

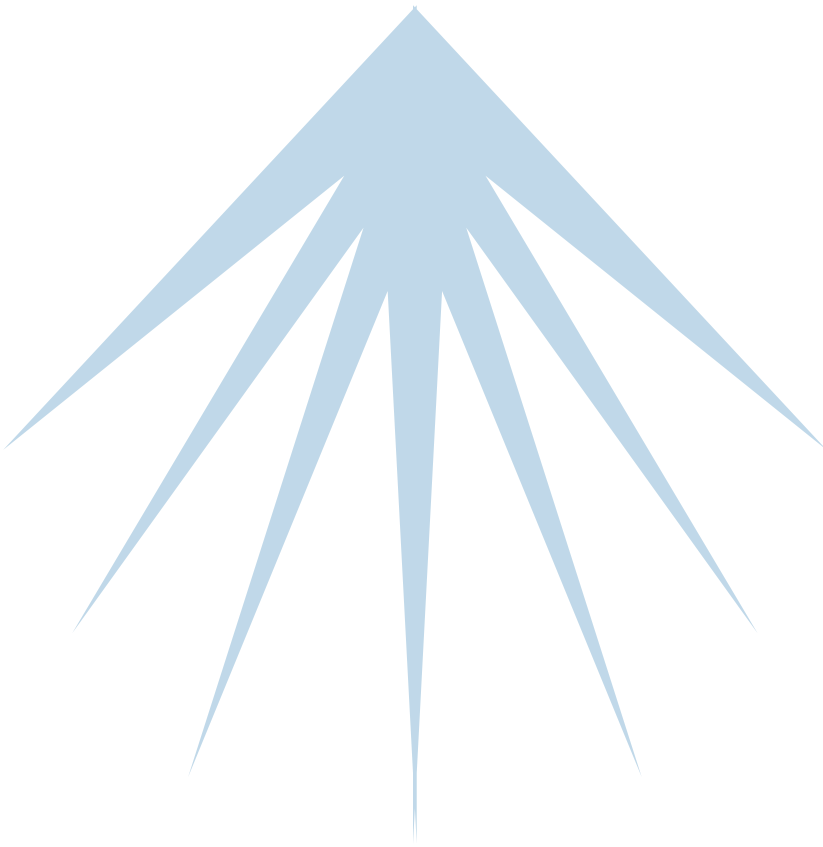
PROSPECTUS



INNOVANCE LIMITED

ACN 117 330 757

(To be renamed Kagera Nickel Limited
subject to Shareholder approval at
General Meeting)



For the offer of 12,000,000 new ordinary Shares (post-consolidation) at an offer price of 20 cents each to raise \$2,400,000

Oversubscriptions of up to a further 8,000,000 new ordinary Shares (post-consolidation) at an issue price of 20 cents each to raise up to a further \$1,600,000 may be accepted

SPONSORING BROKER



TAYLOR COLLISON

IMPORTANT INFORMATION

This Prospectus provides important information to assist prospective investors in deciding whether or not to invest in Innovance Limited. It should be read in its entirety. If you do not understand it, you should consult your professional advisers.

THE SHARES OFFERED UNDER THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.



Important Information

This Prospectus is dated 16 August 2010 and was lodged with the Australian Securities and Investments Commission ("**ASIC**") on that date. ASIC, ASX Limited ("**ASX**") and National Stock Exchange of Australia Limited ("**NSX**") take no responsibility for the contents of this Prospectus. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Directors of and advisers to Innovance Limited ("**Innovance**" or "**the Company**") do not guarantee the success of the Company, the repayment of capital, the payment of dividends or the price at which Shares will trade on ASX.

Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be accessed on the internet at www.innovance.com.au. The Offer of Shares pursuant to the electronic Prospectus is only available to persons receiving an electronic version of this Prospectus in Australia. The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of this Prospectus. During the Offer Period, any person may obtain a hard copy of this Prospectus by contacting the Company by email at info@innovance.com.au.

Foreign Jurisdictions

This Prospectus does not constitute an offer in any place in which, or to persons to whom, it would not be lawful to make an Offer. Distribution of this Prospectus in jurisdictions outside Australia may be restricted by law, and persons who come into possession of this Prospectus should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Website Address

This Prospectus can be downloaded from www.innovance.com.au.

Photographs and Diagrams

Items and undertakings depicted in photographs and diagrams in this Prospectus are not assets of the Company, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

Definitions

Throughout this Prospectus abbreviations and defined terms are used. Those relevant to mineral exploration are contained in the Glossary located in the Independent Geologist's Report in Section 5 of this Prospectus, and other abbreviations and legal terms are contained in the Definitions in Section 10 of this Prospectus. Defined terms are generally identified by the uppercase first letter.

Conditions Precedent

The Company has convened a General Meeting on 13 September 2010 to seek all Shareholder approvals required under the Share Sale Agreement (a summary of which is contained in Section 8.1 of this Prospectus) and to ready the Company for listing on ASX. A copy of the Notice of Meeting is contained in the annexure to this Prospectus. The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon Shareholders passing all Resolutions referred to in the Notice of Meeting and completion of the acquisition under the Share Sale Agreement. If these conditions are not satisfied, this Offer will not proceed, no Shares will be allotted pursuant to this Prospectus and the Company will repay all money received from Applicants without interest.

INVESTMENT HIGHLIGHTS AND RISKS

IMPORTANT

The Shares offered by this Prospectus are of a speculative nature. Prospective investors should carefully consider the risk factors outlined in Section 4 of this Prospectus.

The information in this Section is a key points summary only and is not intended to provide comprehensive details of the Offer. Prospective investors should read the full text of this Prospectus and, if in any doubt, consult with their professional advisers before deciding whether to apply for Shares. The Shares offered under this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Shares.

INVESTMENT HIGHLIGHTS

- Binding agreement to acquire 100% of the Kagera Nickel Project in Tanzania
- Secures a significant position in the highly prospective Kabanga-Musongati mafic-ultramafic belt across 4 mineral exploration licences and 2 applications for mineral exploration licences over approximately 860km²
- Properties contain four significant ready to drill targets
- Properties located 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 PLC / Barrick Gold Corporation JV
- Properties are adjacent to the Luhuma nickel occurrence
- 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 Nickel Deposit

RISK FACTORS

The Shares offered by this Prospectus are of a speculative nature. Prospective investors should carefully consider the risk factors outlined in Section 4 of this Prospectus which include:

- no guarantee of exploration success;
- resource estimates are imprecise and may prove to be inaccurate;
- commodity price volatility and exchange rate risks;
- limited operating experience and reliance on key personnel;
- Tanzanian village title holder rights may delay exploration access;
- environmental risks inherent in the Company's operations;
- inability to secure additional financing for future exploration programs and activities;
- mine development is subject to numerous risks; and
- the Company may be subject to a number of risks specific to working in Tanzania.

KEY DATES

| | |
|-----------------------------------------------------|-------------------|
| Lodgement of this Prospectus with ASIC | 16 August 2010 |
| Opening Date of the Offer | 24 August 2010 |
| Date of General Meeting | 13 September 2010 |
| Expected Closing Date of the Offer | 16 September 2010 |
| Allotment Date | 24 September 2010 |
| Dispatch of Holding Statements | 29 September 2010 |
| Delisting from NSX | 29 September 2010 |
| Expected date for Shares to commence trading on ASX | 6 October 2010 |

The above dates are indicative only and may vary, subject to the requirements of the Listing Rules and the Corporations Act.

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Corporate Directory

Continuing Director

Robert Greenslade Non-Executive Director

Incoming Directors

Simon O'Loughlin Non-Executive Chairman
David Gower Non-Executive Director
David Argyle Non-Executive Director

Outgoing Directors

David Brookes Non-Executive Chairman
Stephen Evans Non-Executive Director

Company Secretary

Donald Stephens

Registered Office

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

Telephone: 08 8130 2000
Facsimile: 08 8363 1980

Website: www.innovance.com.au
Email: info@innovance.com.au

Sponsoring Broker

Taylor Collison Limited
Level 16
211 Victoria Square
ADELAIDE SA 5000

Level 10
167 Macquarie Street
SYDNEY NSW 2000

Share Registrar

Computershare Investor Services Pty Ltd
Level 5
115 Grenfell Street
ADELAIDE SA 5000

Telephone: 1300 658 562 (Australia)
Telephone: +61 (0)3 9415 4232 (outside Australia)
Facsimile: 1300 534 987
Email: web.queries@computershare.com.au

Solicitors to the Company

O'Loughlins Lawyers
Level 2
99 Frome Street
ADELAIDE SA 5000

Solicitors' Report on Tenements

Rex Attorneys
145 Magore Street, Upanga
Dar es Salaam
TANZANIA

Independent Geologist

Malcolm Castle
Consulting Geologist
PO Box 473
SOUTH PERTH WA 6951

Investigating Accountant

PKF Corporate (SA) Pty Ltd
PKF House
Level 2
139 Frome Street
ADELAIDE SA 5000

Corporate Adviser

Gryphon Partners
Level 10
81 Flinders Street
ADELAIDE SA 5000

Advisers

Wolfstar Group Pty Ltd
Unit 6
34 York Street
NORTH PERTH WA 6006

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

Auditor

PKF
PKF House
Level 2
139 Frome Street
ADELAIDE SA 5000

Incoming Chairman's Letter

16 August 2010

Dear Investor

On behalf of the Directors of Innovance Limited ("**Innovance**" or "**the Company**"), it is my pleasure to introduce this Prospectus to you and invite you to become a Shareholder of the Company.

This Prospectus has been issued by Innovance for the purposes of the offer of 12,000,000 Shares at \$0.20 each to raise \$2,400,000 before costs. Up to a further 8,000,000 Shares at \$0.20 per Share may be accepted as oversubscriptions to raise up to a further \$1,600,000.

On 15 June 2010, the Company entered into a Share Sale Agreement ("**Share Sale Agreement**") with Castillian Resources Corporation ("**Castillian**") of Canada to acquire 100% of the Kagera Nickel Project in north-west Tanzania ("**Kagera Nickel Project**") through the acquisition of a 100% interest in Castillian Resources (Tanzania) Limited. Please refer to Section 8.1 of this Prospectus for a summary of the Share Sale Agreement.

The acquisition of the Kagera Nickel Project will provide Innovance with a significant position in the highly prospective Kabanga-Musongati mafic-ultramafic belt across 4 mineral exploration licences and 2 applications for mineral exploration licences over approximately 860km².

The transaction is conditional upon various matters which are set out in the summary of the Share Sale Agreement in Section 8.1 of this Prospectus. If any of the conditions have not been satisfied or waived on or before 23 September 2010 or such later date as may be agreed between the Company and Castillian, the Share Sale Agreement will terminate and the offer of Shares made under this Prospectus will be withdrawn.

Innovance has convened a General Meeting on 13 September 2010 to seek all Shareholder approvals required under the Share Sale Agreement and to ready the Company for listing on ASX. A copy of the Notice of Meeting is contained in the annexure to this Prospectus.

To better reflect the nature of the Company moving forward, Shareholder approval is being sought at the General Meeting to change the name of the Company to Kagera Nickel Limited.

This Prospectus contains detailed information about Innovance and the Kagera Nickel Project, in addition to independent professional reports. Please read this Prospectus carefully before you make your investment decision and, where necessary, consult your professional advisers.

Once again, on behalf of the Board, I invite you to become a Shareholder in Innovance and thereby be part of this exciting investment opportunity.

Yours sincerely



Simon O'Loughlin
Incoming Chairman

1. Details of the Offer

1.1 Introduction

The information set out in this Section is not comprehensive and should be read together with the other information in this Prospectus.

1.2 The Offer and Subscription

The Company is offering 12,000,000 Shares for subscription at an Offer Price of 20 cents per Share to raise \$2,400,000. Oversubscriptions of up to a further 8,000,000 Shares may be accepted to raise up to a further \$1,600,000. The Minimum Subscription is 12,000,000 Shares.

All Shares issued pursuant to this Prospectus will be issued as fully paid Shares and will rank equally in all respects with the Shares already on issue. The rights attaching to the Shares are summarised in Section 9.5 of this Prospectus.

If the Minimum Subscription for the Offer is not achieved within four months after the date of this Prospectus, the Company will repay all money received from Applicants, without interest.

1.3 Offer Period

The Offer will open on the Opening Date and will remain open until 5.00 pm (CST) on the Closing Date. The Company reserves the right to either open or close the Offer at an earlier time or date or to extend the time or date without prior notice. Applicants are encouraged to submit their Applications as early as possible.

1.4 Conditions Precedent

The Company has convened a General Meeting on 13 September 2010 to seek all Shareholder approvals required under the Share Sale Agreement (a summary of which is contained in Section 8.1 of this Prospectus) and to ready the Company for listing on ASX. A copy of the Notice of Meeting is contained in the annexure to this Prospectus. The Offer made under this Prospectus and the issue of Shares pursuant to this Prospectus are subject to and conditional upon Shareholders passing all Resolutions referred to in the Notice of Meeting and Completion of the Acquisition under the Share Sale Agreement. If these conditions are not satisfied, this Offer will not proceed, no Shares will be allotted pursuant to this Prospectus and the Company will repay all money received from Applicants without interest.

1.5 Purpose of the Offer

The purpose of the Offer is to raise the necessary funds to allow the continued exploration of the Kagera Nickel Project described in this Prospectus.

The proposed application of funds over two calendar years from the date on which the Shares allotted under this Prospectus are quoted on the ASX is as follows:

| Use of Funds | Notes | Minimum Subscription \$2,400,000 | Maximum Subscription \$4,000,000 |
|------------------------------------------------------|-------|-------------------------------------|-------------------------------------|
| Pre-offer cash | | 1,191,127 | 1,191,127 |
| Total raised in the Offer | 1 | 2,400,000 | 4,000,000 |
| Total Funds Available | | 3,591,127 | 5,191,127 |
| Exploration expenditure | 2 | 2,035,000 | 2,035,000 |
| Expenses of the Offer | 3 | 264,714 | 270,714 |
| Application handling and brokerage fees | | 120,000 | 200,000 |
| Administration | | 779,815 | 779,815 |
| Investment Opportunities and general working capital | 4 | 391,598 | 1,905,598 |
| Total funds applied | | 3,591,127 | 5,191,127 |



Notes:

1. If the Company raises more than the Minimum Subscription, but less than the Maximum Subscription amount of \$4,000,000 the Company intends to apply these funds first to the application handling fee and secondly to working capital.
2. Exploration expenditure is more fully described in Section 2.4 of this Prospectus.
3. Refer to Section 9.10 of this Prospectus for a breakdown of the expenses of the Offer.
4. Unallocated working capital will be conserved to allow for evaluation of and securing of new exploration opportunities.

Details of the proposed exploration programmes and the associated expenditures are outlined in Section 2 of this Prospectus.

The Directors are satisfied that, upon completion of the Issue, the Company will have sufficient funds to meet its stated objectives for a period of at least two years.

The use of joint venture funding or share placements will be considered by the Directors where it is appropriate to accelerate exploration of a specific project towards the delineation or development of a discovery.

It is also possible that future acquisitions may exceed the current or projected financial resources of the Company and it is expected that these acquisitions would be funded by project finance and/or equity issues (subject to Shareholder approvals).

1.6 Capital Structure on a Post-Consolidation Basis

Following completion of the Issue, the proposed issued capital structure of the Company on a post-consolidation basis will be as set out in the table below (assuming that all Resolutions are passed and the Acquisition is completed):

| | Note | MINIMUM SUBSCRIPTION NUMBER | MAXIMUM SUBSCRIPTION NUMBER |
|--------------------------------------------|------|-----------------------------------|-----------------------------------|
| SHARES | | | |
| Existing Shares | 1 | 8,285,917 | 8,285,917 |
| Shares issued pursuant to this Prospectus | | 12,000,000 | 20,000,000 |
| Shares issued to Castillian Resources Corp | | 5,000,000 | 5,000,000 |
| Total Shares | 2 | 25,285,917 | 33,285,917 |
| Performance Shares | | | |
| A Class Performance Shares | | 7,500,000 | 7,500,000 |
| B Class Performance Shares | | 7,500,000 | 7,500,000 |
| C Class Performance Shares | | 7,500,000 | 7,500,000 |
| Total Performance Shares | 3 | 22,500,000 | 22,500,000 |
| UNLISTED OPTIONS | | | |
| Existing Options | 4 | 1,100,000 | 1,100,000 |
| Options Issued to Brokers and Advisers | 5 | 3,000,000 | 3,000,000 |
| Options Issued to Incoming Directors | 5 | 500,000 | 500,000 |
| Total Unlisted Options | | 4,600,000 | 4,600,000 |
| TREASURY OPTIONS | | | |
| Treasury Options | 6 | - | - |

*subject to rounding on the proposed consolidation



Notes:

1. Shares currently on Issue will be consolidated on a 1 new Share for every 2 existing Shares held basis.
2. Rights attaching to the Shares are summarised in Section 9.5 of this Prospectus. The Castillian Resources Corp Shares will be issued subject to satisfaction of all conditions precedent and Completion of the Acquisition under the Share Sale Agreement.
3. Terms and conditions of the Performance Shares are summarised in Section 9.6 of this Prospectus.
4. Options currently on issue will be consolidated on a 1 new Option for every 2 existing Options held basis.
5. Terms and conditions of the Options are summarised in Section 9.7 of this Prospectus.
6. There are currently 30,000,000 Treasury Options on issue which will be cancelled subject to the satisfaction of all of the conditions under the Share Sale Agreement and the successful Completion of the Offer under this Prospectus. The terms and conditions of the Treasury Options are summarised in Section 9.7(e) of this Prospectus.

1.7 Risk Factors

Investment in Shares under this Prospectus should be considered as speculative because of the inherent risks in mineral exploration. There are also inherent risks in the delineation of mineral reserves and in mineral production. A summary of some of the risk factors is set out in Section 4 of this Prospectus. Before submitting their Application, potential investors should read this Prospectus in full and consult their professional advisers if they require further information on the risks associated with investing in the Company.

1.8 Application for Shares

Applications must be for a minimum of 10,000 Shares (\$2,000) and thereafter in multiples of 1,000 Shares (\$200) and can only be made by completing the Application Form attached to this Prospectus. The Company reserves the right to reject any Application or to allocate any investor fewer Shares than the number for which the Applicant has applied.

1.9 Exposure Period

In accordance with Chapter 6D of the Corporations Act this Prospectus is subject to an Exposure Period of seven days from the date of lodgement with ASIC. This period may be extended by ASIC for a further period of up to seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. If this Prospectus is found to be deficient, Applications received during the Exposure Period will be dealt with in accordance with section 724 of the Corporations Act. Applications received prior to the expiration of the Exposure Period will not be processed until after the Exposure Period.

1.10 How to Apply

Applications under the Offer may be made, and will only be accepted, in one of the following forms:

- on the relevant Application Form accompanying this Prospectus; or
- on a paper copy of the relevant electronic Application Form which accompanies the electronic version of this Prospectus, both of which can be found at and can be downloaded from www.innovance.com.au.

Application Forms must be accompanied by a personal cheque or a bank draft, payable in Australian dollars, for an amount equal to the number of Shares for which you wish to apply multiplied by the application price of 20 cents per Share. Cheques or bank drafts should be made payable to "Innovance Ltd Share Account" and crossed "Not Negotiable". No brokerage or stamp duty is payable by Applicants. The amount payable on Application will not vary during the period of the Offer.

Applicants should ensure that cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the Application being rejected. Application Monies will be held in trust in a subscription account established and controlled by the Company until allotment has taken place.

Completed Application Forms should be posted to:

Innovance Ltd Share Issue
c/o Computershare Investor Services Pty Ltd
GPO Box 1903
ADELAIDE SA 5001

Application Forms must be received at the above address by no later than 5.00 pm (CST) on the Closing Date.

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

An Application may not be withdrawn after lodgement unless the Applicant is permitted to withdraw the Application in accordance with the Corporations Act.

1.11 Allocation and Allotment of Shares

Subject to ASX granting approval for Quotation of the Shares, the allotment of Shares will occur as soon as practicable after the Offer closes. All Shares issued pursuant to the Offer will rank *pari passu* in all respects with the existing Shares of the Company. Holding statements will be dispatched as required by ASX. It is the responsibility of Applicants to determine their allocation prior to trading in Shares.

The Directors reserve the right to reject any Application or to allot a lesser number of Shares than subscribed for in an Application Form. If the number of Shares allocated is less than that applied for, or no allotment is made, the surplus Application Monies will be promptly refunded without interest.

1.12 Sponsoring Broker

Taylor Collison Limited has agreed to act as sponsoring broker to the Offer. Details of the terms of appointment of the sponsoring broker, including fees payable, are set out in Section 8.2 of this Prospectus.

1.13 Brokerage and Handling Fees

Brokerage and/or handling fees on Applications will be payable by Taylor Collison Limited to member firms of ASX or licensed investment advisers on such Application Forms bearing their stamp and accepted by the Company.

1.14 ASX and NSX Listing

Application will be made to ASX within seven days after the date of this Prospectus for Quotation of the Shares issued pursuant to this Prospectus. The Company's present intention is to seek NSX's approval to suspend trading on the NSX approximately 20 days before the Company's expected date of admission to the Official List of ASX and Quotation of the Shares on the ASX, and to withdraw its listing on the NSX upon the Company being admitted to the Official List of ASX and Quotation of the Shares on ASX. The fact that ASX may admit the Company to its Official List is not to be taken as an indication of the merits of the Company or the Shares being issued. ASX and NSX and their respective officers and employees take no responsibility for the contents of this Prospectus or the reports that it contains.

If the Company's application for admission to ASX and Quotation of the Shares on ASX is unsuccessful for any reason, it is intended that the Company maintains its listing on NSX and all Application Monies will be refunded to Applicants without interest.

If application for Quotation of the Shares on ASX is not made within seven days after the date of this Prospectus or approval for Quotation of the Shares is not granted within 3 months after the date of this Prospectus, the Company will not allot or issue any Shares pursuant to the Offer and will repay all Application Money without interest as soon as practicable.

1.15 CHESS

The Company will participate in the Clearing House Electronic Subregister System ("**CHESS**"), operated by ASX Settlement and Transfer Corporation Pty Ltd ("**ASTC**"), a wholly owned subsidiary of ASX, in accordance with the Listing Rules and ASTC Settlement Rules.

Under this system, the Company will not issue certificates to investors in relation to their Shares. Instead, Shareholders will receive a statement of their shareholdings in the Company.

If an investor is broker sponsored, ASTC will send them CHESS statements. The CHESS statements will set out the number of Shares allotted to each investor under this Prospectus, give details of the Shareholder's holder identification number ("**HIN**") and give the participant identification number of the sponsor.

Alternatively, if an investor is registered on the issuer sponsored sub register, the statements will be dispatched by the Share Registrar and will contain the number of Shares allotted under this Prospectus and the Shareholder's security holder reference number ("**SRN**").

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their holding changes. A Shareholder may request a statement at any other time, however a charge may be made for additional statements.



1.16 Overseas Investors

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Lodgement of a duly completed Application Form will be taken by the Company as to constitute a representation that there has been no breach of such laws.

No action has been taken to register or qualify the Shares, or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia or New Zealand.

The Offer pursuant to an electronic Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia or New Zealand.

1.17 Privacy Act

The Company collects information about each Applicant from the Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information in the Application Form for the purposes set out in this Prospectus and may disclose it for those purposes to the Share Registrar, the Company's related bodies corporate, agents, contractors and third party service providers (including mailing houses), ASX, ASIC and other regulatory authorities.

If an Applicant becomes a Shareholder of the Company, the Corporations Act requires the Company to include information about the Shareholder (name, address and details of the Shares held) in its public registers. This information must remain in the registers even if that person ceases to be a Shareholder of the Company. Information contained in the Company's registers is also used to facilitate distribution payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. Successful Applicants may request access to their personal information held by (or on behalf of) the Company by telephoning or writing to the Company Secretary.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Application.

1.18 No Underwriting

The Offer is not underwritten.

1.19 Taxation

The Australian taxation consequences of any investment in Shares will depend upon an investor's particular circumstances. It is an obligation of investors to make their own enquiries concerning the taxation consequences of an investment in the Company. If you are in doubt as to the course of action you should take, you should consult your professional advisers.

1.20 Dividend Policy

The Company does not yet have a dividend policy. The Company has no immediate intention to declare or distribute dividends. Payment of future dividends will depend upon the future profitability and financial position of the Company.

1.21 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

1.22 Investor Enquiries

This document is important and should be read in its entirety. Persons in doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Additional copies of this Prospectus or further advice on how to complete the Application Form can be obtained from the Share Registrar by telephone on 03 9415 4232.

Questions relating to the Offer can be directed to the Company's adviser, Wolfstar Group Pty Ltd, by telephone on 08 6468 0388.

1.23 Restricted Securities

As a condition of admitting the Company to the Official List, the ASX is expected to classify certain Shares and Options held prior to the date of this Prospectus as escrowed securities. Prior to Quotation it will be necessary for holders of such Shares and Options to enter into restriction agreements with the Company. The effect of the restriction agreements will be that the restricted securities cannot be dealt with for a period as determined by the ASX. Details of any determination by ASX will be released to the market prior to commencement of trading in the Shares on the ASX.

2. Overview of the Company and the Kagera Nickel Project

2.1 Overview of the Company

Innovance was incorporated on 22 December 2005. Initially, the focus of the Company was to uncover investment opportunities in the biotechnology sector. Innovance listed on the NSX on 9 February 2007.

If all of the Resolutions are passed and the Acquisition is completed, Innovance will:

- conduct a mineral exploration business, initially focussing on the Kagera Nickel Project in Tanzania;
- voluntarily withdraw its listing on NSX (subject to the Company being granted admission to the Official List of ASX and Quotation of the Shares on ASX); and
- change its name to 'Kagera Nickel Limited'.



2.2 Overview of the Acquisition

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

Completion of the Acquisition will deliver to the Company 100% of the Kagera Nickel Project in Tanzania. The acquisition of the Kagera Nickel Project will give the Company a significant licence area in the highly prospective Kabanga-Musongati mafic-ultramafic belt.

A summary of the terms and conditions of the Share Sale Agreement is contained in Section 8.1 of this Prospectus.

2.3 Kagera Nickel Project

The Kagera Nickel Project comprises a large land position covering approximately 860km² (across 4 mineral exploration licences and 2 applications for mineral exploration licences) in the highly prospective Kabanga-Musongati Belt in north-west Tanzania. Castillian, a company associated with Forbes & Manhattan Inc of Toronto, Canada acquired its interest in the Kagera Nickel Project in 2008. The Kagera Nickel 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 – The Kagera Nickel Project



The Kagera Nickel Project areas were selected to cover other identified magnetic geophysical anomalies and nickel and other associated metal geochemical anomalies within the northern extension of the Kagera Belt to the north-east from the Kabanga Nickel Deposit (held by Xstrata PLC and Barrick Gold Corporation).

The Kagera Nickel Project is 6km directly along a regional geological and geophysical trend north-east of the Kabanga Nickel Deposit. The Kagera Nickel Project is adjacent to the Luhuma nickel occurrence. In March 2008, Castillian commenced a 6,750 line km Versatile Time Domain Electromagnetic ("VTEM") magnetic and electromagnetic ("EM") survey over the Kagera Nickel Project, including property directly to the north-east of the Kabanga Nickel Deposit. The data was based on survey lines at 200 metre spacings.



Figure 2 – Location of the Kagera Nickel Project

The Kabanga Nickel Deposit was discovered in the 1970's during a United Nations Development Program ("UNDP"). The Kabanga Nickel Deposit has been drilled out, having 53.5Mt at 2.7% Nickel, 0.4% Copper, 0.2% Cobalt, 0.3g/t Platinum and 0.2g/t Palladium. The Kabanga Nickel Deposit is a world-class Greenfield nickel sulphide project. It is understood that Xstrata PLC and Barrick Gold Corporation will complete their feasibility study in 2010, with an anticipated production rate of more than 40,000t nickel per annum and an expected mine life of more than 25 years.

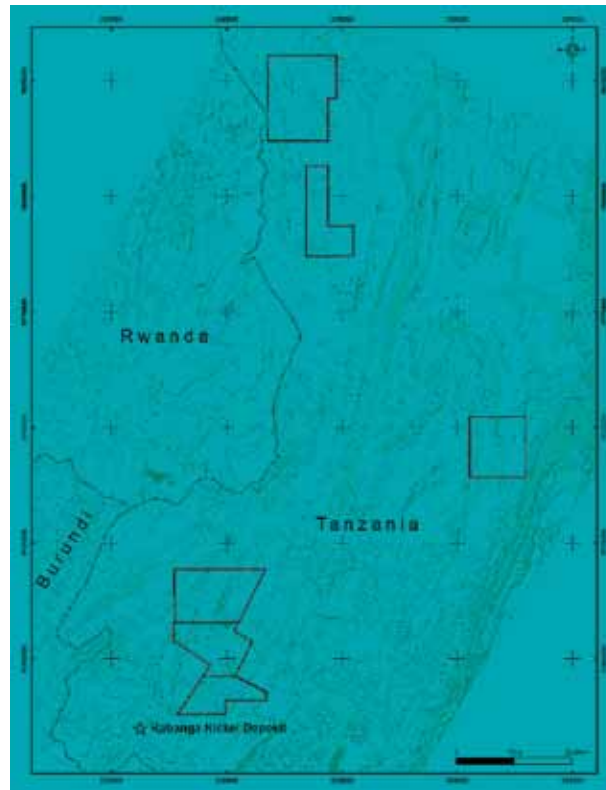


Figure 3 - Location of Kagera Nickel Project concessions over the regional geological map showing the Kabanga Nickel Deposit

During the 1970s UNDP exploration, a number of geophysical targets were identified within approximately 10 to 20 kilometres of the Kabanga Nickel Deposit and the Kagera Nickel Project. Four high priority target areas with gossan occurrences associated with airborne geophysical anomalies were discovered during Castillian's field follow up of the VTEM airborne survey completed over the Kagera Nickel Project.

Geophysical targets include:

Burende Target: Gossans were identified at 20 sites over an area of approximately 2.5km by 4.5km associated with a series of high priority EM conductors with coincident high magnetic anomalies interpreted to represent mafic/ultramafic rocks.

Nampigwe Target: Gossans were identified at 20 sites extending along a 6.5km linear trend associated with coincident magnetic and EM anomalies. Mafic and ultramafic rocks were also identified, locally containing disseminated sulphides.

Nyamahwa Target: Gossans were identified at 11 sites extending along a 10km linear trend associated with coincident magnetic and EM anomalies.

Shanga Target: Anomalous nickel, copper and chrome soil geochemical anomalies are associated with a 1km magnetic feature associated with a series of discrete EM anomalies that extends along 7km. This target area is immediately adjacent to the property boundary with the Kabanga Nickel Deposit to the south-west. Two gossan occurrences have been identified associated with the geochemical anomaly on the Shanga target.

2.4 Summary of Exploration Budget

Initial work by the Company will focus on the high priority targets outlined in Section 2.3 of this Prospectus.

The scope of ongoing work will be partly determined by the results of the initial exploration program as well as the amount of funds raised under this Prospectus. It is emphasised that the programmes and budgets proposed rely on current knowledge and exploration concepts and are based on the assumption that results will be sufficiently encouraging to justify a continuous work programme. The actual activities carried out and the allocation of funds will be subject to frequent rigorous technical review, and may be varied depending on the results achieved as the exploration programmes progress.



| Exploration Expenditure | \$2,400,000 Raising | | \$4,000,000 Raising | |
|------------------------------|---------------------|-------------|---------------------|-------------|
| | Year 1 | Year 2 | Year 1 | Year 2 |
| Kagera Nickel Project | \$1,000,000 | \$1,035,000 | \$1,000,000 | \$1,035,000 |
| Two year Total | | \$2,035,000 | | \$2,035,000 |

2.5 Competent Person

The information in this Section of this Prospectus that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Malcolm Castle, who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castle consents to the inclusion in this Prospectus of the matters based on his information in the form and context in which it appears.

3. Directors and Management

The Directors of the Company as at the date of this Prospectus are:

David Brookes MBBS FACRRM
Non-Executive Chairman

David Brookes is a medical graduate of the University of Adelaide who practised as a rural general practitioner in the Northern Territory supervising regional paediatric services until 1995. He moved back to Adelaide with his family and practices in the Adelaide Hills. Since the late 1990's David has been a biotechnology analyst for Taylor Collison Limited in an informal capacity. David is currently a non-executive chairman of Living Cell Technologies Ltd and a non-executive director of Atcor Medical Holdings Ltd.

Stephen Evans BA(Acc) FAICD
Non-Executive Director

Stephen Evans is the Managing Partner of a leading Adelaide based accounting firm, "RJC Evans & Co" which was established in 1920. Stephen has over 25 years experience in advising small, medium and large corporations in relation to tax, accounting, financial and business related matters. He is a member of the Taxation Institute of Australia, National Institute of Accountants and a Fellow of the Institute of Company Directors. He brings to the Board a wealth of experience in the accounting, financial and taxation fields. Stephen is non-executive chairman of Chesser Resources Limited and a non-executive director of Panax Geothermal Limited and Avenue Resources Limited.

Robert Greenslade BEc
Non-Executive Director

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

If all of the Resolutions are passed and the Acquisition occurs, Mr David Brookes and Mr Stephen Evans will retire as directors and Mr Simon O'Loughlin, Mr David Gower and Mr David Argyle will be appointed as directors.

Simon O'Loughlin BA (Acc), Law Society Certificate in Law
Incoming Non-Executive Chairman

Simon 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. Simon 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.

Simon is a former Chairman of the Taxation Institute of Australia (SA Division) and Save the Children Fund (SA Division).

David Gower PGeo
Incoming Non-Executive Director

David Gower has over 20 years of experience in exploration with Falconbridge Limited, Noranda Inc (now X-strata PLC) most recently as director of Global Nickel Inc and PGM Exploration and Mining. He was a member of the Senior Operating Team responsible for mining projects with Falconbridge Limited. 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 Nickel Deposit in Tanzania and significant increases in known nickel resources at the Kabanga Nickel Deposit in Tanzania and El Pilar in Mexico.

David Argyle MBA
Incoming Non-Executive Director

In August 2007, David Argyle was appointed President and Chief Executive Officer of Dynamite Resources Limited which subsequently merged with Avion Resources Corp in Feb 2009. Prior to joining Dynamite, he was the Managing Director of Tau Mining Ltd. David 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.

The Company's current Company Secretary, Mr Donald Stephens, will remain in that capacity.

Donald Stephens BAcc, FCA
Company Secretary

Donald Stephens is a chartered accountant with over 25 years experience in corporate accounting, corporate finance, management consulting and corporate governance. Donald is a director of Papyrus Australia Limited and Mithril Resources Ltd and is the company secretary for Minotaur Exploration Ltd, Toro Energy Limited and other Public companies. Donald is a corporate advisor across various industry sectors including mineral exploration, energy technologies and precision agriculture.



4. Risk Factors

4.1 Introduction

The Shares offered under this Prospectus should be considered speculative because of the nature of the commercial activities of the Company. Whilst the Directors commend the Offer, potential investors should be aware that an investment in the Company involves risks, which may be higher than the risks associated with an investment in other companies.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's activities and its involvement in the exploration industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed activities of the Company.

Persons considering whether or not to invest in the Company should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate, before any decision is made to apply for Shares. Prospective investors should consider whether the Shares offered are a suitable investment for them having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. If in any doubt, they should consult with their professional advisers before deciding whether to apply for Shares.

The following, which is not exhaustive, identifies some of the major risks associated with an investment in the Company, of which potential investors need to be aware before making a decision on whether or not to invest in the Company's Shares.

4.2 General

General risks associated with investment in the Company may include:

- fluctuation of the price at which the Company's Shares trade due to market factors;
- price volatility of the Company's Shares in response to factors such as:
 - o additions or departures of key personnel;
 - o litigation and legislative change;
 - o press newspaper or other media reports; and
 - o actual or anticipated variations in the Company's operating results.

4.3 Exploration

Exploration is inherently associated with risk. Notwithstanding the experience, knowledge and careful evaluation a company brings to an exploration project there is no assurance that recoverable mineral resources will be identified. Even if identified, other factors such as technical difficulties, geological conditions, adverse changes in government policy or legislation or lack of access to sufficient funding may mean that the resource is not economically recoverable or may otherwise preclude the Company from successfully exploiting the resource.

4.4 Development and Mining

Possible future development of mining operations at the Company's Kagera Nickel Project is also subject to numerous risks. The Company's operations may be delayed or prevented as a result of weather conditions, mechanical difficulties, shortage of technical expertise or equipment. There may be difficulties with obtaining government and/or third party approvals, operational difficulties encountered with extraction and production activities, unexpected shortages or increase in the price of consumables, plant and equipment, cost overruns or lack of access to required levels of funding.

If the Company commences production, its operations may be curtailed or disrupted by a number of risks beyond its control such as environmental hazards, industrial accidents and disputes, technical failures, unusual or unexpected geological conditions, adverse weather conditions, fires, explosions and other accidents.

The Company's operations may be adversely affected by higher than anticipated ore treatment costs, worse than anticipated metallurgical conditions, fluctuations in base and metal prices or lack of availability of smelter capacity.

No assurance can be given that the Company will achieve commercial viability through development of its Kagera Nickel Project.



4.5 Limited Operating Experience and Reliance on Key Personnel

While its Directors and management team have significant experience in the mining exploration industry, the Company has only very limited operating experience. If growth objectives are to be met, this will depend on the ability of the Directors and management to implement the current exploration strategies and to adapt, where necessary, to accommodate and manage any unforeseen difficulties. Initially, the Company will rely heavily on the experience of its existing management team and Directors. The loss of the services of certain personnel could have an adverse effect on the Company and its activities.

4.6 Resource Estimations

Resource estimates are inherently imprecise as they are expressions of judgement at a particular time based on available information, interpreted using experience and resource modelling techniques. The estimates, while made by qualified professionals, may change over time as other information becomes available which differs from information known or predicted by past drilling, sampling and geological interpretation. Estimates remain subject to change which may adversely affect the Company's operations or the commercial viability of its Kagera Nickel Project.

4.7 Commodity and Currency Price Volatility

Commodity prices are subject to influencing factors beyond the control of the Company and can be subject to significant fluctuations. Just some of these influencing factors include:

- world demand for particular commodities;
- the level of production costs in major commodity producing regions; and
- expectations regarding inflation, interest rates and US dollar exchange rates.

Any significant and/or sustained fluctuation in exchange rates or commodity prices could have a materially adverse affect on the Company's operations and its financial position.

4.8 Tanzanian Customary / Village Title

The Tanzanian Village Land Act 1999 recognises certain customary and/or village rights of indigenous persons over land where those rights have not been extinguished. These rights, where they exist, may impact on the ability of the Company to carry out exploration or obtain production tenements. In applying for certain production tenements, the Company must observe the provisions of Village Land legislation (where applicable) which protects customary and village rights to compensation for crops and unexhausted improvement on the land.

In certain circumstances the consent of registered village claimants must be obtained prior to carrying out certain activities on land to which their claim relates. It is possible that the individual occupiers or village title holders may restrict the Company's ability to gain access to its tenements and conduct exploration, development and mining operations, or that the conditions imposed by customary or village Title claimants on such consent may be on terms unacceptable to the Company. However, if the Title holders or occupiers unreasonably withhold their consent the Company may apply to the Minister to overrule the occupiers or Village Title holders.

4.9 Tenure and Access

Mining and exploration tenements in Tanzania are subject to periodic renewal. Where a licensee has met the terms of the grant renewal will not be denied. However, if development conditions are not met there is no guarantee that current or future tenements or future applications for production tenements will be approved.

The renewal of the term of a granted tenement is statutorily provided and not subject to the discretion of the relevant Minister. Renewal conditions are also provided in the licence including expenditure and work commitments or compulsory relinquishment of areas of the tenements.

4.10 Compulsory Work Obligations

Tenements in Tanzania are subject to expenditure and work commitments which must be met in order to keep such tenements in good standing. These commitments may not be varied as they are provided for in Regulations. If there is failure to meet the commitments, this could lead to forfeiture of the tenement.



4.11 Environmental

Should the Company proceed to development of one or more mines, it could be expected that such developments would have a number of environmental impacts which would require various statutory approvals to be put in place. There is no guarantee that such approvals would be granted. The Company intends to conduct its operations in an environmentally responsible manner and in accordance with relevant legislation. However, the Company is unable to predict the effect of future changes to environmental legislation or policy and the cost effect of such changes on its operations and financial position.

4.12 Shortage of Funding

The funds raised by the Offer will be used to carry out work on the Kagera Nickel Project as detailed in this Prospectus. If the Company incurs unexpected costs or is unable to generate sufficient operating income, further funding may be required. The Company may require additional funding to carry out further exploration, undertake feasibility studies, develop mining operations and/or acquire new projects. Any additional financing through share issues may dilute shareholdings acquired under this Prospectus. Debt financing may not be available to support the scope and extent of proposed developments. If available, it may impose restrictions on operating activities or anticipated expansion of the Company's operations.

4.13 Joint Ventures

The Company may wish to undertake future projects through joint venture arrangements. Any joint ventures entered into by, or interests in joint ventures assigned to, the Company could be affected by the failure or default of any of the joint venture participants.

4.14 Government Policy

Changes in government, monetary policies, taxation and other laws can have a significant influence on the outlook for companies and the return to investors.

4.15 Insurance Risks

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.

4.16 Competition Risk

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

4.17 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- interest rates and inflation rates;
- currency fluctuations;
- changes in investor sentiment toward particular market sectors;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.



4.18 Foreign Exchange Risk

The Company operates internationally and is therefore exposed to the effects of changes in currency exchange rates. In particular, commodity prices (and therefore potential future revenues of the Company) are typically denominated in United States dollars, whereas a portion of the Company's costs (capital and revenues) are incurred in other currencies. The Company does not currently hedge these currency risks.

4.19 Country Risk

The Kagera Nickel Project is located in Kagera in north-west Tanzania. The Company's operations may be subject to the following matters in Tanzania:

- the risk of political and economic instability;
- the possible imposition of restrictive trade regulations and tariffs;
- the risk of reduced protection for intellectual property rights under applicable law; and
- the risk of unexpected changes in regulatory requirements (such as those relating to taxation, import and export tariffs, environmental obligations and other matters).

No assurances can be given regarding the future stability in Tanzania or any other country in which the Company operates. Whilst the Company is mindful of this risk issue and takes it into account in respect of assessing the relative merits of opportunities and in management of and exit planning for assets, its investments may be materially adversely affected by political instability.

5. INDEPENDENT GEOLOGIST'S REPORT



Malcolm Castle

Consulting Geologist
P.O. Box 473, South Perth, WA 6951
Phone: 08 9474 9351
Mobile: 04 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

12 August 2010

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

Dear Sirs,

Re:

**INDEPENDENT GEOLOGIST'S REPORT ON
MINERAL PROPERTIES IN TANZANIA**

I have been commissioned by Innovance Limited ("Innovance" or the "Company") to provide an independent technical report on the 4 mineral exploration licences and 2 areas subject to applications for mineral exploration licences in Tanzania which the Company is seeking to acquire ("Report"). This report is to be included in a Prospectus to be lodged by the Company with the Australian Securities and Investments Commission ("ASIC") on or about 16 August 2010, to raise a minimum of \$2.4 million (before expenses) by issuing 12,000,000 shares at 20 cents. The funds raised will be used for the purpose of exploration and evaluation of the aforementioned licences held by the Company.

The Properties

The highly prospective Kagera Nickel Project comprises 4 mineral exploration licences and 2 areas subject to applications for mineral exploration licences covering more than 860km² along the western border of Tanzania. The Kabanga-Musongati mafic-ultramafic belt occurs in the Mesoproterozoic Kibaran Orogenic Belt, along 350km with a northeast-southwest trend, exposed in

Burundi, Rwanda, southwest Uganda and northwest Tanzania. The intrusions were emplaced into pelitic sediments of the Karagwe-Ankolean Supergroups that accumulated during the early rifting phase of the Kibaran orogeny which contain important nickel sulphide ores including the Kabanga Nickel Deposit (Tanzania) and reef-type platinum group elements concentrations at Musongati (Burundi), one of the world's largest nickel-laterite deposits.

The key claims are located approximately 6km northeast of the Kabanga Nickel Deposit of Barrick Gold Corporation ("Barrick")/ Xstrata PLC ("Xstrata") (one of world's largest undeveloped high grade nickel sulphide deposits) which is presently undergoing feasibility studies.

Details in respect to the legal status and tenure of the tenements comprising the Projects have not been considered in this report but are outlined in the Solicitor's Report on Tenements in Section 7 of this Prospectus.

DECLARATIONS

Relevant codes and guidelines

This Report has been prepared as a technical assessment in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN Code")*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (Regulatory Guides RG111 and RG112).

Where and if mineral resources have been referred to in this Report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code")*, prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective December 2004.

Under the definition provided by the ASX and in the VALMIN Code, these properties are classified as 'exploration projects', which are inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of their economic potential, consistent with the exploration and development programs proposed by the Company.

Sources of Information

The statements and opinion contained in this Report are given in good faith and this review is based on information provided by the title holders, along with technical reports prepared by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this Report is based. A final draft of this Report was provided to the Company along with a written request to identify any material errors or omissions prior to lodgement.

This Report has been compiled based on information available up to and including the date of this Report. Consent has been given for the distribution of this Report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this Report is:

Malcolm Castle, B.Sc. (Hons), GCertAppFin (Sec Inst), MAusIMM.

Malcolm Castle has over 40 years experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company 20 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc. (Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Mr Castle is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM") and has the appropriate relevant qualifications, experience, competence and independence to be considered as an "Expert" and "Competent Person" for the purposes of the VALMIN and JORC Codes, respectively.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this Report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle
B.Sc.(Hons), MAusIMM,
GCertAppFin (Sec Inst)



KAGARA PROJECT, TANZNIA

The Kagera Nickel Project comprises a substantial tenement area covering more than 860km² along the western border of Tanzania. The highly prospective Kabanga-Musongati mafic-ultramafic belt occurs in the Meso-proterozoic Kibaran Orogenic Belt, along 350km with a northeast-southwest trend, exposed in Burundi, Rwanda, southwest Uganda and northwest Tanzania. The intrusions were emplaced into pelitic sediments of the Karagwe-Ankolean Supergroups that accumulated during the early rifting phase of the Kibaran orogeny and contain important nickel sulphide ores at Kabanga Nickel Deposit (Tanzania) and reef-type platinum group element concentrations at Musongati (Burundi), one of the world's largest nickel-laterite deposits.

The key claims are located approximately 6km northeast of the Kabanga Nickel Deposit of Barrick / Xstrata (one of world's largest undeveloped high grade nickel sulphide deposits) which is presently undergoing feasibility studies.

LOCATION AND TENURE

The highly prospective Kagera Nickel Project includes six concessions (4 mineral exploration licences and 2 areas subject to applications for mineral exploration licences) in the prospective Kabanga-Musongati mafic-ultramafic belt in northwest Tanzania. The properties comprise a large land position covering over 860km² along the western border of Tanzania.

| Tenement | Status | Date | Area,km ² |
|------------------------------------------|---------|------------------------------|----------------------|
| PL 5306/2008 | Granted | 28-Aug-08 | 191.8 |
| PL 5192/2008 | Granted | 18-Jul-08 | 98.9 |
| PL 4985/2008 | Granted | 18-Mar-08 | 134.2 |
| HQ-P 18733 | Pending | Application still in process | 158.7 |
| HQ-P 17612 | Pending | Application still in process | 126.2 |
| PL 6463/2010 (formerly HQ-P 17613) | Granted | 21-Jun-10 | 154.5 |
| Total Area | | | 864.3 |



Location of the Kagera Nickel Project

REGIONAL SETTING

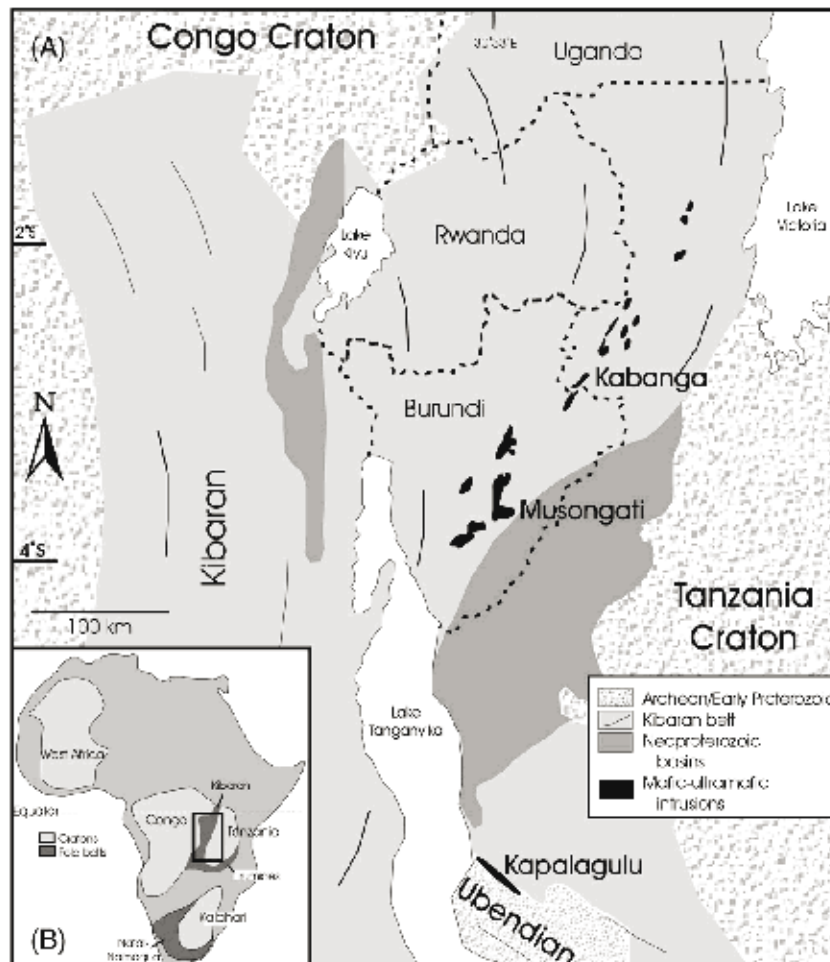
The ca. 1.4 Ga Kabanga-Musongati-Kapalagulu belt of mafic-ultramafic intrusions occurs within the Kibaran orogenic belt of western Tanzania and Burundi developed between the Archaean Congo and Tanzania Cratons. It comprises a linear series of mafic-ultramafic complexes within a 10-35km wide structural trend that can be traced for 350km. The belt hosts nickel deposits and platinum group element reef deposits (at Musongati and Kapalagulu). Many of the intrusions are hosted by low to medium grade metamorphosed mica schists and graphitic schists which may contain abundant sedimentary sulphides. The intrusions consist of sills and sub-horizontal pipes of variable sizes. Dykes are rare. The smallest intrusions are 10s to 100s of metres wide and may host massive nickel sulphide ores (for example Kabanga North). Mass balance considerations indicate large ratios of sulphides to silicate ratios and ultramafic to mafic lithologies in these bodies, suggesting emplacement of olivine-pyroxene-sulphide crystal mushes. The larger intrusions may be several km in thickness and host sulphur poor platinum group element reefs (Kapalagulu, Musongati).

The Kabanga Nickel Deposit, subject to a 50/50 owned joint venture of Barrick / Xstrata and operated by Xstrata through a subsidiary, was discovered after a large comprehensive geochemical and geophysical program during the 1970s by the United Nations Development Program ("UNDP") identified a chain of coincident airborne magnetic and geochemical anomalies within a 20-30km

wide northeasterly trending belt extending over 200km in length from Burundi in the south, through western Tanzania to Uganda in the north.

The Kabanga Nickel Deposit is among the world's most attractive undeveloped nickel sulphide deposits, with a total estimated measured, indicated and inferred resource of 53.5 million tonnes at 2.7% Nickel, 0.4% Copper, 0.2% Cobalt, 0.3g/t Platinum and 0.2g/t Palladium (Xstrata, 2009). Xstrata has completed over US\$50 million in expenditures to update the resource model for the Kabanga Nickel Deposit. The feasibility study on the Kabanga Nickel Deposit is due for completion in 2010.

The Kabanga Nickel Deposit, which is within 6 kilometres of the Kagera Nickel Project held by the Company was discovered by following up one of the UNDP anomalies; additional mineralization has also been reported at a new adjacent discovery, the MNB Deposit.



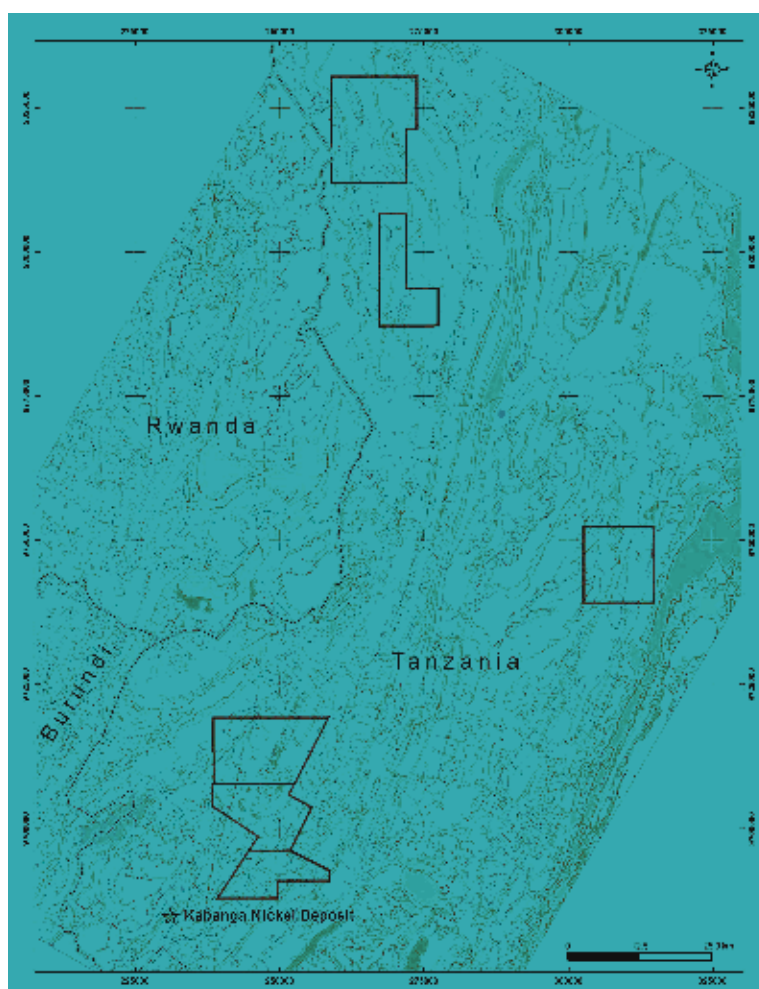
Location of the Kabanga-Musongati Mafic-Ultramafic Belt within the Kibaran belt of Burundi and Tanzania



LOCAL SETTING

The Kagera Nickel Project covers an area of approximately 860km² within the highly prospective Kabanga-Musongati Belt in northwest Tanzania. The Project areas were selected to cover other identified magnetic geophysical anomalies and nickel and other associated metal geochemical anomalies within the northern extension of the Kagera Belt to the north from the Kabanga Nickel Deposit. Two of the five target areas recommended by the UNDP evaluation mission in 1979, Anomalies 29-04 and 18-01, are located within the Kagera Nickel Project area; the other three recommended targets are within ground held by Barrick / Xstrata, one of which is the Kabanga Nickel Deposit.

At the Kabanga Nickel Deposit of Barrick / Xstrata, nickel sulphides occur in five deposits distributed over approximately 9 kilometres comprising a mineralized trend striking toward the Kagera Nickel Project which is directly adjacent to the northeast.



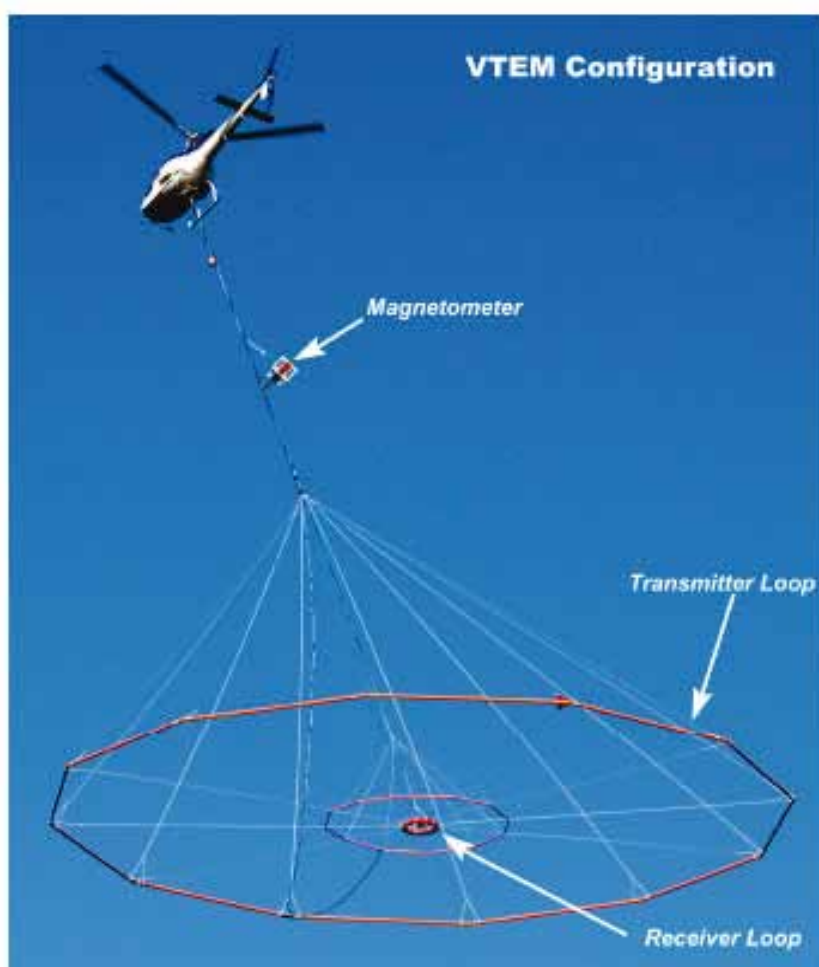
Location of Kagera Nickel Project concessions over the regional geological map showing the Kabanga Nickel Deposit



PREVIOUS EXPLORATION

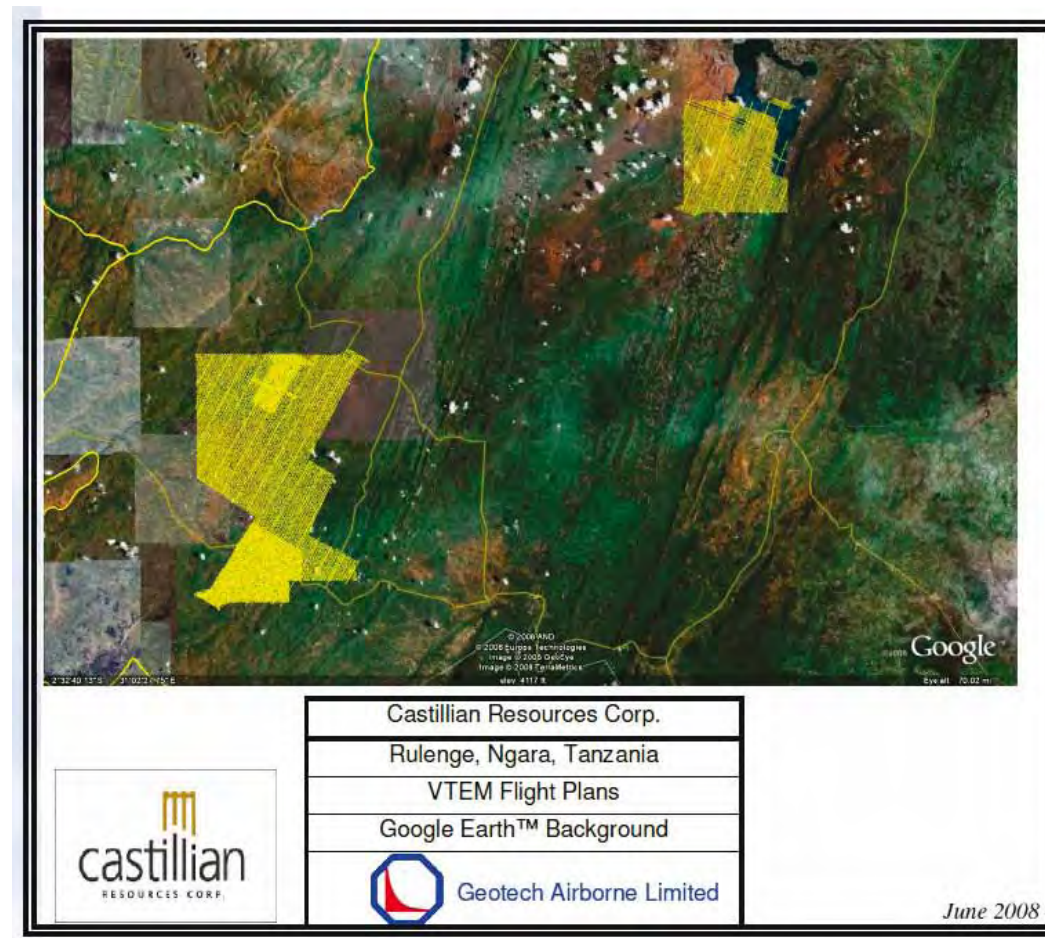
Initial reconnaissance exploration work included follow-up of geological, geophysical and geochemical surveys to identify areas of specific interest within the broader regional anomalies detected by the UNDP surveys.

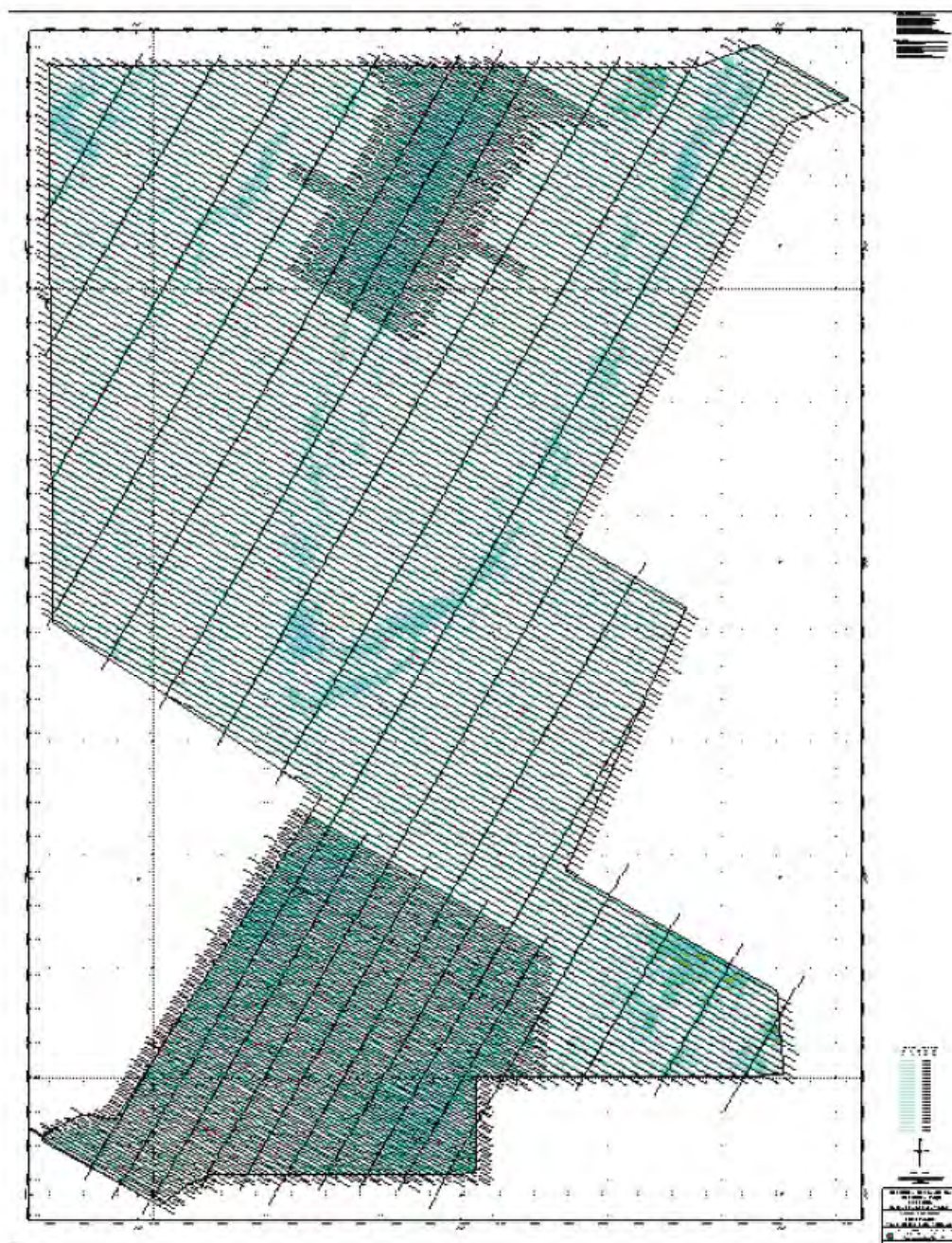
A number of geophysical targets were identified within approximately 10 to 20 kilometres of the Kabanga Nickel Deposit on the Kagera Nickel Project. Four high priority target areas with gossan occurrences associated with airborne geophysical anomalies were discovered during its field follow up of the Versatile Time Domain Electromagnetic System ("VTEM") airborne survey completed over the Kagera Nickel Project by Castillian. VTEM coverage was completed at 200 metre line spacing by Geotech Airborne Systems with certain key areas covered by in-fill flight lines to 100 metre line spacing. A total of 4324 line kilometres of survey were flown using the system configuration pictured below.





The system is generally regarded as one of the most effective for detecting high grade nickel sulphide deposits such as are typical of the adjacent Kabanga Nickel Deposit which due to very high conductivity are not detectable by many time-domain EM systems. The system was also deployed by Barrick / Xstrata on the adjacent Kabanga Nickel Deposit. See below for areas covered by the survey and areas with detailed airborne coverage.







The gossan occurrences are associated with magnetic and electromagnetic (“EM”) anomalies, mafic-ultramafic rocks and locally geochemical soil anomalies. These gossans and associated geophysical and geochemical anomalies occur within a geological trend that hosts the Kabanga Nickel Deposit located to the southwest and the Luhuma nickel occurrence to the northeast.

Gossans consist of intensely oxidized rocks that typically represent remnants of sulphide mineralization that has been exposed to surface weathering and are a characteristic surface expression of the Main, North and Tembo nickel sulphide deposits at the Kabanga Nickel Deposit. Gossans consist of iron oxides often with boxwork textures. Metals other than iron are leached out of gossans during the weathering process and consequently they cannot be used to predict the grade of potential underlying sulphide mineralization.

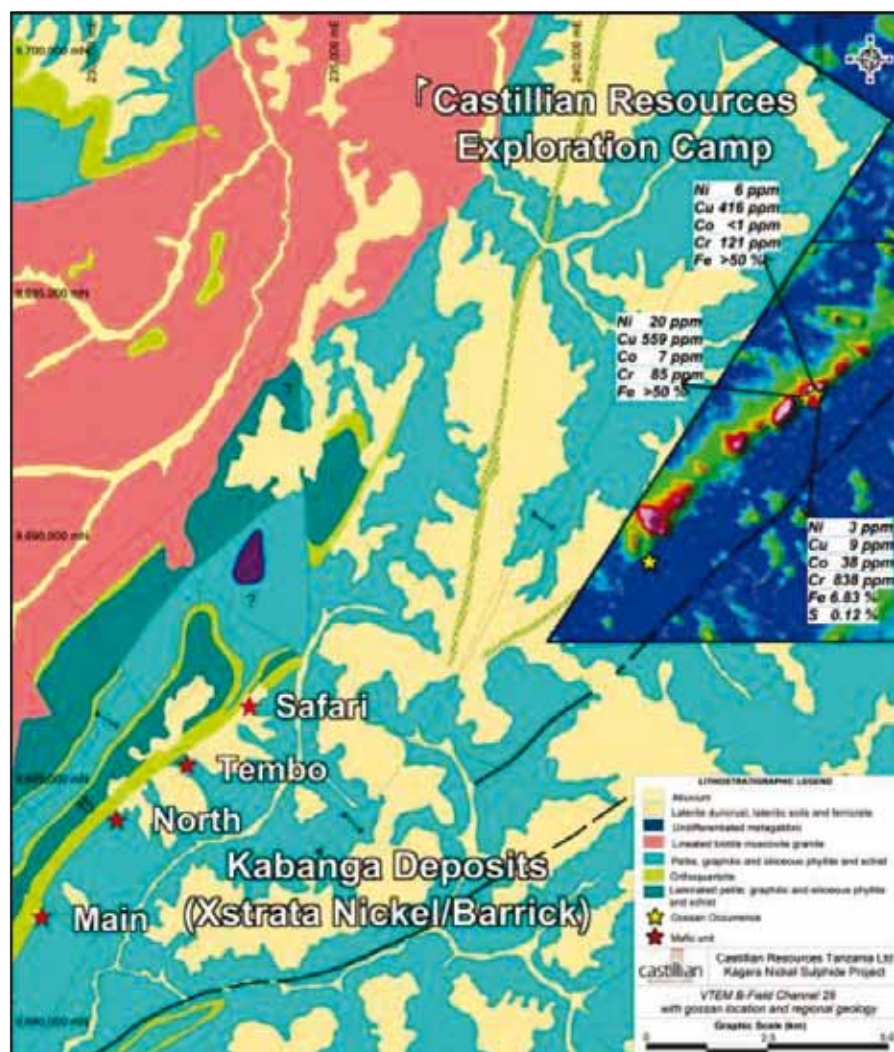
Priority targets have been selected for systematic exploration including a 7km trend of EM conductors (late channel) with associated magnetic anomalies, geochemical anomalies and gossan striking northeast along the trend from Kabanga Nickel Deposit, named the Shanga target. Targets have been covered by geochemical soil grids however due to deep weathering over the ultramafic units in the area the geochemical surveys are unlikely to yield direct detection results. They do however aid in mapping areas underlain by mafic-ultramafic rocks and the systematic coverage led to discovery of a number of the gossan occurrences.

Burende Target: Gossans were identified at 20 sites over an area of approximately 2.5km by 4.5km associated with a series of high priority EM conductors with coincident high magnetic anomalies interpreted to represent mafic/ultramafic rocks.

Nampigwe Target: Gossans were identified at 20 sites extending along a 6.5km linear trend associated with coincident magnetic and EM anomalies. Mafic and ultramafic rocks were also identified, locally containing disseminated sulphides.

Nyamahwa Target: Gossans were identified at eleven sites extending along a 10km linear trend associated with coincident magnetic and EM anomalies.

Shanga Target: Anomalous nickel, copper and chrome soil geochemical anomalies are associated with a 1km magnetic feature associated with a series of discrete EM anomalies that extends along 7km. This target area is immediately adjacent to the property boundary with the Kabanga Nickel Deposit to the southwest. The scale of these discrete geophysical anomalies is similar to the expression of the Kabanga Nickel Deposit. Although this does not guarantee the presence of additional nickel deposits it suggests high prospectivity. Two gossan occurrences have been identified associated with the geochemical and magnetic anomaly on the Shanga target, see below.



PROSPECTIVITY

The discovery of gossans supports the possibility of the presence of sulphide mineralization. The coincidence of these gossans with geophysical anomalies and ultramafic rocks such as those associated with known nickel deposits in the area increases the prospectivity of these targets for nickel sulphide mineralization.

This is a geological environment with demonstrated potential to host large, high grade nickel sulphide deposits. The occurrence of extensive gossans associated with magnetic and EM anomalies are comparable to the characteristics of deposits at Kabanga Nickel Deposit just a few kilometres to the south. The next step will be to complete ground EM surveys in order to refine the targets for drilling. This survey method has proved to be an effective targeting tool for nickel sulphides including at Kabanga Nickel Deposit and in other nickel camps.



EXPLORATION PROGRAM AND BUDGET

The work program that is planned and budgeted for the Kagera Nickel Project emulates the program that led to the discovery of the Tembo Deposit by Falconbridge Nickel (now Xstrata Nickel) in 2006. The Tembo deposit is the most recent significant nickel sulphide discovery in the belt. As with the North Deposit and the Main Deposit, the only surface expression of Tembo is a distribution of gossan boulders in the area where the deposit is projected to outcrop. In the area of the Kabanga Nickel Deposit the surface weathering extends 50-80 metres deep over the ultramafic rocks (as opposed to the adjacent quartzites which outcrop) which creates challenges for geochemical and certain geophysical methods. The deposits are super conductors and as such with the appropriate EM equipment can be effectively targeted for diamond drilling.

The previous work on the Kagera Nickel Project involved the completion of a VTEM airborne EM and magnetic survey at 100 or 200 metre line spacings. This was subsequently followed up by mapping, prospecting and geochemical surveys focused on areas where ultramafic rocks were mapped either on the ground or through geophysical projections and with specific focus on areas with coincident EM anomalies that could indicate the presence of sulphides.

Five target areas have been identified as having EM conductors with associated magnetic anomalies and surface gossans that have similar characteristics to the known deposits 6km to the south of the Kagera Nickel Project. The initial budget for Innovance will be to complete the surface EM surveys using a Crone EM system. The same method which was successfully used at Kabanga Nickel Deposit. This will be followed by diamond drilling of the most prospective targets. Concurrently with the geophysical and diamond drill programs continued systematic mapping prospecting and if warranted geochemical surveying will be conducted over the remainder of the Kagera Nickel Project area. Security is employed during field programs. Contractors used by the mining industry in Tanzania such as Armor Group are typically trained former military personnel that provide security against theft and also have advanced training for first response medical care which is necessary given that local medical facilities are generally not well equipped or staffed. See table below for proposed budget:



| Work Type | Unit Cost (A\$) | Units | Total (A\$) |
|-------------------------------------|--------------------|--------------|--------------------|
| Phase 1: Geophysical Program | | | |
| Crone EM (20 loops) | \$13,750 per loop | 20 loops | \$275,000 |
| Line Cutting | \$110km | 200km | \$22,000 |
| Geophysicist | \$825 per day | 120 days | \$99,000 |
| Geology /Camp Costs /Security | | | \$154,000 |
| Subtotal | | | \$550,000 |
| Phase 2: Diamond Drilling | | | |
| Diamond Drilling | \$165 per metre | 4500 metres | \$742,500 |
| Assays | \$27.50 per sample | 1000 samples | \$27,500 |
| Borehole EM | \$11,000 per hole | 10 holes | \$110,000 |
| Geology / Camp Costs/ Security | | | \$330,000 |
| Other tenement costs | | | |
| Subtotal | | | \$1,210,000 |
| Project Administration | | | |
| Land Holding Costs | | | \$35,000 |
| Administration | | | \$55,000 |
| Technical Management | | | \$135,000 |
| Accounting / Legal | | | \$50,000 |
| Subtotal | | | \$275,000 |
| Total | | | \$2,035,000 |

The budget will be spent on the granted Kagera Nickel Project tenements. The exploration budget will be subject to modification on an ongoing basis depending on the results obtained from exploration and development activities as they progress and the granting of tenements now in application. Unit costs are estimates based on previous contracts in the area and will be modified when contractor quotes are received.

It is considered that the Company has a reasonable proposed exploration budget over two years consistent with its stated objectives and that this program is warranted and justified on the basis of the historical exploration activity and demonstrated potential for discovery of nickel mineralisation.



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Xstrata, 2007, Xstrata Nickel commits US\$95 million, updates resource estimate and commences pre-feasibility study at Kabanga Nickel Project, Tanzania, News Release, 15 February 2007.

Xstrata, 2009, Xstrata Nickel, Reserves and Resources Statement, News Release, October 2009.

GLOSSARY OF TECHNICAL TERMS

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| Adcumulate | Cumulates are named according to their dominant mineralogy and the percentage of crystals to their groundmass. Adcumulates are rocks containing ~100-93% accumulated magmatic crystals in a fine grained groundmass. Mesocumulates are rocks with between 93-85% accumulated minerals in a groundmass. Orthocumulates are rocks containing between 85-75% accumulated minerals in groundmass. |
| Aeolian | Formed or deposited by wind. |
| aerial photography | Photographs of the earth's surface taken from an aircraft. |
| Aeromagnetic | A survey undertaken by helicopter or fixed-wing aircraft for the purpose of recording magnetic characteristics of rocks by measuring deviations of the earths magnetic field. |
| airborne geophysical data | Data pertaining to the physical properties of the earths crust at or near surface and collected from an aircraft. |
| Aircore | Drilling method employing a drill bit that yields sample material which is delivered to the surface inside the rod string by compressed air. |
| alluvial | Pertaining to silt, sand and gravel material, transported and deposited by a river. |
| alluvium | Clay silt, sand, gravel, or other rock materials transported by flowing water and deposited in comparatively recent geologic time as sorted or semi-sorted sediments in riverbeds, estuaries, and flood plains, on lakes, shores and in fans at the base of mountain slopes and estuaries. |
| alteration | The change in the mineral composition of a rock, commonly due to hydrothermal activity. |
| amphibolite facies | An assemblage of minerals formed at moderate to high temperatures (450°C to 700°C) during regional metamorphism. |
| andesite | An intermediate volcanic rock composed of andesine and one or more mafic minerals. |
| anomalies | An area where exploration has revealed results higher than the local background level. |
| anticline | A fold in the rocks in which strata dip in opposite directions away from the central axis. |
| antiformal | An anticline-like structure. |
| Archaean | The oldest rocks of the Precambrian era, older than about 2,500 million years. |
| assayed | The testing and quantification metals of interest within a sample. |
| auger sampling | A drill sampling method using an auger to penetrate upper horizons and obtain a sample from lower in the hole. |



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| axial plane | The plane that intersects the crest or trough of a fold, about which the limbs are more or less symmetrically arranged. |
| basalts | A volcanic rock of low silica (<55%) and high iron and magnesium composition, composed primarily of plagioclase and pyroxene. |
| polymetallics | A non-precious metal, usually referring to copper, lead and zinc. |
| bedrock | Any solid rock underlying unconsolidated material. |
| BIF | A rock consisting essentially of iron oxides and cherty silica, and possessing a marked banded appearance. |
| BLEG sampling | Bulk leach extractable gold analysis; an analytical method for accurately determining low levels of gold. |
| brittle | Rock deformation characterised by brittle fracturing and brecciation. |
| Cainozoic | An era of geological time spanning the period from 65 million years ago to the present. |
| carbonate | Rock of sedimentary or hydrothermal origin, composed primarily of calcium, magnesium or iron and CO ₃ . Essential component of limestones and marbles. |
| chert | Fine grained sedimentary rock composed of cryptocrystalline silica. |
| chlorite | A green coloured hydrated aluminium-iron-magnesium silicate mineral (mica) common in metamorphic rocks. |
| clastic | Pertaining to a rock made up of fragments or pebbles (clasts). |
| clays | A fine-grained, natural, earthy material composed primarily of hydrous aluminium silicates. |
| colluvium | A loose, heterogeneous and incoherent mass of soil material deposited by slope processes. |
| conduits | The main pathways that facilitate the movement of hydrothermal fluids. |
| conglomerate | A rock type composed predominantly of rounded pebbles, cobbles or boulders deposited by the action of water. |
| copper | A reddish metallic element, used as an electrical. |
| dacite | An extrusive rock composed mainly of plagioclase, quartz and pyroxene or hornblende or both. |
| depletion | The lack of gold in the near-surface environment due to leaching processes during weathering. |
| diamond drill hole | Mineral exploration hole completed using a diamond set or diamond impregnated bit for retrieving a cylindrical core of rock. |
| dilational | Open space within a rock mass commonly produced in response to folding or faulting. |
| dolerite | A medium grained mafic intrusive rock composed mostly of pyroxenes and sodium-calcium feldspar. |
| DoIR | Department of Industry and Resources, WA. |
| ductile | Deformation of rocks or rock structures involving stretching or bending in a plastic manner without breaking. |
| dunite | A peridotite consisting almost wholly of olivine |
| dykes | A tabular body of intrusive igneous rock, crosscutting the host strata at a high angle. |
| en-echelon | Repeating parallel, but offset, occurrences of lenticular bodies such as ore veins. |
| erosional | The group of physical and chemical processes by which earth or rock material is loosened or dissolved and removed from any part of the earths surface. |
| fault zone | A wide zone of structural dislocation and faulting. |
| feldspar | A group of rock forming minerals. |



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| felsic | An adjective indicating that a rock contains abundant feldspar and silica. |
| folding | A term applied to the bending of strata or a planar feature about an axis. |
| foliated | Banded rocks, usually due to crystal differentiation as a result of metamorphic processes. |
| follow-up | A term used to describe more detailed exploration work over targets generated by regional exploration. |
| forsterite | Magnesium silicate mineral (Mg_2SiO_4). Part of the olivine series. |
| g/t | Grams per tonne, a standard volumetric unit for demonstrating the concentration of precious metals in a rock. |
| gabbro | A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene and sometimes olivine. |
| geochemical | Pertains to the concentration of an element. |
| geophysical | Pertains to the physical properties of a rock mass. |
| GIS database | A system devised to present partial data in a series of compatible and interactive layers. |
| gneissic | Coarse grained metamorphic rocks characterised by mineral banding of the light and dark coloured constituent minerals. |
| granite | A coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas. |
| granoblastic | A term describing the texture of a metamorphic rock in which the crystals are of equal size. |
| granodiorite | A coarse grained igneous rock composed of quartz, feldspar and hornblende and/or biotite. |
| greenschist | A metamorphosed basic igneous rock which owes its colour and schistosity to abundant chlorite. |
| greenstone belt | A broad term used to describe an elongate belt of rocks that have undergone regional metamorphism to greenschist facies. |
| greywackes | A sandstone like rock, with grains derived from a dominantly volcanic origin. |
| GSWA | Geological Survey of Western Australia. |
| gypsum | Mineral of hydrated, or water-containing, calcium sulphate. |
| halite | Impure salt deposit formed by evaporation. |
| hangingwall | The mass of rock above a fault, vein or zone of mineralisation. |
| hematite | Iron oxide mineral, Fe_2O_3 . |
| hinge zone | A zone along a fold where the curvature is at a maximum. |
| hydrothermal fluids | Pertaining to hot aqueous solutions, usually of magmatic origin, which may transport metals and minerals in solution. |
| igneous | Rocks that have solidified from magma. |
| infill | Refers to sampling or drilling undertaken between pre-existing sample points. |
| In situ | In the natural or original position. |
| interflow | Refers to the occurrence of other rock types between individual lava flows within a stratigraphic sequence. |
| intermediate | A rock unit which contains a mix of felsic and mafic minerals. |
| intrusions | A body of igneous rock which has forced itself into pre-existing rocks. |
| intrusive contact | The zone around the margins of an intrusive rock. |
| ironstone | A rock formed by cemented iron oxides. |
| isoclinal | A series of folds that dip in the same direction at the same angle. |
| joint venture | A business agreement between two or more commercial entities. |
| komatiitic | Magnesium-rich mafic to ultramafic extrusive rock. |



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| laterite | A cemented residuum of weathering, generally leached in silica with a high alumina and/or iron content. |
| lead | A metallic element, the heaviest and softest of the common metals. |
| lineament | A significant linear feature of the earth's crust, usually equating a major fault or shear structure. |
| lithological contacts | The contacts between different rock types. |
| lithotypes | Rock types. |
| magnetite | A mineral comprising iron and oxygen which commonly exhibits magnetic properties. |
| metamorphic | A rock that has been altered by physical and chemical processes involving heat, pressure and derived fluids. |
| metasedimentary | A rock formed by metamorphism of sedimentary rocks. |
| MMI | The collection of soil samples and their analysis, using weak extractive reagents, to determine the relative abundance of loosely attached trace elemental ions, which frequently define the position of primary mineralisation. |
| monzogranite | A granular plutonic rock containing approximately equal amounts of orthoclase and plagioclase feldspar, but usually with a low quartz content. |
| Mounces | Millions of ounces. |
| Mt | Million Tonnes. |
| mylonite | A hard compact rock with a streaky or banded structure produced by extreme granulation of the original rock mass in a fault or thrust zone. |
| nickel | Silvery-white metal used in alloys. |
| nickel laterite | Nickel ore hosted within the laterite profile, usually derived from the weathering of olivine-rich ultramafic rocks. |
| Olivine | A mineral series with solid solutions of forsterite (Mg_2SiO_4) with fayalite (Fe_2SiO_4) |
| open pit | A mine working or excavation open to the surface. |
| Ortho image | A geographically located composite plan using aerial photography as a base. |
| outcrops | Surface expression of underlying rocks. |
| palaeochannels | An ancient preserved stream or river. |
| pegmatite | A very coarse grained intrusive igneous rock which commonly occurs in dyke-like bodies containing lithium-boron-fluorine-rare earth bearing minerals. |
| peridotit | Non-feldspathic plutonic rocks with a high proportion of olivine |
| pisolitic | Describes the prevalence of rounded manganese, iron or alumina-rich chemical concretions, frequently comprising the upper portions of a laterite profile. |
| playa lake | Broad shallow lakes that quickly fill with water and quickly evaporate, characteristic of deserts. |
| polymictic | Referring to coarse sedimentary rocks, typically conglomerate, containing clasts of many different rock types. |
| porphyries | Felsic intrusive or sub-volcanic rock with larger crystals set in a fine groundmass. |
| ppb | Parts per billion; a measure of low level concentration. |
| Proterozoic | An era of geological time spanning the period from 2,500 million years to 570 million years before present. |



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| pyroxenite | A coarse grained igneous intrusive rock dominated by the mineral pyroxene. |
| pyrrhotite | Iron sulphide mineral |
| pentlandite | Iron nickel sulphide mineral |
| quartz reefs | Old mining term used to describe large quartz veins. |
| quartzofeldspathic | Compositional term relating to rocks containing abundant quartz and feldspar, commonly applied to metamorphic and sedimentary rocks. |
| quartzose | Quartz-rich, usually relating to clastic sedimentary rocks. |
| RAB drilling | A relatively inexpensive and less accurate drilling technique involving the collection of sample returned by compressed air from outside the drill rods. |
| rafts | A relatively large block of foreign rock incorporated into an intrusive magma. |
| RC drilling | A drilling method in which the fragmented sample is brought to the surface inside the drill rods, thereby reducing contamination. |
| regolith | The layer of unconsolidated material which overlies or covers in situ basement rock. |
| residual | Soil and regolith which has not been transported from its point or origin. |
| resources | In situ mineral occurrence from which valuable or useful minerals may be recovered. |
| rhyolite | Fine-grained felsic igneous rock containing high proportion of silica and feldspar. |
| rock chip sampling | The collection of rock specimens for mineral analysis. |
| saline | Salty |
| saprock | Zone of weathered rock preserved within the weathered profile. |
| saprolite | Disintegrated, in-situ rock, partially decomposed by the chemical and physical processes of oxidation and weathering. |
| satellite imagery | The images produced by photography of the earth's surface from satellites. |
| schist | A crystalline metamorphic rock having a foliated or parallel structure due to the recrystallisation of the constituent minerals. |
| scree | The rubble composed of rocks that have formed down the slope of a hill or mountain by physical erosion. |
| sedimentary | A term describing a rock formed from sediment. |
| sericite | A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks. |
| shale | A fine grained, laminated sedimentary rock formed from clay, mud and silt. |
| sheared | A zone in which rocks have been deformed primarily in a ductile manner in response to applied stress. |
| sheet wash | Referring to sediment, usually sand size, deposited over broad areas characterised by sheet flood during storm or rain events. Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silcrete | Superficial deposit formed by low temperature chemical processes associated with ground waters, and composed of fine grained, water-bearing minerals of silica. |
| silica | Dioxide of silicon, SiO ₂ , usually found as the various forms of quartz. |



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| sills | Sheets of igneous rock which is flat lying or has intruded parallel to stratigraphy. |
| silts | Fine-grained sediments, with a grain size between those of sand and clay. |
| soil sampling | The collection of soil specimens for mineral analysis. |
| stocks | A small intrusive mass of igneous rock, usually possessing a circular or elliptical shape in plan view. |
| strata | Sedimentary rock layers. |
| stratigraphic | Composition, sequence and correlation of stratified rocks. |
| stream sediment sampling | The collection of samples of stream sediment with the intention of analysing them for trace elements. |
| strike | Horizontal direction or trend of a geological structure. |
| subcrop | Poorly exposed bedrock. |
| sulphide | A general term to cover minerals containing sulphur and commonly associated with mineralisation. |
| supergene | Process of mineral enrichment produced by the chemical remobilisation of metals in an oxidised or transitional environment. |
| syenite | An intrusive igneous rock composed essentially of alkali feldspar and little or no quartz and ferromagnesian minerals. |
| syncline | A fold in rocks in which the strata dip inward from both sides towards the axis. |
| talc | A hydrous magnesium silicate, usually formed due to weathering of magnesium silicate rocks. |
| tectonic | Pertaining to the forces involved in or the resulting structures of movement in the earth's crust. |
| tholeiitic | A descriptive term for basalt with little or no olivine. |
| thrust fault | A reverse fault or shear that has a low angle inclination to the horizontal. |
| tremolite | A grey or white metamorphic mica of the amphibole group, usually occurring as bladed crystals or fibrous aggregates. |
| ultramafic | Igneous rocks consisting essentially of ferromagnesian minerals with trace quartz and feldspar. |
| veins | A thin infill of a fissure or crack, commonly bearing quartz. |
| volcaniclastics | Pertaining to clastic rock containing volcanic material. |
| zinc | A lustrous, blueish-white metallic element used in many alloys including brass and bronze. |



6. INVESTIGATING ACCOUNTANT'S REPORT

12 August 2010



The Directors
Innovance Limited
C/- HLB Mann Judd (SA) Pty Ltd
PO Box 377
KENT TOWN SA 5071

Dear Sirs

Investigating Accountant's Report

Introduction

We have prepared this report at the request of the directors of Innovance Limited ("Innovance" or "the Company") (ACN 117 330 757) for inclusion in a prospectus to be issued by the Company on or about 13 August 2010 to invite investors to apply for a total of 12,000,000 ordinary shares at 20 cents each, fully paid, to raise \$2,400,000. Oversubscriptions to a total of 8,000,000 shares to raise an additional \$1,600,000 may be accepted.

It is also intended that application will be made by the Company within seven days after the date of this prospectus to apply for admission to the Australian Stock Exchange Ltd ("ASX") and withdraw from its listing on the National Stock Exchange of Australia Limited ("NSX").

Background

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

The Company was listed on the NSX on 9 February 2007.

Innovance was originally listed on the NSX as an investment company with an Australian focus that was looking for investment opportunities in the biotechnology sector. It has a wholly owned subsidiary Amadori Pty Ltd which has funded a biotechnology pilot project and holds a provisional patent in relation to production of food and beverages that are low in glycation products. The Company now intends to seek to dispose of this subsidiary.

On 15 June 2010 Innovance entered into a Share Sale Agreement with Castillian Resources Corporation ("Castillian") of Toronto, Ontario, Canada, in which Innovance will acquire a 100% interest in Castillian's Kagera Nickel Project located in north-west Tanzania. This acquisition will be achieved by Innovance acquiring 100% ownership of Castillian subsidiary Castillian Resources (Tanzania) Limited ("CastTanz"). Under the terms of the Share Sale Agreement, Castillian will receive the following consideration for the transfer to Innovance of all its shares in CastTanz:

- 5,000,000 fully paid ordinary shares in Innovance;
- 7,500,000 A Class converting preference 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;

Tel 618 7421 1400 | Fax 618 7421 1499

adelaide@pkf.com.au | www.pkf.com.au

PKF Corporate (S.A.) Pty Ltd | ABN 54 008 282 620 | ACN 008 282 620

AFS Licence No. 247307

Level 2 | 139 Frome Street | Adelaide | South Australia 5000

GPO Box 2505 | Adelaide | South Australia 5001

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- 7,500,000 B Class converting preference shares in Innovance, convertible into ordinary shares upon the completion of an independent JORC Code complaint Mineral Resource Estimate of not less than 5,000,000 tonnes of nickel with a grade of not less than 1% nickel insitu or equivalent within 5 years of being issued; and
- 7,500,000 C Class converting preference shares in Innovance, convertible into ordinary shares upon the completion of an independent JORC complaint mineral resource estimate of not less than 10,000,000 tonnes of nickel with a grade of not less than 1% nickel insitu or equivalent within 5 years of being issued.

If Innovance completes less than 3,000 metres of drilling on the Property within 5 years then this period will be extended by one year.

A General Meeting of shareholders of the Company will be held on 13 September 2010 for the purpose, amongst other things, of passing resolutions to give effect to the above proposed transactions. Also at this meeting, resolutions will be put to shareholders for approval of the following:

- Issue of 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, to each of Taylor Collison Limited and/or its nominee and Gryphon Partners Advisory Pty Limited and/or its nominee.
- Issue of 500,000 options to Mr Simon O'Loughlin and/or his nominee. Each of the options will be exercisable at \$0.20 and have an exercise period commencing on the date of Completion and expiring on the fourth anniversary of that date.
- Changing the name of the Company to Kagera Nickel Limited.

Completion of the transaction shall remain conditional, amongst other things, upon the following conditions having been satisfied or waived on or before 23 September 2010 or such later date as may be agreed between the parties.

- Innovance completing due diligence investigations to its satisfaction;
- Receipt of all regulatory approvals on behalf of Innovance, including but not limited to, receipt of all shareholder approvals with respect to the transaction and the approvals required with respect to the proposed consolidation of the Innovance common shares on the basis of one new common share for every two old Innovance shares.
- Innovance cancelling all existing treasury options;
- Innovance completing a capital raising for a minimum amount of \$2,400,000 through issuing a minimum of 12 million shares at an issue price of \$0.20 per share; and
- Innovance receiving approval from the Australian Stock Exchange Ltd to list upon completion of this transaction.

Financial Information

The historical and pro-forma financial information is set out in Appendix 1 to this report, and comprises:

- The Statement of Comprehensive Income for Innovance for the year ended 30 June 2010.
- The Statement of Financial Position for Innovance at 30 June 2010 and the pro-forma Statements of Financial Position assuming the transaction proposed in the prospectus is completed.



- The Statement of Cash Flows for Innovance for the year ended 30 June 2010.
- The Statement of Changes in Equity for Innovance for the year ended 30 June 2010.
- The Notes to the Financial Statements.

Scope

You have requested PKF Corporate (SA) Pty Ltd, as investigating accountant, to report on the financial information listed above.

The Directors of Innovance are responsible for the financial information contained in this report.

The Directors are responsible for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial information.

We have reviewed the historical and proforma financial information in accordance with the Standard on Review Engagements ASRE 2405 *"Review of Historical Financial Information Other than a Financial Report"*. Our review procedures included enquiries of directors, review of the application of accounting standards and policies, review of accounting records and other documentation and limited verification procedures.

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

Opinion

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

- the financial position of the Company as at 30 June 2010 and its performance and cash flows for the period ended on that date, prepared in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations).
- the pro-forma Statements of Financial Position at 30 June 2010 assuming the transaction proposed in the Prospectus is completed.

Subsequent Events

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

Declarations

- PKF Corporate (SA) Pty Ltd does not have any interest in the outcome of the matters relating to the issuing of this prospectus other than in connection with the preparation of this report for which normal professional fees will be received.
- PKF Corporate (SA) Pty Ltd is a company controlled by the partners of PKF, Chartered Accountants and Business Advisers, a South Australian partnership, which is the auditor of Innovance.



- PKF Corporate (SA) Pty Ltd was not involved in preparation of any part of the prospectus except for this report. We express no opinion as to the completeness or accuracy of the information contained in the prospectus. Further, PKF Corporate (SA) Pty Ltd makes no recommendations to investors regarding participation in the offer.
- PKF Corporate (SA) Pty Ltd has given consent for the inclusion of this report in the prospectus and has not withdrawn this consent at the date of this report.

Yours faithfully
PKF Corporate (SA) Pty Ltd

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



**Appendix 1
Innovance Limited
Comprehensive Income Statement
For the Year Ended 30 June 2010**

| | Note | Unaudited 30 June 2010 \$ |
|-------------------------------------------------------|------|---------------------------------|
| Revenue | | 65,234 |
| Employee benefits expense | | (32,800) |
| Other expenses | | (101,944) |
| Write down of Investment | | (90,000) |
| PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE | | (159,510) |
| Income Tax Expense | | - |
| NET PROFIT/(LOSS) | | (159,510) |
| Other Comprehensive Income | | - |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR | | (159,510) |

The Comprehensive Income Statement is to be read in conjunction with the attached notes.



Appendix 1

Innovance Limited

Statement of Financial Position and Proforma Statements of Financial Position

| | | Unaudited Consolidated | Unaudited Consolidated |
|-----------------------------------|---------------------------|-----------------------------------|-----------------------------------|
| | | Pro forma Minimum Subscription | Pro forma Maximum Subscription |
| | | As at date of listing | As at date of listing |
| Note | Unaudited 30 June 2010 | | |
| | \$ | \$ | \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 2 | 1,191,127 | 3,178,855 |
| Trade and other receivables | 3 | 50,560 | 38,471 |
| Asset held for sale | | 10,000 | 10,000 |
| TOTAL CURRENT ASSETS | | 1,251,687 | 4,741,326 |
| NON-CURRENT ASSETS | | | |
| Exploration and evaluation assets | | - | 1,034,765 |
| TOTAL NON-CURRENT ASSETS | | - | 1,034,765 |
| TOTAL ASSETS | | 1,251,687 | 5,776,091 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 39,647 | 406,709 |
| TOTAL CURRENT LIABILITIES | | 39,647 | 406,709 |
| TOTAL LIABILITIES | | 39,647 | 406,709 |
| NET ASSETS | | 1,212,040 | 5,369,382 |
| EQUITY | | | |
| Issued capital | 4 | 1,466,803 | 3,726,145 |
| Accumulated losses | | (395,843) | (395,563) |
| Reserves | | 141,080 | 524,800 |
| TOTAL EQUITY | | 1,212,040 | 5,369,382 |

The Statement of Financial Position is to be read in conjunction with the attached notes.



**Appendix 1
Innovance Limited
Statement of Changes in Equity
For the Year Ended 30 June 2010**

| | Unaudited 30 June 2010 | | | |
|--------------------------------|------------------------------------|-----------------------------|----------------------------------|------------------|
| | Share Capital Ordinary \$ | Accumulated losses \$ | Share Option Reserve \$ | Total \$ |
| BALANCE AT 1 JULY 2009 | 1,466,803 | (236,333) | 141,080 | 1,371,550 |
| Loss attributable to members | - | (159,510) | - | (159,510) |
| BALANCE AT 30 JUNE 2010 | <u>1,466,803</u> | <u>(395,843)</u> | <u>141,080</u> | <u>1,212,040</u> |

This Statement of Changes in Equity to be read in conjunction with the attached notes.



**Appendix 1
Innovance Limited
Statement of Cash Flows
For the Year Ended 30 June 2010**

| | | Unaudited 30 June 2010 |
|--------------------------------------------|------|---------------------------|
| | Note | \$ |
| CASHFLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers | | (137,426) |
| Trade and other receivables | | 4,354 |
| Net cash used in operating activities | | <u>(133,072)</u> |
| Net increase in cash held | | (133,072) |
| Cash at the beginning of the period | | <u>1,324,199</u> |
| CASH AT THE END OF THE PERIOD | | <u><u>1,191,127</u></u> |

This Statement of Cash Flows to be read in conjunction with the attached notes.

Appendix 1 Innovance Limited

Notes to and forming part of the financial statements

Note 1. Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the historical and proforma historical financial information (collectively referred to as the "financial statements") are as follows.

a) Basis of preparation

The financial statements are a special purpose financial report which has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values, or except when stated, current valuations of non current assets.

The accounting policies have been consistently applied by the company unless otherwise stated.

b) Revenue recognition

Interest revenue is recognised as it accrues.

c) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Appendix 1

Innovance Limited

Notes to and forming part of the financial statements

Note 1. Statement of Significant Accounting Policies (continued)

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary difference can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

d) Exploration, evaluation and development expenditure

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and costs are expected to be recouped through sale or successful development and exploration of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves are accumulated in respect of each separate area of interest.

Development costs relating to the area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploration of the area of interest.

Where the area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period that the decision is made.

e) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Accounts payable are normally settled within 30 days.

f) Receivables

Receivables are carried at amounts due. The collectability of debts is assessed throughout the year and a specific provision is made for any impairment.



Appendix 1 Innovance Limited

Notes to and forming part of the financial statements

Note 1. Statement of Significant Accounting Policies (continued)

g) 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 Tax 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.

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 cashflows.

h) Impairment

At each reporting date, the directors review the carrying values of its tangible and intangible asset classes to determine whether there is any indication that those asset classes have been impaired. If such an indication exists, the recoverable amount of the asset class, being the higher of the asset classes fair value less costs to sell and value in use, is compared to the asset classes carrying value. Any excess of the asset classes carrying value over its recoverable amount is expensed to the income statement.

Where the future economic benefits of the asset are not primarily dependent upon the assets ability to generate net cash inflows and when the company would, if deprived of the asset, replace its remaining future economic benefits, value in use is depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of a class of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) Acquisition of assets

All assets acquired, other than goodwill, are initially recorded at their costs of acquisition at the date of acquisition, being the fair value of the consideration plus the incidental costs directly attributed to the acquisition.

When equity instruments comprising shares and options are issued as consideration their market price at the date of acquisition is used to determine a fair value except when the notional price at which they could be placed in the market is a better indication of fair value. Options issued for no consideration are not recognised. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of the proceeds received unless otherwise expensed.

Appendix 1

Innovance Limited

Notes to and forming part of the financial statements

Note 1. Statement of Significant Accounting Policies (continued)

j) Principles of Consolidation

A controlled entity is any entity Innovance Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. The financial statements of the subsidiary are prepared for the same reporting period as the parent Company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

k) Employee benefits

Share-based payment transactions

The Group provides benefits to employees of the Group in the form of share-based payments, whereby employees receive options incentives (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised as an expense in the income statement, together with a corresponding increase in the share option reserve, when the options are issued.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.



Appendix 1
Innovance Limited
Notes to and forming part of the financial statements

| | Unaudited 30 June 2010 | Unaudited Pro forma Minimum Subscription As at date of listing | Unaudited Pro forma Maximum Subscription As at date of listing |
|----------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------|----------------------------------------------------------------------------|
| | \$ | \$ | \$ |
| NOTE 2 - CASH ASSETS | | | |
| Cash and cash equivalents | 1,191,127 | 3,178,855 | 4,684,255 |
| | <u>1,191,127</u> | <u>3,178,855</u> | <u>4,684,255</u> |
| 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) |
| | <u>1,191,127</u> | <u>3,178,855</u> | <u>4,684,255</u> |
| NOTE 3 - RECEIVABLES | | | |
| GST receivable | 50,560 | 38,471 | 47,071 |
| | <u>50,560</u> | <u>38,471</u> | <u>47,071</u> |



Appendix 1

Innovance Limited

Notes to and forming part of the financial statements

| | Unaudited 30 June 2010 \$ | Unaudited Pro forma Minimum Subscription As at date of listing \$ | Unaudited Pro forma Maximum Subscription As at date of listing \$ |
|------------------------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| NOTE 4 - CONTRIBUTED EQUITY | | | |
| 16,571,833(Post 2 : 1 8,285,917) Full paid ordinary shares | 1,466,803 | | |
| (Pro forma 47,785,917 shares) | | 3,726,145 | |
| (Pro forma 55,785,917 shares) | | | 5,240,145 |
| | 1,466,803 | 3,726,145 | 5,240,145 |
| Reconciliation of contributed equity | | | |
| 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 Pro forma Minimum Subscription As at date of listing \$ | Unaudited Pro forma Maximum Subscription As at date of listing \$ |
|----------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Number | Number | |
| Balance at 30 June 2010 | 16,571,833 | 1,466,803 |
| | 16,571,833 | 1,466,803 |
| Pro forma adjustments | | |
| 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 |
| | 12,000,000 | 2,400,000 |
| 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) |
| | - | (384,714) |
| Issue of share options | | (384,000) |
| | | (384,000) |
| Balance at end of financial year | 47,785,917 | 5,240,145 |
| | 47,785,917 | 5,240,145 |

Appendix 1

Innovance Limited

Notes to and forming part of the financial statements

NOTE 5 - SHARE BASED PAYMENTS

On the date of quotation on the ASX the Company will grant 500,000 Share Options to the Chairman to vest on listing date and expiring after 4 years. The exercise price is \$0.20 and they may be exercised at any time.

On the same date the Company granted 1,500,000 share options to Taylor Collison Limited and/or its nominee on the same terms and conditions save that the exercise price is \$0.20.

On the same date the Company granted 1,500,000 share options to Gryphon Partners Advisory Pty Limited and/or its nominee on the same terms and conditions save that the exercise price is \$0.20.

The share options have been valued using the Black-Scholes option pricing model. The options have been valued at \$0.128

| | | |
|--------------------|--------|---|
| Share Price | \$0.20 | - |
| Volatility | 85% | |
| Interest Rate | 4.80% | |
| Days to expiration | 1460 | |

Volatility is based on a 12 month review of the trading history of similar sized mineral exploration companies.

NOTE 6 - RELATED PARTIES

Directors' interest in shares and options

The aggregate number of shares and options in the company held by directors and their director related entities as at date of listing on the ASX are:

Director

| | Shares | Options |
|----------------------|------------------|------------------|
| Simon O'Loughlin | 300,000 | 500,000 |
| David Lionel Brookes | 587,500 | 150,000 |
| Stephen Evans | 100,000 | 150,000 |
| Robert Greenslade | 1,000,000 | 1,650,000 |
| David Gower | - | - |
| David Argyle | - | - |
| TOTAL | 1,987,500 | 2,450,000 |

NOTE 7 - COMMITMENTS AND CONTINGENCIES

A future commitment exists to undertake specified minimum levels of exploration expenditure in order to maintain the prospecting licences. The minimum annual amounts of expenditure total \$200,000.



7. SOLICITORS' REPORT ON TENEMENTS

REX ATTORNEYS

Advocates
Notaries Public &
Commissioners for Oaths

REX HOUSE
145 Magore Street, Upanga
P.O. Box 7495
Dar es Salaam
Tanzania

Tel: + 255 22 211 4291/4899 / 8035
+ 255 22 213 7191
Fax: + 255 22 211 9474/2830
email: rex@rexattorneys.co.tz
www.rexattorneys.co.tz

Our ref: REX/INNOVANCE/44/10/564/10

Date: 10th August, 2010

Innovance Limited
c/- O'Loughlins Lawyers
Level 2, 99 Frome Street
Adelaide, SA, 5000
Australia

Dear Sirs,

RE: SOLICITORS' REPORT ON TENEMENTS

1.0 INSTRUCTIONS:

- 1.1 We are a firm of lawyers duly qualified to practice in Tanzania and we give this opinion on matters relating to Tanzanian law only.
- 1.2 This legal opinion is prepared for inclusion in a Prospectus to be dated on or about 13th August, 2010 to be issued by Innovance Limited ("Innovance") offering for subscription a minimum of 12 million ordinary shares at an offer price of A\$0.20 each to raise A\$2.4 million with the right to accept oversubscriptions of up to A\$1.6 million ("Prospectus").

2.0 SCOPE OF WORK:

For the purpose of this opinion we have reviewed documents and conducted searches at the Registry of Companies and the Registry of Minerals Rights in Dar es Salaam, Tanzania; and Registry of Companies, Ministry of Industries and Trade. The search at the Registry of Companies in respect of Castillian Resources (Tanzania) Limited ("Licence Holder") was done to establish the corporate standing including compliance with statutory requirements. The searches at the Registry of

Partners: Mwanaidi Sinare Maajar Dr. Alex T. Nguluma
Dr. Eve Hawa Sinare Lugano J. S. Mwandambo George Mpele Kilindu
Christopher Giattas Sinare Zaharan Tabitha Maro
Associate: Farija B. Ghikas International Consultant: Jim Friedlander

10TH AUGUST, 2010



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Mineral Rights entail a review of the records maintained by the Commissioner for Minerals ("the Commissioner") pursuant to the Mining Act, 1998 ("the Mining Act") to establish the status of the mineral rights held by the Licence Holder.

The Registry of Companies is the most authoritative and authentic reference point under Tanzanian law as regards the standing of a corporate entity. As regards the authenticity of minerals rights ownership, such reference point is the Registry of Minerals Rights.

3.0 ASSUMPTIONS:

3.1 For purposes of this opinion, we have assumed the following:-

3.1.1 the accuracy and correctness of the instructions which we have received with respect to all matters of fact;

3.1.2 all corporate records and other documents availed to us by the Licence Holder and/or their local lawyer are genuine, complete, up-to-date and accurate and no corporate information or records have been withheld from us whether deliberately or inadvertently;

3.1.3 all facts stated in the documents, certificates and other information and upon which we have relied in providing this opinion are and continue to be correct; and

3.1.4 the absence of any actual or pending litigation or agreements in respect of any of the Licence Holder and the minerals rights or applications for such rights the subject of this opinion that may be prejudicial or have any material bearing or otherwise upon this opinion, its recipients or the purpose for which it was prepared.

3.2 The references in this Report to minerals rights are taken from details shown on the searches we have obtained from the Registry of Minerals, Ministry of Energy and Minerals. No independent survey was conducted to verify the accuracy of the licence areas.



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- 3.3 We have assumed that the mineral rights have been validly granted and that the relevant Minister, Commissioner for Minerals and any persons exercising delegated authority in relation to the grants have acted within the scope of their powers and discretions.
- 3.4 Where Ministerial consent is required in relation to any agreements or the transfer of any tenement, we express no opinion as to whether such consent will be granted, or the consequences of consent being refused, although we are not aware of any matter which would cause consent to be refused.
- 3.5 Unless non-compliance with the terms and conditions of any tenement and the provisions of the Mining Act and the regulations to the Mining Act is disclosed on the face of the searches referred to in this Report, we express no opinion as to such compliance.

4.0 FINDINGS

4.1 Castillian Resources (Tanzania) Limited:

Castillian Resources (Tanzania) Limited is:

- 4.1.1 a limited liability corporate entity duly incorporated and existing under the laws of the United Republic of Tanzania and holds Certificate of Incorporation No. 59496 dated 2nd March, 2007; and
- 4.1.2 is fully authorized by its Memorandum and Articles of Association to own and/or lease property and to carry on in Tanzania the business of mineral exploration and mines development together with all other allied businesses envisaged to be undertaken by the Licence Holder.

4.2 Mining Act:

Rights for prospecting for or mining minerals are granted in the form of mineral



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rights evidenced by licences issued under the Mining Act. Pursuant to Section 57 of the Mining Act, the Minister for Energy and Minerals has power to grant, renew, suspend or cancel any licence if the holder fails in a material respect to comply with the Mining Act or the conditions on which the licence is granted. However, the Minister is obliged to serve on the licence holder a default notice specifying the grounds on which the licence is liable to be suspended or cancelled indicating a specific period during which the default may be cured. The powers of the Minister or where the law specifies the Commissioner for Minerals ("the Commissioner") are exercisable in accordance with the powers conferred to them under the Mining Act. A mineral right is deemed a requisite and sufficient authority over the land in respect of which the right is granted. However, a separate authority (water grant) is required to divert water. A holder of a mineral right is **also** obliged to seek the prior consent of lawful occupiers before he can exercise his rights under the Mining Act. All licences issued under the Mining Act are referred to as mineral rights.

4.3 Prospecting Licences:

4.3.1 A prospecting licence covering a preliminary reconnaissance period in accordance with Section 25 of the Mining Act is granted for a period not exceeding 2 years. A prospecting licence applied for the initial prospecting period is granted for a period not exceeding 3 years. Thereafter two successive periods of renewal may be granted, but each must not exceed two years. A prospecting licence may be issued initially for two or three years. This means that the maximum life span of prospecting licences will therefore be either seven or nine years, depending on whether it starts with a preliminary reconnaissance period. Where the holder is not in default and at the end of the second renewal period and a further period is required to complete a feasibility study already commenced, the prospecting licence may be renewed for such further periods as may be reasonably required for that purpose. This is pursuant to section 29 and 30 of the Mining Act.

4.3.2 The holder of a prospecting licence including a prospecting licence for a preliminary reconnaissance period not exceeding two (2) years must:

- commence prospecting operations within three (3) months from the date of grant, or such further period as allowed by the



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authority;

- give notice to the licensing authority of any mineral discovery of potential commercial value; and
- expend on prospecting operations not less than the amount prescribed. In relation to this please see out comment under the heading "Minimum Expenditure" below.

4.3.3 The Mining Act stipulates that, in the case of first renewal the holder of a prospecting licence shall relinquish fifty (50) percent of the area held during the initial prospecting period and a further fifty (50) percent of the balance in the second renewal.

4.3.4 Pursuant to section 29 of the Mining Act, unless the holder is in default and the Minister has issued a default notice and given an opportunity to the licence holder to cure the default, the Commissioner is obliged to renew a prospecting licence upon application:

- at the end of the preliminary reconnaissance period, for the initial prospecting period;
- at the end of the initial prospecting period, or as the case may be, at the end of the first renewal period; and
- at the end of the second renewal period for the period required to complete a feasibility study if applicable.

The Ministry must grant the application for renewal of a prospecting licence not later than six (6) weeks from the date on which the application is made, unless the holder has been issued a notice of default. See Section 30(2) of the Mining Act.

4.3.5 Where there are two or more competing applications for a grant of mineral rights over the same area, the person whose application was first registered under the Mining Act, provided there is no reason for disqualification, would be granted the mineral right.



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4.4 Annual Rent:

The annual rent on a prospecting licence for a preliminary reconnaissance period not exceeding two (2) years ("PLR") is calculated by multiplying the area of the licence in square kilometers allocated in the grant by US\$10: as per paragraph 7(a) of the First Schedule of the *Mining Act, 1998 Regulations* (the "Regulations"). The annual rent on a prospecting licence for its initial prospecting period ("PL") is calculated by multiplying the area of the licence in square kilometers allocated in the grant by US\$20 (paragraph 7(b) of the First Schedule of the Regulations).

4.5 Minimum Expenditure:

Sections 8(1) and (2) of the Mining Act provide for the amount to be expended annually on prospecting licences. Section 8(2)(a) provides that in the case of a PLR a lump sum amount of US\$100,000.00 per annum is required to be expended. If the area granted exceeds 1,000 sq kms, a further amount of US\$100.00 per square kilometer in excess of 1,000 sq kms, must be expended in each year.

The minimum expenditure required for a prospecting licence for the initial prospecting period is US\$300 per square kilometer per annum. The maximum size for a prospecting licence during this period is two hundred (200) square kilometers. The minimum amount to be expended on a prospecting licence for the first renewal period is US\$1,000 per square kilometer per annum.

The Ministry monitors the work commitment over a tenement by noting the expenditure in the quarterly reports lodged at the Ministry. Each titleholder has an obligation to lodge quarterly and annual reports. This is an important mechanism available to the Ministry to monitor a titleholder's activities and expenditure.

4.6 Conditions Attaching to the Grant of a Mineral Right:

Each mineral right granted is conditional upon the owner of that mineral right providing employment and training to Tanzanian citizens where



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possible.

If a prospecting licence is converted to a mining licence, then Part II of the *Mining (Environmental Management and Protection) Regulations, 1999* with respect to an Environmental Impact Assessment and Management and Responsibility in Mines, Mining (Safe Working and Occupational Health) applies.

By virtue of Section 86 of the Mining Act, every Authorized Miner must pay to the Government of the United Republic, a Royalty of 3% on the net back value, as defined in the Mining Act, of minerals produced under the relevant mining licence. An Authorized Miner has been defined in the Mining Act as a holder of a special mining licence, a mining licence, a gemstone mining licence or a primary mining licence; as such a prospecting licence holder is not subject to any royalty payments.

4.7 Claims in respect to Mineral Rights:

According to Section 95b of the Mining Act, no holder of a mineral right shall exercise any of his rights conferred by his licence over an area of land which is the site of, or which is within 200 meters of any inhabited, occupied or temporarily unoccupied house or building without the written consent of the lawful occupier. Therefore, where a mineral right granted to an applicant is over an area of land inhabited by lawful occupiers then the holder of such a mineral right is required to obtain the occupier's written consent prior to exercising any of the rights conferred under his mineral right.

The owner of the mineral right has the right of access and construction on the mineral properties, but will require the consent of any lawful land occupier (if activities may disturb habitation, cultivations, etc.). The Minister under the Mining Act may intervene if consent is unreasonably withheld.

In terms of compensation, if activities result in damage to crops, buildings, works etc., the holder of the mineral right is liable to pay the lawful occupier fair and reasonable compensation in respect of the damage. If the value of the land has been enhanced by the mineral exploration, any compensation is limited to the value that would have been paid had the value not been so enhanced. If there is a dispute regarding the amount of compensation, either



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party may refer the dispute to the Commissioner under the Mining Act who, subject to the Mining Act, shall determine and rule on the matter. In the alternative, the matter could be referred to the Commissioner for Human Rights or a court of competent jurisdiction.

4.8 Obligation with respect to surrender of Areas:

The maximum area allowed for a prospecting licence held during a preliminary reconnaissance period is 5,000 sq kms.

The maximum area allowed for a prospecting licence (other than building materials and gemstones) held during the initial prospecting period is 200 sq kms. If a further application is made for renewal, then the area the subject of renewal is reduced by 50%.

The holder of a mineral right may apply to the licensing authority to surrender all or any part of the land the subject of a licence by making an application not less than three (3) months before the holder wishes the surrender to have effect. If the licensing authority is satisfied with that application it will issue a certificate of surrender.

4.9 Transfer of a Mineral Right:

Subject to section 9(2) of the Mining Act, the holder of a mineral right is entitled to assign the mineral right or an undivided proportionate part thereof.

However, an assignment of a mining licence, a special mining licence or a gemstone mining licence must be approved by the Ministry, unless the assignment is to an Affiliate and the obligations of that Affiliate are guaranteed by the Parent.

The assignment of a PLR and a PL does not require the approval of the Ministry, however, upon being notified by a letter to that effect and/or the transfer agreement and payment of a fee; the Commissioner would issue an acknowledgement certificate in respect of the transfer, assignment or dealing and record the same in the central register. The time scale for a transfer to be recorded in the central register has not been specified in the Mining Act.



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4.10 Transfer of Control over a Company:

Section 108 of the Mining Act, provides that where a mineral rights licence is granted to a company, that company is prohibited from registering a transfer of any share or shares in the company to any particular person or his nominee or to enter into an agreement with any particular person, if the effect of doing so would be to give that person control of the company, without the written consent of the licensing authority. A person is deemed to have control of a company if he or his nominee holds a total of fifty per centum or more of the equity shares of the company or if the person is entitled to appoint or to prevent the appointment of half or more than half of the number of directors of the company.

Apart from this restriction, mineral rights, apart from primary mining licences, may be held by foreign entities.

5.0 TITLE SEARCH FINDING AND CONFIRMATION:

We have carried out a due diligence on four (4) mineral rights and two (2) applications, as shown on the table below.



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| S/No. | License No. | Registered Holder | Date Issued | Date of 1 st Renewal | Date of 2 nd Renewal | Minimum Expenditure US\$ | Expiry Date | Remarks |
|-------|-----------------|-----------------------------------------|-------------|---------------------------------|---------------------------------|--------------------------|-------------|------------------------------------------|
| 1 | HQ-P 17612 | Castillian Resources (Tanzania) Limited | N/A | N/A | N/A | N/A | N/A | Application is still in process |
| 2 | HQ-P 18733 | Castillian Resources (Tanzania) Limited | N/A | N/A | N/A | N/A | N/A | Application is still in process |
| 3 | PL 5192/2008 | Castillian Resources (Tanzania) Limited | 18.07.2008 | N/A | N/A | 29,547 | 17.07.2011 | Valid and in good stand |
| 4 | PL 5306/2008 | Castillian Resources (Tanzania) Limited | 28.08.2008 | N/A | N/A | 57,537 | 27.08.2011 | Valid and in good stand |
| 5 | PL 6463/2010 | Castillian Resources (Tanzania) Limited | 21.06.2010 | N/A | N/A | 46,161 | 20.06.2013 | Valid and in good stand. Was HQ-P 17613. |
| 6 | PL 4985/2008 | Castillian Resources (Tanzania) Limited | 18.03.2008 | N/A | N/A | 40,251 | 17.03.2011 | Valid and in good stand. |

On the basis of our searches conducted in the Registry of Mineral Rights maintained by the Commissioner and a review of documents filed at the Commissioner's office we confirm that:-

- 5.1 Four (4) of the Prospecting Licences are validly held by the Licence Holder which enjoys exclusive rights to undertake mineral exploration and if viable deposits are found, to develop mines at the licensed areas. They have all been



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validly granted by the Licensing Authority pursuant to the Mining Act and are valid and in good standing and have not been cancelled, suspended or expired as of the date of this opinion.

- 5.2 Two (2) applications are still being processed.
- 5.3 There are no disputes, charges, liens or encumbrances that we are aware of relating to the Prospecting Licences or with the Applications for prospecting licences, with any governmental or regional authority or any unrelated third party.
- 5.4 There are no provisions under Tanzanian law or regulation in relation to the prospecting licence which would permit it to be forfeited or otherwise withdrawn in the event of change of ownership. Unless ownership restrictions are applicable as provided under Section 8 of the Mining Act.

6.0 AGREEMENTS:

We have reviewed one material agreement, being the Share Sale Agreement between Castillian Resources Corp ("Vendor") and Innovance entered into on 15th June, 2010, as amended by letter agreement dated 5 August 2010 ("the Share Sale Agreement").

6.1 Purpose:

The sale of 100% of the shares in the subsidiary of the Vendor, being Castillian Resources (Tanzania) Limited, to Innovance.

6.2 Consideration:

The Vendor to acquire 5,000,000 fully paid up shares in Innovance, 7,500,000 A class converting performance shares, 7,500,000 B class converting performance shares and 7,500,000 C class converting performance shares.

There are eight conditions precedent for the transaction to occur, being the following:

- (a) Innovance undertaking a placement (or issue of shares under the Prospectus), to be arranged by principals of Forbes & Manhattan, Inc.



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of up to 10,000,000 Innovance shares post consolidation each at an issue price of A\$0.20 or a placement (or issue of shares under the Prospectus) on such other term as otherwise agreed by the Vendor and Innovance;

- (b) Innovance completing technical and financial legal due diligence investigations in relation to the Vendor, the Licence Holder and the projects and being satisfied in its absolute discretion with the results of the due diligence;
- (c) Innovance shareholders passing resolutions as are required by the National Stock Exchange of Australia's, (the "NSX") Listing Rules, the constitution of Innovance and the Corporations Act (Australia) to give effect to the transactions contemplated by the Share Sale Agreement;
- (d) Innovance shareholders approving consolidation of its shares on a 2 for 1 basis from 16,571,833 to 8,285,917;
- (e) Innovance cancelling all treasury options;
- (f) Innovance complying with NSX Listing Rules and the Corporations Act in order for completion to occur;
- (g) NSX approving the terms and conditions of the converting performance shares; and
- (h) Innovance receiving approval from the Australian Stock Exchange (the "ASX") to list upon completion and the concurrent capital raising of a minimum of A\$2,400,000 and a maximum of A\$4,000,000 across a minimum of 250 new shareholders at A\$0.20 per share by an ASX registered stock broker.

It is our opinion that the Share Sale Agreement was executed and recorded in compliance with the laws of New South Wales, Australia which is the governing law of the Share Sale Agreement and we give no other opinion on the Share Sale Agreement.



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7.0 LITIGATION:

We are not aware of any litigation, pending or actual, involving the Licence Holder and the information availed to us does not suggest the existence of any litigation or dispute involving the Licence Holder or the mineral rights.

8.0 CONCLUSION:

- 8.1 This opinion is issued for the benefit of the addressee and should not be relied upon by any other person without our express written approval or that of Innovance.
- 8.2 Other than time based fee the Partners of Rex Attorneys and the staff involved in the preparation of this Report have no direct or indirect interest in or financial relationship with the Licence Holder or Innovance in the connection with the making of this opinion.
- 8.3 We believe that this Report does not contain anything that is false in a material particular or which is materially misleading in the form and context in which it appears. We have not undertaken any additional searches of other government agencies or of courts of law or Tribunals.
- 8.4 We have given, and have not before the lodgment of the Prospectus withdrawn, our consent to the issue of the Prospectus with this Report in the form and context in which it is included.

Yours sincerely,

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8. MATERIAL CONTRACTS

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

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

8.1 Share Sale Agreement

The Company and Castillian entered into a Share Sale Agreement on 15 June 2010 (which was subsequently amended on 5 August 2010) ("**Share Sale Agreement**").

By the Share Sale Agreement Castillian agrees to sell 100% of its shares in Castillian Resources (Tanzania) Limited ("**CastTanz**") to the Company.

The Share Sale Agreement is conditional upon:

1. the Company undertaking a placement (or Issue of Shares under this Prospectus) to be arranged by the principals of Forbes & Manhattan Inc of up to 10,000,000 Shares at an issue price of \$0.20 or a placement (or Issue of Shares under this Prospectus) on such other terms as otherwise agreed by the Company and Castillian;
2. the Company conducting technical, financial and legal due diligence investigations in respect of Castillian, CastTanz and the 4 mineral exploration licences and 2 applications for mineral exploration licences (the Kagera Nickel Project) in north-west Tanzania ("**Claims**") held by CastTanz ("**Projects**") and being satisfied in its absolute discretion with the results of that due diligence;
3. the Company's Shareholders passing all resolutions as required under the NSX Listing Rules, the Constitution of the Company and the *Corporations Act 2001* (Cth) for the transaction contemplated by the Share Sale Agreement;
4. the Company's Shareholders approving a consolidation of its Shares and Options on a 2 for 1 basis;
5. the Company cancelling all Treasury Options;
6. the Company complying with the NSX Listing Rules and the *Corporations Act 2001* (Cth) in order for the completion to occur;
7. NSX approving the terms and conditions of the convertible Performance Shares to be issued to Castillian and/or its nominee (see Section 9.6 of this Prospectus); and
8. the Company receiving approval from the ASX to list upon completion and the concurrent capital raising of a minimum of \$2,400,000 and a maximum of \$4,000,000 across a minimum of 250 new Shareholders at \$0.20 per share by an ASX registered stock broker.

If these conditions have not been satisfied or waived on or before 23 September 2010 or such later date as may be agreed between the Company and Castillian, the Share Sale Agreement will terminate.

On Completion of the Offer 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.

Completion will occur on the third business day after the fulfilment or waiver of all of the conditions or such other date as is agreed between the Company and Castillian.

On completion Castillian must deliver to the Company:

1. a fully completed amendment to the corporate charters of CastTanz evidencing the transfer of all shares of CastTanz to the Company;
2. an executed escrow agreement from Castillian in a form acceptable to the Company;
3. the records, books of account, title documents for the Claims, mining information and all other information relating to CastTanz and the Projects;
4. subject to receipt from the Company of a notice nominating those persons to be appointed as director or secretary of CastTanz, no later than three business days prior to Completion of the Acquisition, a signed circular resolution of the directors of CastTanz appointing those persons as a director or secretary;



5. a signed resolution of the directors of Castillian and CastTanz approving and authorising the registration of the amendment to the corporate charters of CastTanz, evidencing the transfer of shares of CastTanz to Innovance with effect from completion and the issuance of quotas in the name of the Company;
6. resignations of such existing directors and secretary of CastTanz as requested by the Company, prior to Completion of the Acquisition; and
7. if requested by the Company, a bank authority cancelling the existing signatories of CastTanz and appointing nominees of the Company.

On completion the Company must (among other things):

1. issue 5,000,000 Shares to Castillian and/or its nominee;
2. 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;
3. 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 insitu or equivalent no later than five years from the date of issue (provided that if the Company completes less than 3,000 metres of drilling on the Kagera Nickel Project prior to the conversion deadline, the conversion deadline will be extended by one year);
4. 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 insitu or equivalent no later than five years from the date of issue (provided that if the Company completes less than 3,000 metres of drilling on the Kagera Nickel Project prior to the conversion deadline, the conversion deadline will be extended by one year);
5. provide evidence to Castillian that the above Performance Shares have been issued; and
6. provide a copy of the resolution of the Company appointing the two non-executive Directors chosen by Castillian.

If there is a 'Change of Control Event' in relation to Innovance prior to the conversion date of any of the Performance Shares referred to above, the performance criteria will be deemed to have been achieved and the Performance Shares will convert. A 'Change of Control Event' is:

1. the offeror under a takeover bid or acquisition proposal in respect of all Shares announcing that it has achieved acceptances and all requisite Shareholder approvals to acquire more than 20% of the Shares and that takeover bid has become unconditional;
2. 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
3. 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.

Prior to Completion of the Acquisition, Castillian must ensure that:

1. there is no sale of the whole or any part of the Projects or any interest in the Claims and mining information that form part of the Projects;
2. no exploration or other activities are undertaken on the Projects without the prior written consent of the Company or at the request of the Company;
3. all Claims and other mining rights are maintained in good standing, including the payment of renewal fees;
4. it does not grant any encumbrances in respect of the Projects;
5. it provides the Company with copies of all correspondence and information received in relation to the Projects; and
6. nothing is knowingly done by Castillian which is likely to have a material adverse impact on the Projects, Claims or mining information.



For a period of three years from the execution of the Share Sale Agreement, Castillian and each associate or related corporation of Castillian which has or obtains an interest in a nickel project or a right to obtain an interest in a nickel project that is wholly or partially within Tanzania and within 100 kilometres of the Kagera Nickel Project must offer such interest to the Company at the cost incurred by the party acquiring the interest.

For a period of three years from the execution of the Share Sale Agreement, each associate or related corporation of the Company which has or obtains an interest in a nickel project or a right to obtain an interest in a nickel project that is wholly or partially within Tanzania must offer such interest to the Company at the cost incurred by the party acquiring the interest.

The Share Sale Agreement contains many of the usual provisions in share sale and purchase agreements including various warranties by Castillian on the one hand and the Company on the other hand.

The Share Sale Agreement is governed by the laws of New South Wales.

8.2 Sponsoring Broker Agreement

On 4 August 2010, the Company engaged Taylor Collison Limited ("**Taylor Collison**") to act as sponsoring broker to the Offer.

The Company has agreed to pay Taylor Collison a sponsoring broker fee of 5% (exclusive of GST) of funds raised. The Company has also agreed to grant Taylor Collison or its nominee, 1,500,000 transferrable Options each with an exercise price of \$0.20, exercisable at any time prior to the 4 year anniversary of the Options being granted and otherwise on the terms and conditions set out in Section 9.7(c) of this Prospectus.

The Company indemnifies Taylor Collison and its directors, officers and employees from and against all losses suffered by, or claims made against, them arising out of or in connection with this Prospectus.

8.3 Indemnity, Insurance and Access Deed

The Company has entered an Indemnity, Insurance and Access Deed with each Director and proposed Director.

Pursuant to the Deed:

The Director is indemnified by the Company against any liability incurred in that capacity as an officer of the Company to the maximum extent permitted by law subject to certain exclusions.

The Company must keep a complete set of Company documents until the later of:

- the date which is seven years after the Director ceases to be an officer of the Company; or
- the date after a final judgment or order has been made in relation to any hearing, conference, dispute, enquiry or investigation in which the Director is involved as a party, witness or otherwise because the Director is or was an officer of the Company ("**Relevant Proceedings**").

The Director has the right to inspect and/or copy a Company document in connection with Relevant Proceedings during the period referred to above.

Subject to the next sentence, the Company must maintain an insurance policy insuring the Director against liability as a Director and officer of the Company while the Director is an officer of the Company and until the later of:

- the date which is seven years after the Director ceases to be an officer of the Company; and
- the date any Relevant Proceedings commenced before the date referred to above have been finally resolved.

The Company may cease to maintain the insurance policy if the Company reasonably determines that the type of coverage is no longer available.

The Deed is governed by the laws of South Australia.

8.4 Corporate Adviser Agreement - Gryphon Partners Advisory Pty Ltd

On 2 August 2010, the Company engaged Gryphon Partners Advisory Pty Ltd ("**Gryphon Partners**") to act as adviser to the Company in relation to its migration from NSX to ASX ("**Transaction**") capital raising and its acquisition of the Kagera Nickel Project.

In consideration for the services provided, Gryphon Partners is entitled to the following fees:

- (a) a monthly retainer of \$12,500 (plus GST) for a period of three months;
- (b) a success fee of \$27,500 (plus GST) upon the listing of Innovance on ASX; and



- (c) upon the successful listing of Innovance on ASX, the issue of 1,500,000 transferrable Options to Gryphon Partners or its nominee each exercisable at \$0.20 with a term of 4 years. A summary of the terms and conditions of these Options is contained in Section 9.7(c) of this Prospectus.

The Company will reimburse Gryphon Partners for all reasonable out-of-pocket expenses incurred.

8.5 Adviser Agreement – Wolfstar Group Pty Ltd

On 2 August 2010, the Company engaged Wolfstar Group Pty Ltd ("**Wolfstar Group**") for the period of four months (or such longer period as the parties may agree) to act as adviser to the Company in relation to its migration from NSX to ASX ("**Transaction**").

In consideration for the services provided, Wolfstar Group is entitled to the following fees:

- (a) a monthly retainer of \$6,000 (plus GST) for a maximum of four months prior to the completion of the Transaction; and
- (b) a work fee of the lower of 1% of the total capital raised or \$25,000 in relation to the completion of the Transaction.

The Company will reimburse Wolfstar Group for all reasonable out-of-pocket expenses incurred.

8.6 Royalty – Tsar Equity AB

By letter dated 12 June 2006 from Castillian to Tsar Equity AB, Castillian confirmed that Tsar Equity AB holds a 2% net smelter return royalty on the Kagera Nickel Project, where net smelter return royalty means any and all amounts received from a product mined from the Kagera Nickel Project, deducting therefrom:

- (a) if the product is treated by an arm's length party at a smelter, refinery or mint, all expenses, relating thereto, including all costs and charges for the treatment, tolling, smelting, refining or minting of such products and all costs associated therewith such as transporting, insuring, handling, weighing, sampling, assaying and marketing, as well as all penalties, representation charges, referee's fees and expenses, import taxes and export taxes; and
- (b) if the product is treated at a smelter, refinery or mint not owned, operated or controlled by an arm's length party, all expenses referred to in paragraph (a) above, such charges, costs and expenses to be equivalent to the prevailing rates charged by similar smelters, refineries or mints as the case may be, in arm's length transactions for the treatment of like quantities and quality of product.

The net smelter return royalty shall be calculated at the end of December in each year in which ores or concentrates from the Kagera Nickel Project were sold or otherwise deemed disposed of and payment to Tsar Equity AB shall be made within 30 days thereafter.

9. ADDITIONAL INFORMATION

9.1 Tax Status and Financial Year

The Company is taxed in Australia as a public company. The financial year of the Company ends on 30 June annually.

9.2 Stock Exchange Listing

The Company is presently listed on NSX, with such listing taking place on 9 February 2007. Accordingly, the Company has been subject to continuous disclosure under the rules of the NSX since that time. The identifying code used by the Company on NSX is IVL.

Upon completion of the capital raising under this Prospectus, and subject to satisfaction of the entry requirements of the ASX, the Company expects to list all of its Shares on the ASX shortly after the Offer closes. The Company's present intention is to seek NSX's approval to suspend trading on the NSX approximately 20 days before the Company's expected date of admission to the Official List of ASX and Quotation of the Shares on the ASX, and to withdraw its listing on the NSX upon the Company being admitted to the Official List of ASX and Quotation of the Shares on ASX.

9.3 Corporate Governance

The Board of Directors of Innovance will be responsible for the corporate governance of the Company including its strategic development. The format of this Section is guided by the ASX Corporate Governance Council's best practice recommendations. The Company's corporate governance principles and policies are therefore structured as follows:

- Principle 1 Lay solid foundations for management and oversight*
- Principle 2 Structure the Board to add value*
- Principle 3 Promote ethical and responsible decision making*
- Principle 4 Safeguard integrity in financial reporting*
- Principle 5 Make timely and balanced disclosure*
- Principle 6 Respect the rights of Shareholders*
- Principle 7 Recognise and manage risk*
- Principle 8 Remunerate fairly and responsibly*

With the exception of the departures from the Corporate Governance Council recommendations in relation to the establishment of a nomination committee (Recommendation 2.4), the corporate governance practices of Innovance are compliant with the Council's best practice recommendations. The Corporate Governance policies and responsible parties detailed in this Section of this Prospectus assumes that all resolutions are passed at the General Meeting.

(a) Board Responsibilities

The Board will be accountable to the Shareholders for the performance of the Company and will have overall responsibility for its operations. Day to day management of the Company's affairs, and the implementation of the corporate strategy and policy initiatives, will be formally managed by the Board of the Company.

The key responsibilities of the Board will include:

- approving the strategic direction and related objectives of the Company and monitoring management performance in the achievement of these objectives;
- adopting budgets and monitoring the financial performance of the Company;
- overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems;
- overseeing the implementation and management of effective safety and environmental performance systems;
- ensuring all major business risks are identified and effectively managed; and
- ensuring that the Company meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at Innovance's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

(b) Size and Composition of the Board

The Directors consider the size and composition of the Board is appropriate given the size and status of the Company. However, the composition of the Board will be subject to review in a number of ways.



- The Constitution provides that at every annual general meeting, one third of the Directors shall retire from office but may stand for re-election.
- Board composition will be also reviewed periodically either when a vacancy arises or if it is considered the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board, which should match the strategic demands of the Company. Once it has been agreed that a new Director is to be appointed, a search will be undertaken, sometimes using the services of external consultants. Nominations would then be received and reviewed by the Board.

(c) Ethics and Independence

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. Innovance intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards.

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. In addition, Recommendation 2.2 requires the chairperson of the Company to be independent. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, all Directors are considered to be independent.

Innovance considers industry experience and specific expertise to be important attributes of its Board members and therefore believes that the composition of the Board is appropriate given the size and development of the Company at the present time.

(d) Board Committees

It is the role of the Board to oversee the management of the Company and it may establish appropriate committees to assist in this role. The composition of the committees shall be as follows:

- the majority of the members of each committee of the Board will be non-executive Directors;
- each committee will have a charter approved by the Board; and
- each committee will maintain minutes of each meeting of the committee, which will be circulated to all Directors.

The Board will initially establish an audit, risk and compliance committee. At the present time no other committees will be established because of the size of the Company and the involvement of the Board in the operations of the Company. The Board takes ultimate responsibility for the operations of the Company including remuneration of Directors and executives and nominations to the Board.

Audit, Risk and Compliance Committee

The audit, risk and compliance committee will initially be comprised of Messrs O'Loughlin and Greenslade, each of whom is a non-executive Director and free from any relationships which might, in the opinion of the Board, be construed as a conflict of interest. The Board will annually confirm the membership of the committee.

As noted above, Messrs O'Loughlin and Greenslade are considered as independent when applying the Council's definition of independence.

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Company's governance policies.



The size and nature of the activities of the Company does not presently require the services of a chief financial officer. It is proposed that the Company Secretary, Mr Donald Stephens, will initially provide accounting and financial support to the Company. Mr Stephens will be required to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Company's risk management and internal controls are operating efficiently and effectively.

(e) Shareholder Communication

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and its Directors and to make well-informed investment decisions. Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Company maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

(f) Identification and Management of Business Risk

The Board has identified the significant areas of potential business and legal risk to Innovance. The identification, monitoring and, where appropriate, the reduction of significant risk to Innovance will be the responsibility of the Board.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts will be prepared and reviewed at subsequent Board meetings. Budgets are prepared and compared against actual results.

(g) Remuneration

The Chairman and the non-executive Directors are entitled to draw Directors fees and receive reimbursement of reasonable expenses for attendance at meetings. The Company is required to disclose in its annual report details of remuneration to Directors. If all of the Resolutions are passed, the maximum aggregate annual remuneration which may be paid to non-executive Directors will be \$300,000. This amount cannot be increased without the approval of the Company's Shareholders. A detailed explanation of the basis and quantum of Directors remuneration is set out in Section 9.8 of this Prospectus.

(h) Securities Trading Disclosure

The Company has a formal policy for dealing in the Company's securities by Directors, employees and contractors. This sets out their obligations regarding disclosure of dealing in the Company's securities. The Constitution permits Directors to acquire securities in the Company, however Company policy prohibits Directors and senior management from dealing the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- any major announcements;
- the release of the Company's annual and half yearly financial results to the ASX; and
- the annual general meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Company. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

9.4 Litigation

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

9.5 Rights Attaching To Shares

The Shares to be issued under this Prospectus will rank equally with the issued fully paid Shares in the Company. The rights attaching to Shares are set out in the Company's Constitution and, in certain circumstances, are regulated by the Corporations Act, the Listing Rules and general law.

The following is a summary of the more significant rights of the holders of Shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members.

(a) General Meeting

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

(b) Voting

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

(c) Issues of Further Shares

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

(d) Variation of Rights

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

(e) Transfer of Shares

Subject to the Company's Constitution, the Corporations Act, the ASTC Settlement Rules and the Listing Rules, Shares are freely transferable.

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

(f) Partly Paid Shares

The Directors may issue shares, subject to compliance with the Company's Constitution, the Corporations Act and the Listing Rules. A member is liable to pay calls on partly paid shares.

(g) Dividends

The Directors may determine that a dividend is payable. The Company in general meeting may determine a dividend if the Directors have recommended a dividend, and a dividend shall not exceed the amount recommended by the Directors.

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

(h) Winding Up

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

(i) Dividend Plans

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

(j) Directors

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

(k) Powers of the Board

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

9.6 Terms and Conditions of Performance Shares

If all of the Resolutions are passed and the Acquisition occurs, 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 to Castillian Resources Corp and/or its nominee. The terms and conditions of the A class Performance Shares, B class Performance Shares and C class Performance Shares are set out below.

Part 1 – General Terms

(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 a Share, the Company must within seven days after the conversion, apply for the official Quotation of the 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 Shares.

(Ranking of Company Shares) The Shares into which a Performance Share will convert will rank *pari passu* in all respects with existing 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 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 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 Kagera Nickel Project 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 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 Kagera Nickel Project 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 Shares and 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 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 Shares.

9.7 Terms and Conditions of Options

(a) Existing Options post-Consolidation to Taylor Collison Limited

As at the date of this Prospectus, the Company has granted 1,000,000 Options to Taylor Collison Limited. Assuming that all Resolutions are passed, Taylor Collison Limited will hold 500,000 Options on the following terms and conditions:

The exercise price of each Option is \$0.40 cash.

Any Shares issued pursuant to the exercise of any of the Options will be issued on the same terms as the other existing fully paid Shares, and will rank in all respects on equal terms with the other existing fully paid Shares.

The Options are exercisable at any time after the date of grant and prior to the expiry date which is 5 years after the date of grant.

An Option will not entitle the holder to participate in any new issue of Shares by the Company unless it has been exercised prior to the relevant record date.

Some or all of the Options may be exercised at any one time or times prior to the expiry date provided that no less than 10,000 Options are exercised at any one time.

The Options are not transferable and accordingly will not be listed.

Should the Company reorganise its capital then the number of Options and the exercise price will be reconstructed in the same proportion to ensure that the holder of the Option will not receive a benefit or suffer a detriment which is not conferred upon or suffered by holders of Shares.

(b) Existing Options Post-Consolidation to outgoing Directors of the Company and previous Directors of the Company

As at the date of this Prospectus, the Company has granted 1,200,000 Options to current and outgoing Directors and previous Directors. Assuming that all Resolutions are passed, these Optionholders will hold 600,000 Options. The terms and conditions of such Options are the same as those outlined in Section 9.7(a) of this Prospectus save and that the exercise price is \$0.20 per Option.

(c) New Options issued to Advisers to this Prospectus subject to approval at the General Meeting

Assuming that all Resolutions are passed, the Company will grant to Taylor Collison Limited and Gryphon Partners Advisory Pty Ltd and/or their respective nominees a total of 3,000,000 Options on the following terms and conditions:

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.

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 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 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 Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of 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 Shares into which one Option is exercisable;
- P = the average closing sale price per 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.

(d) New Options issued to an incoming Director of the Company subject to approval at the General Meeting

Assuming that all Resolutions are passed, the Company will grant to Mr Simon O'Loughlin, one of the incoming Directors of the Company and/or his nominee, 500,000 Options on the following terms and conditions:

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 of the Acquisition ("**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 \$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 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 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 Shares in the capital of the Company, the number of Shares over which the Option is exercisable will be increased by the number of 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 Shares into which one Option is exercisable;
- P = the average closing sale price per 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.

(e) Terms and Conditions of Treasury Options

As at the date of this Prospectus, the Company has granted 30,000,000 Treasury Options to Taylor Collison Limited on the terms and conditions set out below. Subject to the satisfaction of all of the conditions under the Share Sale Agreement and the successful completion of the Offer under this Prospectus, all of the Treasury Options will be the cancelled.

The exercise price of each Treasury Option is \$0.20 cash.

Any Shares issued pursuant to the exercise of any of the Treasury Options will be issued on the same terms as all of the other Shares that are issued pursuant to this Prospectus, and will rank in all respects on equal terms with the other existing fully paid Shares.

The Treasury Options are exercisable at any time after the date of grant and prior to the expiry date which is 5 years after the date of grant.

A Treasury Option will not entitle the holder to participate in any new issue of Shares by the Company unless it has been exercised prior to the relevant record date.

Some or all of the Treasury Options may be exercised at any one time or times prior to the expiry date provided that no less than 10,000 Options are exercised at any one time.

Should the Company reorganise its capital then the number of Treasury Options and the exercise price will be reconstructed in the same proportion to ensure that the holder of the Treasury Option will not receive a benefit or suffer a detriment which is not conferred upon or suffered by holders of Shares.

The Treasury Options shall lapse if there is a change in control of Taylor Collison Limited.

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

9.8 Directors' Interests

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

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



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

- the formation or promotion of the Company; or
- the Offer of the Shares.

(a) Remuneration of Directors

Each Director is entitled to such remuneration from the Company as the Directors decide, but the total amount provided to all non-executive Directors must not exceed in aggregate the amount fixed by the Company in a General Meeting. If all of the Resolutions are passed, the maximum aggregate remuneration for all non-executive Directors will be \$300,000 per annum. The Directors have resolved that non-executive Directors' fees will be \$35,000 per annum for Mr Simon O'Loughlin (incoming Chairman) and \$30,000 per annum for each of the remaining non-executive Directors.

Mr David Brookes has received Directors' fees totalling \$40,000 (plus superannuation of \$3,600) from the Company during the past 24 months. Each of Mr Robert Greenslade and Mr Stephen Evans (or entities nominated by them) has received Directors' fees totalling \$11,000 from the Company during the past 24 months.

(b) Other interests of Directors

- All Directors are entitled to be paid all travelling and other expenses properly incurred by them in attending, participating in and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.
- Mr Simon O'Loughlin (incoming Chairman) is a Partner of O'Loughlins Lawyers which has acted as the solicitors to the Company in relation to the Offer. Details of the amounts paid and to be paid to O'Loughlins Lawyers are set out in Section 9.9 of this Prospectus.
- Mr Robert Greenslade is a director and shareholder of Gryphon Partners Advisory Pty Limited. Details of the amounts to be paid to Gryphon Partners Advisory Pty Limited are set out in Section 9.9 of this Prospectus.

(c) Directors' and Proposed Directors' Interests in the Company's Securities

The direct and indirect interests of the Directors and proposed Directors in the securities of the Company as at the date of this Prospectus (but calculated on a post-consolidation basis) are as follows:

| Director | Shares* | Options* |
|-------------------|-----------|-----------|
| Simon O'Loughlin | 300,000 | 500,000 |
| David Brookes | 587,500 | 150,000 |
| Stephen Evans | 100,000 | 150,000 |
| Robert Greenslade | 1,000,000 | 1,650,000 |
| David Gower | Nil | Nil |
| David Argyle | Nil | Nil |

* assuming all Resolutions are passed

The terms and conditions of these Options are set out in Section 9.7 of this Prospectus.

(d) Shareholding Qualifications

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

(e) Indemnity, Insurance and Access

The Company has entered into an Indemnity, Insurance and Access Deed with each of the Directors and proposed Directors as referred to in Section 8.3 of this Prospectus.

(f) Insurance

The Company maintains Directors' and Officers' Liability Insurance on behalf of the Directors and Officers of the Company.



9.9 Interests of Named Persons

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

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

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

PKF Corporate (SA) Pty Ltd ("**PKF**") has acted as the investigating accountant in relation to the Offer. As investigating accountant, PKF has been involved in undertaking due diligence in relation to financial and taxation matters and preparing pro-forma financial accounts, and has prepared the Investigating Accountant's Report which has been included in this Prospectus. In respect of this work the Company has agreed to pay PKF a total of \$10,000 (exclusive of GST) for these services. PKF has been paid \$20,363 for professional fees from the Company during the past 24 months.

O'Loughlins Lawyers ("**O'Loughlins**") has acted as the solicitors to the Company in relation to the Offer, and in that capacity and otherwise assisting the Company with the preparation of this Prospectus, O'Loughlins has been involved in undertaking certain due diligence enquiries in relation to legal matters and providing legal advice to the Company in relation to the Offer. In respect of this work, the Company has agreed to pay O'Loughlins approximately \$70,000 (exclusive of GST) for these services up to the date of this Prospectus. In addition, O'Loughlins has been paid \$6,955.30 (inclusive of GST) for professional fees from the Company during the past 24 months.

Rex Attorneys has prepared the Solicitors' Report on Tenements located in Tanzania and has provided legal advice in relation to the acquisition of the Tanzanian subsidiary of Castillian Resources Corp. In respect of this work, the Company has agreed to pay Rex Attorneys approximately US\$20,000 (exclusive of VAT) for these services up to the date of this Prospectus. Rex Attorneys has not received any professional fees from the Company to date.

Malcolm Castle has acted as the independent geologist in relation to the Offer. As Independent Geologist, Malcolm Castle has prepared the Independent Geologist's Report which has been included in this Prospectus. Malcolm Castle will receive professional fees of \$10,000 (exclusive of GST) for the provision of the Independent Geologist's Report. Malcolm Castle has not received any professional fees from the Company to date.

Gryphon Partners Advisory Pty Ltd ("**Gryphon Partners**") has acted as Corporate Adviser to the Company in relation to this Prospectus. In respect of this work, Gryphon Partners is estimated to receive fees of approximately \$65,000 (exclusive of GST) and 1,500,000 Options as referred to in Section 8.4 of this Prospectus. Gryphon Partners has not been paid professional fees from the Company during the past 24 months. Robert Greenslade is a director of Gryphon Partners and has received the directors' fees set out in Section 9.8(a) of this Prospectus during the past 24 months.

HLB Mann Judd (SA) Pty Ltd ("**HLB Mann Judd**") has acted as an adviser to the Company in relation to this Prospectus. HLB Mann Judd has provided services in relation to the due diligence process and the provision of corporate secretarial and accounting services throughout the due diligence process. In respect of this work, HLB Mann Judd will receive fees of approximately \$12,000 (exclusive of GST). HLB Mann Judd has been paid \$67,149.61 for professional fees from the Company during the past 24 months.

Wolfstar Group Pty Ltd ("**Wolfstar Group**") has acted as an adviser to the Company in relation to this Prospectus. Wolfstar Group has provided services in relation to the due diligence process and the drafting of this Prospectus. In respect of this work, Wolfstar Group will receive fees of approximately \$42,000 (exclusive of GST). Wolfstar Group has not received any professional fees from the Company to date.

Taylor Collison Limited ("**Taylor Collison**") has agreed to act as sponsoring broker in respect of the Offer pursuant to the Sponsoring Broker Agreement which (including the fees payable to Taylor Collison) is described in Section 8.2 of this Prospectus.

Computershare Investor Services Pty Limited ("**Computershare**") has agreed to provide share registry services to the Company in accordance with a detailed schedule of fees listed in its "Proposal to Innovance Limited for Share Registry Services" dated 12 August 2010.

9.10 Expenses of the Offer

The estimated expenses (exclusive of GST) connected with the Offer which are payable by the Company are as follows:

| | Based on Minimum Subscription (\$) | Based on Maximum Subscription (\$) |
|--------------------------------------|---------------------------------------|---------------------------------------|
| Brokerage fees | 120,000 | 200,000 |
| Investigating Accountants' Report | 10,000 | 10,000 |
| Legal Expenses | 70,000 | 70,000 |
| Solicitors Report on tenements | 22,214 | 22,214 |
| Independent Geologist's Report | 10,000 | 10,000 |
| ASX and ASIC fees | 24,000 | 30,000 |
| Corporate adviser Fees | 120,000 | 120,000 |
| Printing, marketing and distribution | 8,500 | 8,500 |
| Total | 384,714 | 470,714 |

9.11 Consents

Each of the parties referred to in this Section:

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

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

PKF has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named as Auditor.

O'Loughlins Lawyers has given its written consent to being named as Solicitors to the Company, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Rex Attorneys has given its written consent to the inclusion in Section 7 of this Prospectus of its Solicitors' Report on Tenements and to all statements referring to that report in the form and context in which they appear, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Malcolm Castle has given his written consent to the inclusion in Section 5 of this Prospectus of his Independent Geologist's Report and to all statements referring to that report in the form and context in which they appear, and to being named as the Independent Geologist, and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Gryphon Partners Advisory Pty Ltd has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named in this Prospectus as the Corporate Adviser to the Company in the form and context in which it is named.

HLB Mann Judd (SA) Pty Ltd has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named in this Prospectus as an adviser to the Company in the form and context in which it is named.

Wolfstar Group Pty Ltd has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named in this Prospectus as an adviser to the Company in the form and context in which it is named.

Taylor Collison Limited has given and as at the date hereof has not withdrawn its written consent before lodgement of this Prospectus with ASIC, to be named as the Sponsoring Broker to the Offer.

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

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

There are a number of other persons referred to in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in this Prospectus and did not authorise or cause this issue of this Prospectus.

9.12 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis of a paper prospectus lodged with ASIC and the issue of securities in response to an electronic application form subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please email the Company at info@innovance.com.au and the Company will send to you, for free, either a hard copy or a further electronic copy of this Prospectus or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with this Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered. In such case, the Application Monies received will be dealt with in accordance with section 722 of the Corporations Act.

9.13 Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the registered office of the Company during normal business hours:

- the material contracts referred to in Section 8 of this Prospectus;
- the Constitution of the Company; and
- the consents referred to in Section 9.11 of this Prospectus.

10. DEFINITIONS

In this Prospectus, unless the context otherwise requires:

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

"Acquisition" means the acquisition of 100% of the shares of Castillian Resources (Tanzania) Limited pursuant to the Share Sale Agreement, a summary of which is contained in Section 8.1 of this Prospectus.

"Applicant" means a person who submits an Application Form under this Prospectus.

"Application" means a valid application to subscribe for Shares.

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

"Application Money" means 20 cents being the amount payable in respect of each Share under the Offer.

"ASIC" means Australian Securities and Investments Commission.

"ASTC" means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532).

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

"ASX" means ASX Limited (ACN 008 624 691).

"Board of Directors" and **"Board"** means the Board of Directors of the Company as constituted from time to time.

"Business Day" means a day on which the trading banks are open in Adelaide, South Australia.

"Castillian" means Castillian Resources Corp a company listed on the Toronto Venture Stock Exchange.

"CHESS" means ASX Clearing House Electronic Subregistry System.

"Closing Date" means the date on which the Offer closes. This date is 16 September 2010, subject to the rights of the Company under Section 1.3 of this Prospectus.

"Company" means Innovance Limited (ACN 117 330 757).

"Completion of the Acquisition" means completion of the Acquisition.

"Completion of the Offer" means the allotment of at least 12,000,000 Shares offered under this Prospectus.

"Constitution" means the constitution of the Company.

"Corporations Act" means the Corporations Act 2001 of Australia.

"CST" means Central Standard Time as applicable in Adelaide, South Australia.

"Directors" means the directors of the Company.

"Exposure Period" means the period of seven days (or longer as ASIC may direct) from the date of lodgement of this Prospectus with ASIC.

"General Meeting" means the general meeting of the Company to be held on 13 September 2010 as convened by the Notice of Meeting annexed to this Prospectus.

"HIN" means holder identification number.

"Independent Geologist" means Mr Malcolm Castle.

"Innovance Limited" or **"Innovance"** means the Innovance Limited (ACN 117 330 757).

"Issue" means the issue of Shares or Options pursuant this Prospectus.

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

"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.

"Kagera Nickel Project" means the area totalling 864km² consisting of 4 mineral exploration licences and 2 applications for mineral licences as described in Section 2.3 of this Prospectus.

"Listing Rules" means the listing rules of the ASX.

"Maximum Subscription" means \$4,000,000 or 20,000,000 Shares.

"Minimum Subscription" means \$2,400,000 or 12,000,000 Shares.

"Notice of Meeting" means the notice of meeting contained in the annexure to this Prospectus (as amended, novated, supplemented, varied or replaced from time to time, including by the Company's letter to Shareholders dated 12 August 2010).

"NSX" means National Stock Exchange of Australia Limited (ACN 000 902 063).

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

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

"Offer Price" means 20 cents being the amount payable in respect of each Share under the Offer.

"Official List" means the Official List of the ASX.

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

"Option" means a right to subscribe for a Share.

"Optionholder" means a holder of an Option.

"Performance Shares" means performance shares on the terms set out under Section 9.6 of this Prospectus.

"Projects" means the 4 mineral exploration licences and 2 applications for mineral exploration licences which comprise the Kagera Nickel Project which are held by Castillian Resources (Tanzania) Limited.

"Prospectus" means this disclosure document.

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

"Resolutions" means the resolutions contained in the Notice of Meeting, excluding Resolution 4.

"Share" means a fully paid ordinary share in the capital of the Company.

"Shareholder" means a holder of a Share.

"Share Registrar" means Computershare Investor Services Pty Limited (ABN 48 078 279 277).

"Share Sale Agreement" means the letter agreement entered into by the Company and Castillian Resources Corp on 15 June 2010 which was subsequently amended on 5 August 2010 (as further amended, novated, supplemented, varied or replaced from time to time).

"Sponsoring Broker" means Taylor Collison Limited.

"SRN" means security holder reference number.

"Treasury Option" means an Option granted on the terms and conditions set out in Section 9.7(e) of this Prospectus.



11. DIRECTORS' CONSENTS

Each of the Directors and proposed Directors has consented in writing to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

Dated: 16 August 2010

Signed for and on behalf of the Company

Robert Greenslade
Director



ANNEXURE

Innovance

A.C.N. 117 330 757

Innovance Ltd
82 Fullarton Road, NORWOOD SA 5067
Tel +61 8 8130 2000 Fax: +61 8 8363 1980

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 ⁽¹⁾ |
|-------------------------------------------------|-------------------------------------------------|---------------------------------|
| Existing Shareholders | 16,571,833 | 8,285,917 |
| Existing Directors' Options | 1,200,000 | 600,000 |
| Existing Other Options | 1,000,000 | 500,000 |
| Existing Treasury Options ⁽²⁾ | 30,000,000 | |
| Resolution 2 | 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 |
| Resolution 3 | Issue of 7.5 million B class performance shares | 7,500,000 |
| | Issue of 7.5 million C class performance shares | 7,500,000 |
| Resolution 4 | Withdrawn | Nil |
| Resolution 5 | Issue of 1.5 million options | 1,500,000 |
| Resolution 6 | Issue of 1.5 million options | 1,500,000 |
| Resolution 10 | Issue of 500,000 options | 500,000 |
| Total Ordinary Shares | | 33,285,917 |
| Total Performance Shares | | 22,500,000 |
| Total Options | | 4,600,000 |

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 |
| Total shares | 37,885,917 |
| | |
| 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)

| | | 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 |
| | Note | \$ | \$ | \$ |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 1 | 1,191,127 | 3,178,855 | 4,684,255 |
| Trade and other receivables | 2 | 50,560 | 38,471 | 47,071 |
| Asset held for sale | | 10,000 | 10,000 | 10,000 |
| TOTAL CURRENT ASSETS | | 1,251,687 | 3,227,326 | 4,741,326 |
| NON-CURRENT ASSETS | | | | |
| Exploration and evaluation assets | | - | 1,034,765 | 1,034,765 |
| TOTAL NON-CURRENT ASSETS | | - | 1,034,765 | 1,034,765 |
| TOTAL ASSETS | | 1,251,687 | 4,262,091 | 5,776,091 |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 39,647 | 406,709 | 406,709 |
| TOTAL CURRENT LIABILITIES | | 39,647 | 406,709 | 406,709 |
| TOTAL LIABILITIES | | 39,647 | 406,709 | 406,709 |
| NET ASSETS | | 1,212,040 | 3,855,382 | 5,369,382 |
| EQUITY | | | | |
| Issued capital | 3 | 1,466,803 | 3,726,145 | 5,240,145 |
| Accumulated losses | | (395,843) | (395,563) | (395,563) |
| Reserves | | 141,080 | 524,800 | 524,800 |
| TOTAL EQUITY | | 1,212,040 | 3,855,382 | 5,369,382 |



Notes:

Note 1. Cash Assets

| | 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 |
| | \$ | \$ | \$ |
| 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

| | 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 |
| | \$ | \$ | \$ |
| 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)

| 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 |

Reconciliation of contributed equity

Balance as at 30 June 2010

| | 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 |

Pro forma adjustments

Post Consolidation (2 : 1 basis)

Issued pursuant to Prospectus
Issue of 5,000,000 shares to Castillian Resources Corp in accordance with the Share Sale Agreement
7,500,000 A Class Performance Shares in accordance with the Share Sale Agreement
7,500,000 B Class Performance Shares in accordance with the Share Sale Agreement
7,500,000 C Class Performance Shares in accordance with the Share Sale Agreement
Cost associated with the offer attributed to equity (net of GST)
Issue of share options
Balance at end of financial year

| | | | |
|------------|-----------|------------|-----------|
| 8,285,917 | 1,466,803 | 8,285,917 | 1,466,803 |
| 12,000,000 | 2,400,000 | 20,000,000 | 4,000,000 |
| 5,000,000 | 628,056 | 5,000,000 | 628,056 |
| 7,500,000 | - | 7,500,000 | - |
| 7,500,000 | - | 7,500,000 | - |
| 7,500,000 | - | 7,500,000 | - |
| - | (384,714) | - | (470,714) |
| - | (384,000) | - | (384,000) |
| 47,785,917 | 3,726,145 | 55,785,917 | 5,240,145 |



**INNOVANCE LIMITED
ACN 117 330 757**

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

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 ⁽¹⁾ |
|-------------------------------------------------|-------------------------------------------------|---------------------------------|
| Existing Shareholders | 16,571,833 | 8,285,917 |
| Existing Directors' Options | 1,200,000 | 600,000 |
| Existing Other Options | 1,000,000 | 500,000 |
| Existing Treasury Options ⁽²⁾ | 30,000,000 | |
| Resolution 2 | 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 |
| Resolution 3 | Issue of 7.5 million B class performance shares | 7,500,000 |
| | Issue of 7.5 million C class performance shares | 7,500,000 |
| Resolution 4 | Issue of 1.5 million options | 1,500,000 |
| Resolution 5 | Issue of 1.5 million options | 1,500,000 |
| Resolution 6 | Issue of 1.5 million options | 1,500,000 |
| Resolution 10 | Issue of 500,000 options | 500,000 |
| Total Ordinary Shares | | 33,285,917 |
| Total Performance Shares | | 22,500,000 |
| Total Options | | 6,100,000 |

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 |
| Total shares | 39,385,917 |
| 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 | \$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; 960km² 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; 960km² 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.

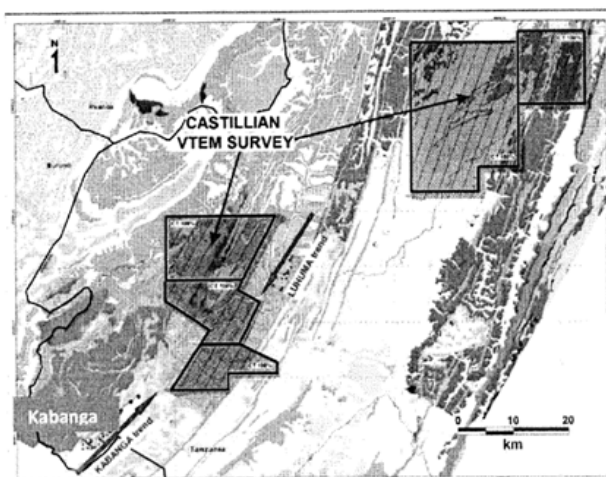


Figure 2: The Kagera Project in relation to the Kabanga and Luhuma trends



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.

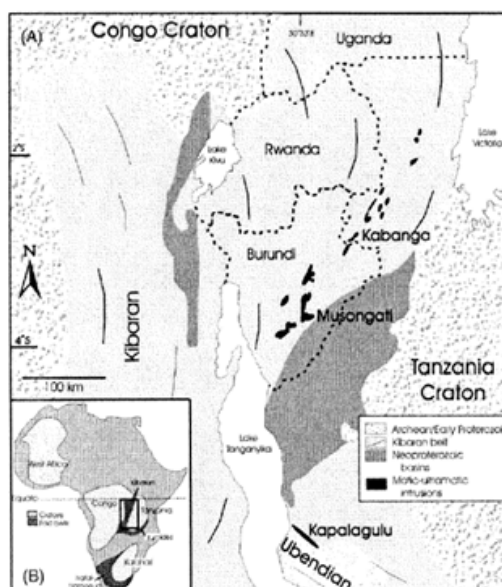


Figure 3: The Kabanga-Musongati mafic-ultramafic belt

DATED 15 June 2010

By order of the Board

Donald Stephens

Donald Stephens

Company Secretary


ANNEXURE B

(Proforma Company Balance Sheet)

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



Notes:

Note 1. Cash Assets

| | 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 |
| | \$ | \$ | \$ |
| 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

| | 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 |
| | \$ | \$ | \$ |
| GST on formation | 50,560 | 38,471 | 47,071 |
| | 50,560 | 38,471 | 47,071 |

Note 3. Contributed Equity

| | 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 |
| | \$ | \$ | \$ |
| 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 30 June 2010 | Pro forma Minimum Subscription As at date of ASX listing | Pro forma Maximum Subscription As at date of ASX listing |
| | \$ | \$ | \$ |
| Reconciliation of contributed equity | | | |
| 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 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 |
| Pro forma adjustments | | | |
| 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 |
| Issue of 5,000,000 shares to | | | 4,000,000 |
| Castillian Resources Corp in | 5,000,000 | 628,056 | 5,000,000 |
| accordance with the Tenement Share | | | 628,056 |
| Sale Agreement | | | |
| 7,500,000 A Class Performance | 7,500,000 | | 7,500,000 |
| Shares in accordance with the | | | |
| Tenement Share Sale Agreement | | | |
| 7,500,000 B Class Performance | 7,500,000 | | 7,500,000 |
| Shares in accordance with the | | | |
| Tenement Share Sale Agreement | | | |
| 7,500,000 C Class Performance | 7,500,000 | | 7,500,000 |
| Shares in accordance with the | | | |
| Tenement Share Sale Agreement | | | |
| Cost associated with the offer | | (384,714) | (470,714) |
| attributed to equity (net of GST) | | | |
| 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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How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

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

D Postal Address

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

E Contact Details

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

F CHES

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

G Payment

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

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

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

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

Lodgement of Application

Application Forms must be received at the Adelaide office of Computershare Investor Services Pty Limited by no later than 5:00pm CST on 16 September 2010. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Innovance Limited Share Issue
c/- Computershare Investor Services Pty Limited
GPO Box 1903
ADELAIDE SA 5001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

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

If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 658 562.

Correct forms of registrable title(s)

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

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



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Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

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

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

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

F CHES

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

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Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B. **Please note that funds are unable to be directly debited from your bank account.**

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

Lodgement of Application

Application Forms must be received at the Adelaide office of Computershare Investor Services Pty Limited by no later than 5:00pm CST on 16 September 2010. You should allow sufficient time for this to occur. Return the Application Form with cheque(s) attached to:

Innovance Limited Share Issue
c/- Computershare Investor Services Pty Limited
GPO Box 1903
ADELAIDE SA 5001

Neither CIS nor the Company accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Statement

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

If you have any enquiries concerning your application, please contact Computershare Investor Services Pty Limited on 1300 658 562.

Correct forms of registrable title(s)

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

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

