

**Innovance Ltd**  
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12 August 2010

Dear Shareholder

## **Innovance Limited – Notice of General Meeting – Withdrawal of Resolution 4**

I refer to the Notice of Meeting convening a general meeting of shareholders of Innovance Limited (**Company**) which accompanies this letter.

The Company wishes to advise of the withdrawal of Resolution 4 seeking shareholder approval to the grant of 1,500,000 options to Forbes & Manhattan Inc and/or its nominee.

As a result of the withdrawal of Resolution 4, the capital structure of the Company will change and will be as 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
<b>Resolution 3</b>	Issue of 5 million ordinary shares	5,000,000
	Issue of 7.5 million A class performance shares	7,500,000
	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>	Withdrawn	Nil
<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>4,600,000</b>

Note (1): Assumes that all resolutions (except Resolution 4) under the Notice of Meeting are approved and that the maximum 20 million ordinary shares are issued.

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

Further as a result of the withdrawal of Resolution 4, the dilution effect of the issue of options under Resolution 10 (issue of 500,000 options to Mr Simon O'Loughlin and/or his nominee) will change and will be as set out in the table below:

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 5 and 6	4,100,000
Shares issued assuming exercise of all the options referred to in Resolution 10	500,000
<b>Total shares</b>	<b>37,885,917</b>
Dilution effect	1.3%

Also as a result the withdrawal of Resolution 4, the pro-forma balance sheet of the Company on completion of the acquisition will change and will be as contained in the attachment to this letter.

It is the intention of the directors of the Company to propose all of the other Resolutions contained in the Notice of Meeting (other than Resolution 4) at the general meeting. The passing of each of those Resolutions remains conditional upon the passing of all of the other Resolutions (except the withdrawn Resolution 4).

DATED 12 August 2010

By order of the Board



Donald Stephens  
Company Secretary

Replacement Annexure B: (Proforma Company Balance Sheet)

		<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>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
Asset held for sale		10,000	10,000	10,000
<b>TOTAL CURRENT ASSETS</b>		<b>1,251,687</b>	<b>3,227,326</b>	<b>4,741,326</b>
<b>NON-CURRENT ASSETS</b>				
Exploration and evaluation assets		-	1,034,765	1,034,765
<b>TOTAL NON-CURRENT ASSETS</b>		<b>-</b>	<b>1,034,765</b>	<b>1,034,765</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	3,726,145	5,240,145
Accumulated losses		(395,843)	(395,563)	(395,563)
Reserves		141,080	524,800	524,800
<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

16,571,833(Post 2 : 1 8,285,917) shares  
(Pro forma 47,785,917 shares)  
(Pro forma 55,785,917 shares)

#### Reconciliation of contributed equity

Balance as at 30 June 2010

	Innovance Limited		Unaudited Consolidated	
	Unaudited 30 June 2010		Pro forma Minimum Subscription As at date of ASX listing	Pro forma Maximum Subscription As at date of ASX listing
	\$		\$	\$
	1,466,803		3,534,145	
				5,048,145
	1,466,803		3,534,145	5,048,145
	Innovance Limited		Unaudited Consolidated	
	Unaudited 30 June 2010		Pro forma Minimum Subscription As at date of ASX listing	Pro forma Maximum Subscription As at date of ASX listing
	\$		\$	\$
	1,466,803		1,466,803	1,466,803
	1,466,803		1,466,803	1,466,803
	Unaudited Pro forma Minimum Subscription As at date of ASX listing		Unaudited Pro forma Maximum Subscription As at date of 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 Castillian Resources Corp in accordance with the Share Sale Agreement	5,000,000	628,056	5,000,000	628,056
7,500,000 A Class Performance Shares in accordance with the Share Sale Agreement	7,500,000	-	7,500,000	-
7,500,000 B Class Performance Shares in accordance with the Share Sale Agreement	7,500,000	-	7,500,000	-
7,500,000 C Class Performance Shares in accordance with the Share Sale Agreement	7,500,000	-	7,500,000	-
Cost associated with the offer attributed to equity (net of GST)	-	(384,714)	-	(470,714)
Issue of share options	-	(384,000)	-	(384,000)
Balance at end of financial year	47,785,917	3,726,145	55,785,917	5,240,145