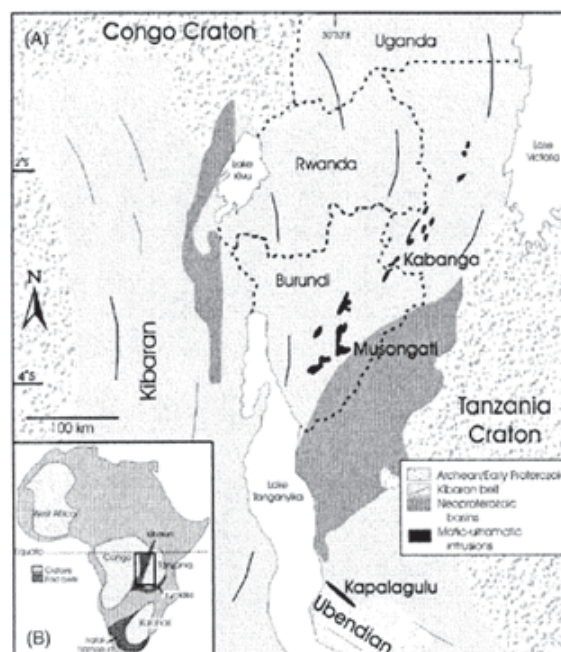


Figure 3: The Kabanga-Musongati mafic-ultramafic belt

DATED 15 June 2010

By order of the Board

*Donald Stephens*

Donald Stephens

Company Secretary

## ANNEXURE B

(Proforma Company Balance Sheet)

|                                   |             | <b>Innovance<br/>Limited</b>          | <b>Unaudited Consolidated</b>                 |   |
|-----------------------------------|-------------|---------------------------------------|---|---|
|                                   |             | <b>Unaudited<br/>30 June<br/>2010</b> | <b>Pro forma<br/>Minimum<br/>Subscription</b> | <b>Pro forma<br/>Maximum<br/>Subscription</b> |
|                                   |             |                                       | <b>As at date of<br/>ASX listing</b>          | <b>As at date of<br/>ASX listing</b>          |
|                                   | <b>Note</b> | <b>\$</b>                             | <b>\$</b>                                     | <b>\$</b>                                     |
| <b>ASSETS</b>                     |             |                                       |   |   |
| <b>CURRENT ASSETS</b>             |             |                                       |   |   |
| Cash and cash equivalents         | <b>1</b>    | 1,191,127                             | 3,178,855                                     | 4,684,255                                     |
| Trade and other receivables       | <b>2</b>    | 50,560                                | 38,471  | 47,071  |
| <b>TOTAL CURRENT ASSETS</b>       |             | <b>1,241,687</b>                      | <b>3,217,326</b>                              | <b>4,731,326</b>                              |
| <b>NON-CURRENT ASSETS</b>         |             |                                       |   |   |
| Asset held for sale               |             | 10,000                                | 10,000  | 10,000  |
| Exploration and evaluation assets |             |                                       | 1,034,765                                     | 1,034,765                                     |
| <b>TOTAL NON-CURRENT ASSETS</b>   |             | <b>10,000</b>                         | <b>1,044,765</b>                              | <b>1,044,765</b>                              |
| <b>TOTAL ASSETS</b>               |             | <b>1,251,687</b>                      | <b>4,262,091</b>                              | <b>5,776,091</b>                              |
| <b>LIABILITIES</b>                |             |                                       |   |   |
| <b>CURRENT LIABILITIES</b>        |             |                                       |   |   |
| Trade and other payables          |             | 39,647                                | 406,709                                       | 406,709                                       |
| <b>TOTAL CURRENT LIABILITIES</b>  |             | <b>39,647</b>                         | <b>406,709</b>                                | <b>406,709</b>                                |
| <b>TOTAL LIABILITIES</b>          |             | <b>39,647</b>                         | <b>406,709</b>                                | <b>406,709</b>                                |
| <b>NET ASSETS</b>                 |             | <b>1,212,040</b>                      | <b>3,855,382</b>                              | <b>5,369,382</b>                              |
| <b>EQUITY</b>                     |             |                                       |   |   |
| Issued capital                    | <b>3</b>    | 1,466,803                             | 3,534,145                                     | 5,048,145                                     |
| Accumulated losses                |             | (395,843)                             | (331,563)                                     | (331,563)                                     |
| Reserves                          |             | 141,080                               | 652,800                                       | 652,800                                       |
| <b>TOTAL EQUITY</b>               |             | <b>1,212,040</b>                      | <b>3,855,382</b>                              | <b>5,369,382</b>                              |

## Notes:

### Note 1. Cash Assets

|                           | <b>Innovance Limited</b>      | <b>Unaudited Consolidated</b>                                   |   |
|---------------------------|-------------------------------|---|---|
|                           | <b>Unaudited 30 June 2010</b> | <b>Pro forma Minimum Subscription As at date of ASX listing</b> | <b>Pro forma Maximum Subscription As at date of ASX listing</b> |
|                           | <b>\$</b>                     | <b>\$</b>   | <b>\$</b>   |
| Cash and cash equivalents | 1,191,127                     | 3,178,855   | 4,684,255   |
|                           | 1,191,127                     | 3,178,855   | 4,684,255   |

Adjustments to the pro forma cash balance are summarised as follows:

|  |           |           |           |
|--|-----------|-----------|-----------|
| Balance as at 30 June 2010                       | 1,191,127 | 1,191,127 | 1,191,127 |
| Proceeds from the issue of 12,000,000 IPO shares |           | 2,400,000 | 2,400,000 |
| Proceeds from the issue of 8,000,000 IPO shares  |           |           | 1,600,000 |
| Payment of IPO costs                             |           | (423,185) | (517,785) |
| Receipt of trade and other receivables           |           | 50,560    | 50,560    |
| Payment for trade and other payables             |           | (39,647)  | (39,647)  |
|  | 1,191,127 | 3,178,855 | 4,684,255 |

### Note 2. Receivables

|                  | <b>Innovance Limited</b>      | <b>Unaudited Consolidated</b>                                   |   |
|------------------|-------------------------------|---|---|
|                  | <b>Unaudited 30 June 2010</b> | <b>Pro forma Minimum Subscription As at date of ASX listing</b> | <b>Pro forma Maximum Subscription As at date of ASX listing</b> |
|                  | <b>\$</b>                     | <b>\$</b>   | <b>\$</b>   |
| GST on formation | 50,560                        | 38,471  | 47,071  |
|                  | 50,560                        | 38,471  | 47,071  |

### Note 3. Contributed Equity

|  | <b>Innovance Limited</b>      | <b>Unaudited Consolidated</b>                                   |   |
|--|-------------------------------|---|---|
|  | <b>Unaudited 30 June 2010</b> | <b>Pro forma Minimum Subscription As at date of ASX listing</b> | <b>Pro forma Maximum Subscription As at date of ASX listing</b> |
|  | <b>\$</b>                     | <b>\$</b>   | <b>\$</b>   |
| 16,571,833(Post 2 : 1 8,285,917) Full paid ordinary shares | 1,466,803                     |   |   |
| (Pro forma 47,785,917 fully paid ordinary shares)          |                               | 3,534,145   |   |
| (Pro forma 55,785,917 fully paid ordinary shares)          |                               |   | 5,048,145   |
|  | 1,466,803                     | 3,534,145   | 5,048,145   |



|  | Innovance Limited   |           | Unaudited Consolidated  |  |
|--|---|-----------|---|--|
|  | Unaudited<br>30 June<br>2010  |           | Pro forma<br>Minimum<br>Subscription<br>As at date of<br>ASX listing              | Pro forma<br>Maximum<br>Subscription<br>As at date of<br>ASX listing |
|  | \$  |           | \$  | \$   |
| <b>Reconciliation of contributed equity</b>  |   |           |   |  |
| Balance as at 30 June 2010   | 1,466,803   |           | 1,466,803   | 1,466,803  |
|  | 1,466,803   |           | 1,466,803   | 1,466,803  |
|  |   |           |   |  |
|  | Unaudited<br>Pro forma<br>Minimum<br>Subscription<br>As at date of<br>ASX listing |           | Unaudited<br>Pro forma<br>Maximum<br>Subscription<br>As at date of<br>ASX listing |  |
|  | Number  | \$        | Number  | \$   |
| Balance at 30 June 2010  | 16,571,833  | 1,466,803 | 16,571,833  | 1,466,803  |
| <b>Pro forma adjustments</b>   |   |           |   |  |
| Post Consolidation ( 2 : 1 basis)  | 8,285,917   | 1,466,803 | 8,285,917   | 1,466,803  |
| Issued pursuant to Prospectus  | 12,000,000  | 2,400,000 | 20,000,000  | 4,000,000  |
| Issue of 5,000,000 shares to<br>Castillian Resources Corp in<br>accordance with the Tenement Share<br>Sale Agreement | 5,000,000   | 628,056   | 5,000,000   | 628,056  |
| 7,500,000 A Class Performance<br>Shares in accordance with the<br>Tenement Share Sale Agreement                      | 7,500,000   |           | 7,500,000   |  |
| 7,500,000 B Class Performance<br>Shares in accordance with the<br>Tenement Share Sale Agreement                      | 7,500,000   |           | 7,500,000   |  |
| 7,500,000 C Class Performance<br>Shares in accordance with the<br>Tenement Share Sale Agreement                      | 7,500,000   |           | 7,500,000   |  |
| Cost associated with the offer<br>attributed to equity (net of GST)  |   | (384,714) |   | (470,714)  |
| Issue of share options   |   | (576,000) |   | (576,000)  |
| Balance at end of financial year   | 47,785,917  | 3,534,145 | 55,785,917  | 5,048,145  |

## ANNEXURE C

### (Terms and Conditions of A Class Performance Shares, B Class Performance Shares and C Class Performance Shares)

#### Part 1 – General Terms

The terms and conditions of the A class performance shares, B class performance shares and C class performance shares are set out below.

**(Shares)** Each performance share is a share in the capital of the Company.

**(General Meeting)** A performance share confers on the holder of it (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of the Company.

**(No Voting Rights)** A performance share does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

**(No Dividend Rights)** A performance share does not entitle the Holder to any dividends.

**(No Rights on Winding Up)** A performance share does not confer on the Holder any right to participate in the surplus profits or assets of the Company upon winding up of the Company.

**(Not Transferable)** A performance share is not transferable.

**(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, a performance share may be treated in accordance with the ASX Listing Rules at the time of reorganisation.

**(Application to ASX)** A performance share will not be quoted on ASX. However, upon conversion of a performance share into Company shares, the Company must within seven days after the conversion, apply for the official quotation of the Company shares arising from the conversion on ASX.

**(No Other Rights)** A performance share gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

**(Conversion Procedure)** Upon conversion of a performance share, the Company will issue each Holder with a new holding statement for the relevant number of Company shares.

**(Ranking of Company Shares)** The Company shares into which a performance share will convert will rank pari passu in all respects with existing Company shares.

#### Part 2 - Conversion of the A class performance shares

Subject to obtaining any shareholder approvals required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules, each A class performance share will automatically convert into one Company share on the earlier of:

- (a) the drilling of three holes with a minimum four metre intersection grading at least 1% nickel no later than three years from the date of issue; and
- (b) the occurrence of a Change of Control Event.



### Part 3 - Conversion of the B class performance shares

Subject to obtaining any shareholder approvals required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules, each B class performance share will automatically convert into one Company share on the earlier of:

- (a) the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 5,000,000 tonnes of nickel with a grade of not less than 1% nickel insitu or equivalent no later than five years from the date of issue (**Conversion Deadline**) (provided that if the Company completes less than 3,000 metres of drilling on the Tanzanian properties prior to the Conversion Deadline, the Conversion Deadline will be extended by one year); and
- (b) the occurrence of a Change of Control Event.

### Part 4 - Conversion of the C class performance shares

Subject to obtaining any shareholder approvals required under the *Corporations Act 2001* (Cth) and the ASX Listing Rules, each C class performance share will automatically convert into one Company share on the earlier of:

- (a) the completion of an independent JORC Code compliant combined Mineral Resource Estimate, including all categories of resources defined by the JORC Code guidelines, of not less than 10,000,000 tonnes of nickel with a grade of not less than 1% nickel insitu or equivalent no later than five years from the date of issue (**Conversion Deadline**) (provided that if the Company completes less than 3,000 metres of drilling on the Tanzanian properties prior to the Conversion Deadline, the Conversion Deadline will be extended by one year); and
- (b) the occurrence of a Change of Control Event.

### Part 5 – Change of Control Event

For the purposes of Parts 2, 3 and 4, **Change of Control Event** means:

- (a) the offeror under a takeover bid or acquisition proposal in respect of all Company shares announcing that it has achieved acceptances and all requisite shareholder approvals to acquire more than 20% of the Company shares that takeover bid has become unconditional;
- (b) the announcement by the Company that shareholders have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Company shares are to be either:
  - (i) cancelled; or
  - (ii) transferred to a third party,and the Court, by order, approves the proposed scheme of arrangement; or
- (c) any other transaction that results in a person or group of persons (apart from any persons that are existing shareholders of the Company or associated or affiliated with Forbes & Manhattan Inc) acting together which results in the acquisition of more than 50.1% of Company shares.

## ANNEXURE D

### (Terms and Conditions of Options to be Granted to Forbes & Manhattan Inc, Gryphon Partners Advisory Pty Limited and Taylor Collison Limited)

- The options held by the optionholder are exercisable in whole or in part at any time during the period of four years after the date of grant (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of A\$0.20 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

## ANNEXURE E

### (Terms and Conditions of Options to be Granted to Simon O'Loughlin)

- The options held by the optionholder are exercisable in whole or in part at any time during the period of four years after the date of Completion (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
- Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price of A\$0.20 each in cleared funds.
- The Company will not apply for official quotation on ASX of the options. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
- An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
- If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
- If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

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