

Kagera Nickel Limited

(Formerly Innovance Limited)

ABN 15 117 330 757

Annual Financial Report

for the year ended 30 June 2010

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Corporate Information

This annual report covers Kagera Nickel Ltd (Formerly Innovance Ltd) (ABN 15 117 330 757) as an individual entity and the Group comprising Kagera Nickel Ltd (Formerly Innovance Ltd) and its subsidiary. The Group's functional and presentation currency is AUD \$.

A description of the Group's operations and principal activities is included in the review of operations and activities in the directors' report on pages 4-10. The directors' report is not part of the financial report.

Directors

Dr David Brookes - Non-Executive Director, Chairman (retired 13/9/10)
Mr Robert Greenslade - Non-executive Director
Mr Stephen Evans - Non-executive Director (retired 13/9/10)
Mr Simon O'Loughlin - Non-Executive Director, Chairman (appointed 13/9/10)
Mr David Gower - Non-executive Director (appointed 13/9/10)
Mr David Argyle - Non-executive Director (appointed 13/9/10)

Company Secretary

Mr Donald Stephens

Registered Office

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

Principal place of business

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

Share Registry

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

Legal Advisors

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

Bankers

National Australia Bank
180 Greenhill Road
PARKSIDE SA 5063

Auditors

PKF
Level 2, 139 Frome Street
ADELAIDE SA 5000

Directors' report

Your directors submit their report for the year ended 30 June 2010.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr David Brookes - Non-Executive Director, Chairman (retired 13/9/10)

Mr Robert Greenslade - Non-executive Director

Mr Stephen Evans - Non-executive Director (retired 13/9/10)

Mr Simon O'Loughlin - Non-Executive Director, Chairman (appointed 13/9/10)

Mr David Gower - Non-executive Director (appointed 13/9/10)

Mr David Argyle - Non-executive Director (appointed 13/9/10)

Names, qualifications, experience and special responsibilities

David Brookes M.B.B.S; F.A.C.R.R.M.

Retiring Non Executive Director/Chairman

David is a medical graduate of the University of Adelaide who had practiced as a rural general practitioner in the Northern Territory supervising regional paediatric services until 1995. He moved back to Adelaide with his family and practices in the Adelaide Hills. Since 1996 he has been a biotechnology analyst for Taylor Collison Ltd in an informal capacity. David also currently is an independent director of Living Cells Technologies Ltd (since August 2007) and of Atcor Medical Holdings Ltd (since Nov 2008).

Stephen Evans BA(Acc),AU FAICD

Retiring Non Executive Director

Stephen Evans is the Managing Director 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 a non-executive director of WCP Resources Ltd, Newport Mining Ltd, Panax Geothermal Ltd and Avenue Resources Ltd and the non-executive chairman of Chesser Resources Ltd.

Robert Greenslade BA(Ec)

Non-Executive Director

Mr Greenslade is a founding director of Adelaide-based boutique investment bank Gryphon Partners Pty Ltd specialising in resource transactions in the public and private sectors. Prior to 2002, Mr Greenslade was Group Executive Corporate for Normandy Mining Ltd heading up the company's corporate division. Following the takeover of Normandy Mining Ltd by Newmont Mining Corporation Inc, he was appointed Vice President of Newmont Capital Ltd responsible for the Group's Australian and Asian Pacific corporate and business development activities. Mr Greenslade is also a non-executive director of Ferraus Ltd and Oaks Hotel and Resorts Ltd.

Directors' report

Simon O'Loughlin BA (Acc), Law Society Certificate in Law Incoming Non-Executive Director/ 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 Ltd and Avenue Resources Ltd and a director of Aura Energy Ltd, Living Cell Technologies Ltd, Petratherm Ltd, Chesser Resources Ltd, Strzelecki Metals Ltd, Probiomics Ltd and WCP Resources Ltd. 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 P.Geo Incoming Non-Executive Director

David Gower has over 20 years of experience in exploration with Falconbridge Ltd, 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 Ltd. 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 Ltd which subsequently merged with Avion Resources Corp in Feb 2009. Prior to joining Dynamite, he was the Managing Director of Tau Mining Ltd. 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.

Company Secretary

Donald Stephens, BA (Acc), FCA

Donald Stephens is a Chartered Accountant and corporate adviser with over 20 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd Stephens, a firm of Chartered Accountants. He is a director of Mithril Resources Ltd and Papyrus Australia Ltd and is company secretary to Mithril Resources Ltd, Minotaur Resources Ltd and Petratherm Ltd all of which are listed on the ASX. He holds other directorships with private companies and provides corporate advisory services to a wide range of organisations.

Directors' report

Principal Activities

Kagera Nickel Ltd (Formerly Innovance Ltd) initially was an investment company, which had a focus on investment opportunities in the biotechnology sector and later changed to the resource sector.

Operating result

The Group's loss after providing for income tax amounted to \$ 90,220 (2009: \$58,906).

Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payments of dividends has been made.

Review of Operations

Corporate

The company has not issued any new shares since NSX listing on the 8th Feb 2007 with the total issued shares being 16,571,833. The current consolidated cash balance of \$1,196,466 reflects a cash backing of 7.22 cents per share.

Operations

Amadori Pty Ltd, which is a wholly owned subsidiary, has completed the analysis of modern food preparations. Amadori has taken out patent protection in Australia and New Zealand, as well as selected other jurisdictions. The Board is currently reviewing expressions of interest for disposal of the concept.

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 Tanzania ("Kagera Nickel Project") through the acquisition of a 100% interest in Castillian Resources (Tanzania) Ltd, subject to shareholder approval and listing on the ASX.

The acquisition of the Kagera Nickel Project, located in north-west Tanzania, will provide Kagera Nickel Ltd (Formerly Innovance Ltd) 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.

Directors' report

Significant Changes in State of Affairs

There have been no significant changes to the state of affairs of the Company during the period other than as stated below.

Likely developments and expected results

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Significant events after the balance date

On the 16th of August 2010 Kageral Nickel Ltd (Formerly Innovance Ltd) lodged its Prospectus with the Australian Stock Exchange. The Company is offering 12,000,000 shares for subscription at an offer price of \$0.20 cents per share to raise \$2,400,000 with oversubscriptions of up to an additional 8,000,000 shares to raise \$4,000,000.

At a general meeting held on 13 September 2010 shareholder approvals required under the Share Sale Agreement with Castillian to ready the Company for listing on ASX were obtained. Other items approved related to consolidation of shares and options, issue of options to directors and consultants, election of directors, change to nature of activities, approval to voluntary withdrawal of listing on the NSX, increase in aggregate non-executive directors fees and the change of name. All resolutions were passed unanimously.

Share Options

At the date of this report, the following unlisted options to acquire shares in the company were on issue:

Issue Date	Expiry Date	Exercise Price	Opening Balance	Net Issued/ (Exercised) during Year	Re- consolidation	Re- consolidation Exercise Price	Closing Balance
09/02/2007	08/02/2012	\$0.10	300,000	-	(150,000)	\$0.20	150,000
09/02/2007	08/02/2012	\$0.10	300,000	-	(150,000)	\$0.20	150,000
09/02/2007	08/02/2012	\$0.10	300,000	-	(150,000)	\$0.20	150,000
02/02/2007	01/02/2012	\$0.20	1,000,000	-	(500,000)	\$0.40	500,000
02/02/2007	01/02/2012	\$0.20	30,000,000	-	(30,000,000)	\$0.00	-
30/11/2007	29/11/2012	\$0.10	300,000	-	(150,000)	\$0.20	150,000
			<u>32,200,000</u>	<u>0</u>	<u>(31,100,000)</u>		<u>1,100,000</u>

Directors' report

Interest in shares and options of the company

As at the date of this report, the interests of the directors in the shares and options of Kagera Nickel Ltd (Formerly Innovance Ltd) were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Dr David Brookes	587,500	150,000
Mr Robert Greenslade	1,000,000	150,000
Mr Stephen Evans	100,000	150,000
Mr Simon O'Loughlin	300,000	-
Mr David Gower	-	-
Mr David Argyle	-	-

* Held by directors and entities in which directors have a relevant interest.

There are no service contracts in existence to any of the Directors.

Directors' Meetings

The number of meetings of directors held during the year and the number of meetings attended by each director are as follows:

Directors' Meetings		
Number of meetings held	Number of meetings eligible to attend	Number of meetings attended
3		
Dr David Brookes	3	3
Mr Robert Greenslade	3	3
Mr Stephen Evans	3	3

Audit Committee

As at the end of the reporting period, the board was yet to form an audit committee.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of \$6,605. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Company or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

Directors' report

Remuneration Report - Audited

This report outlines the remuneration arrangements in place for directors and executives of Kagera Nickel Ltd (Formerly Innovance Ltd).

Remuneration philosophy

The board is responsible for determining remuneration policies applicable to directors and key management personnel of the Company. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration consideration is given by the board to the Company's financial performance.

	Short-term Benefits	Post Employment		Total
		Salary & Fees	Superannuation	
Dr David Brookes				
2010	20,000		1,800	21,800
2009	20,000		1,800	21,800
Mr Robert Greenslade				
2010	5,500		-	5,500
2009	5,500		-	5,500
Mr Stephen Evans				
2010	5,500		-	5,500
2009	5,500		-	5,500
	2010	31,000	1,800	32,800
	2009	31,000	1,800	32,800

Environmental Regulation and Performance

The Group is not subject to any significant environmental regulations under a law of the Commonwealth, state or territory.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' report

Auditor independence and non-audit services

PKF in its capacity as auditor of Kagera Nickel Ltd (Formerly Innovance Ltd), has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 11.

Signed in accordance with a resolution of the board of directors.



Simon O'Loughlin
Non-executive director, chairman

Dated 30 September 2010

Auditor's Independence Declaration

As lead auditor for the audit of Kagera Nickel Limited (formerly Innovance Limited) for the year ended 30 June 2010, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kagera Nickel Limited (formerly Innovance Limited) and the entities it controlled during the year.



PKF
Chartered Accountants



PJ Whelan
Partner

Signed in Adelaide this 30th day of September 2010

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Corporate Governance Statement

The board of directors is responsible for the corporate governance of Kagera Nickel Ltd (Formerly Innovance Ltd) (the Company). Summarised in this statement are the main corporate governance practices that have been developed by the board and were in place at the end of the financial year.

Board Responsibilities

The board of directors is accountable to shareholders for the performance of the Company and has an overall responsibility for its operations. Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the chairman.

The key responsibilities of the board include:

Developing the strategic direction and related objectives for the Company and monitoring management performance in the achievement of these objectives.

- Adopting budgets and monitoring the financial performance of the Company.
- Reviewing the performance of the chairman.
- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Company meets its legal and statutory obligations.

Chairman and Company Secretary Declaration to the Board of Directors

The declaration made by the chairman and the company secretary to the board with regard to the integrity of the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Board Composition

At the date of this statement the board consists of four non-executive directors, Mr S O'Loughlin who is chairman of the board, Mr R Greenslade, Mr D Gower & Mr D Argyle. The Company had two directors Mr D Brookes & Mr S Evans retire at the close of the general meeting held on the 13th September 2010.

The board considers this to be an appropriate composition given the size and development of the Company at the present time. The names of directors including details of their qualification and experience are set out in the Directors' Report of this Annual Report.

The composition/membership of the board is subject to review in a number of ways, as outlined below:

- The Company's 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 is also reviewed periodically either when a vacancy arises or if it is considered that 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 would be undertaken, sometimes using the

Corporate Governance Statement

services of external consultants. Nominations are subsequently received and reviewed by the board.

Board Remuneration

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently \$300,000. This cannot be increased without approval of the Company's shareholders.

Remuneration of the non-executive directors and the managing director are reviewed and approved by the board on an annual basis.

Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's constitution directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists the director concerned does not receive the relevant board papers, is not present at the meeting whilst the item is considered and takes no part in any decision.

Director and Senior Management Dealings in Company Securities

The Company's 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 half yearly and annual financial results to the National Stock Exchange; 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 of the National Stock Exchange, the Company advises the Exchange of any transaction conducted by directors in securities in the Company.

Board Committees

The board of directors takes ultimate responsibility for corporate governance including the functions of:

- Establishing compensation arrangements of its managing director, chief executive officer and its senior executives and officers
- Appointment and retirement of non-executive directors
- Appointment of auditors
- Areas of business risk
- Maintenance of ethical standards

The board of directors seeks independent professional advice as necessary in carrying out their duties and responsibilities.

Corporate Governance Statement

External Auditor Attendance at Annual General Meeting

An external auditor attends the Company's Annual General Meeting and is available to answer questions from shareholders on the auditors' report and the conduct of the audit.

Continuous Disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The chairman ensures that all price sensitive information is disclosed to the NSX in accordance with the continuous disclosure requirements of the Corporation's Act and NSX Listing Rules. The company secretary has primary responsibility for all communications with the NSX.

Code of Ethics

Directors, management and staff are expected to perform their duties for the Company in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Role of Shareholders

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders as follows:-

- The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period (the financial report is sent to any shareholder who requests it);
- Notices of all meetings of shareholders.

Consolidated Statement of Comprehensive Income FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Consolidated	
		2010	2009
		\$	\$
Continuing Operations			
Revenue	2 (a)	65,234	66,277
Employee benefits expense	2 (b)	(32,800)	(32,800)
Other expenses	2 (c)	(101,944)	(72,906)
Loss before income tax expense		(69,510)	(39,429)
Income tax expense	3	-	-
Profit/(Loss) from continuing operations		(69,510)	(39,429)
Discontinuing Operations			
Profit/(Loss) from discontinuing operations after tax	18	(20,710)	(19,477)
Loss for the period		(90,220)	(58,906)
Other comprehensive income		-	-
Loss attributable to members of the parent entity		(90,220)	(58,906)
 Earnings per share from continuing and discontinuing operations			
Basic earnings per share	4	Cents (0.54)	Cents (0.36)
Diluted earnings per share	4	Cents (0.54)	Cents (0.36)
 Earnings per share from continuing operations			
Basic earnings per share		(0.42)	(0.24)
Diluted earnings per share		(0.42)	(0.24)
 Earnings per share from discontinuing operations			
Basic earnings per share		(0.12)	(0.12)
Diluted earnings per share		(0.12)	(0.12)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position AS AT 30TH JUNE 2010

Note	Consolidated	
	2010 \$	2009 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	5	1,196,466
Trade and other receivables	6	51,068
TOTAL CURRENT ASSETS		1,247,534
TOTAL NON-CURRENT ASSETS		-
TOTAL ASSETS		1,247,534
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	8	42,060
TOTAL CURRENT LIABILITIES		42,060
TOTAL LIABILITIES		42,060
NET ASSETS		1,205,474
EQUITY		
Issued capital	9	1,466,803
Reserves	10	141,080
Retained Earnings		(402,409)
TOTAL EQUITY		1,205,474
		1,295,694

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 30TH JUNE 2010

	Consolidated Group			
	Share Capital Ordinary \$	Accumulated Losses \$	Option Reserve \$	Total \$
Balance at 1 July 2008	1,466,803	(253,283)	141,080	1,354,600
Loss attributable to members	-	(58,906)	-	(58,906)
Balance at 30 June 2009	1,466,803	(312,189)	141,080	1,295,694
Balance at 1 July 2009	1,466,803	(312,189)	141,080	1,295,694
Loss attributable to members	-	(90,220)	-	(90,220)
Balance at 30 June 2010	1,466,803	(402,409)	141,080	1,205,474

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flow FOR THE YEAR ENDED 30TH JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(147,844)	(137,496)
Interest received		20,111	87,224
NET CASH USED IN OPERATING ACTIVITIES	5	(127,733)	(50,272)
Net increase/(decrease) in cash and cash equivalents		(127,733)	(50,272)
Cash at the beginning of the reporting period		1,324,199	1,374,472
CASH AT END OF FINANCIAL YEAR	5	1,196,466	1,324,199

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*.

The financial report covers Kagera Nickel Ltd (Formerly Innovance Ltd) as an individual entity and the Group comprising Kagera Nickel Ltd (Formerly Innovance Ltd) and its subsidiary. Kagera Nickel Ltd (Formerly Innovance Ltd) is a listed public company, incorporated and domiciled in Australia.

The financial report of Kagera Nickel Ltd (Formerly Innovance Ltd) complies with all International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) in their entirety.

The following is a summary of material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting policies

a. 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 sheet 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 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.

Deferred income assets are recognised to the extent that future tax profits will be available against which deductible temporary differences 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 taxation legislation and the anticipation that the company will derive future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

The accompanying notes form part of these financial statements

Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

b. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank-overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

c. Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

d. Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of GST, except where that amount of GST incurred is not recoverable from the Australian Tax Office. In those circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of 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 cash flows.

e. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

f. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

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

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

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

g. Share Capital

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

The accompanying notes form part of these financial statements

Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

h. Principles of consolidation

The consolidated financial statements comprise the financial statements of Kagera Nickel Ltd (Formerly Innovance Ltd) and its subsidiaries as at 30 June each year (the Group).

A controlled entity is any entity Kagera Nickel Ltd (Formerly Innovance Ltd) 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.

i. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

j. 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.

k. 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

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

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. New accounting standards and interpretations

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

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Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

- a) the objective of the entity's business model for managing the financial assets; and
- b) the characteristics of the contractual cash flows.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

The accompanying notes form part of these financial statements

Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] (applicable for annual reporting periods commencing on or after 1 July 2010)

The subjects of the principal amendments to the Standards are set out below:

AASB 3 Business Combinations

- Measurement of non-controlling interests
- Unreplaced and voluntarily replaced share-based payment awards
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 (2008)

These amendments are not expected to impact the Group.

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Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 July 2011)

The subjects of the principal amendments to the Standards are set out below:

AASB 1 First-time Adoption of Australian Accounting Standards

- Accounting policy changes in the year of adoption
- Revaluation basis as deemed cost
- Use of deemed cost for operations subject to rate regulation

AASB 7 Financial Instruments : Disclosures

- Clarification of disclosures

AASB 101 Presentation of Financial Statements

- Clarification of statement of changes in equity

AASB 134 Interim Financial Reporting

- Significant events and transactions

Interpretation 13 Customer Loyalty Programmes

- Fair value of award credits

These amendments are not expected to impact the primary statements of the Group but may impact the related disclosures.

m. Adoption of new and revised accounting policies

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact

Terminology changes – the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity – the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

Statement of comprehensive income – the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income. Other comprehensive income – The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

AASB 8 – Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement Impact

Identification and measurement of segments – AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

During the period the Group considered that it only operated in one segment, being biotechnology.

The accompanying notes form part of these financial statements

Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

	Consolidated	
	2010	2009
	\$	\$
REVENUE AND EXPENSES		
(a) Revenue		
Bank interest received or receivable	65,234	66,277
	<hr/>	<hr/>
	65,234	66,277
(b) Employees benefits expense		
Wages, salaries, directors fees and other remuneration expenses	32,800	32,800
	<hr/>	<hr/>
	32,800	32,800
(c) Other expenses from ordinary activities		
Professional fees	35,397	36,753
Insurance costs	6,605	6,670
Audit fees	10,363	11,455
Research & Development	24,284	-
Stock exchange fees	6,325	5,123
Legal costs	2,674	-
Share registry fees	9,370	11,017
Other expenses	6,926	1,888
	<hr/>	<hr/>
	101,944	72,906

3. INCOME TAX

The prima facie tax on loss before income tax is reconciled to the income tax as follows:

Loss for the year	(90,220)	(58,906)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	(27,066)	(17,672)
Tax effect of permanent differences	6,015	6,015
Non allowable items	(13,895)	(12,681)
Other deductible items	34,946	24,338
Deferred tax asset not realised as recognition criteria of AASB 112 not met	<hr/>	<hr/>
	-	-

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

3. INCOME TAX (CONTINUED)

	Consolidated	
	2010	2009
	\$	\$
Income tax losses		
Deferred tax asset arising from carried forward tax losses and temporary differences not recognised at reporting date as the asset is not regarded as meeting the probable criteria		
Temporary Difference at 30%	6,465	6,465
Tax losses at 30%	71,713	36,232
	<hr/> 78,178	<hr/> 42,697

The Group has tax losses arising in Australia of \$285,361 (2009: \$163,043) that are available indefinitely for offset against future taxable profits of the Group.

4. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2010	2009
	\$	\$
Net loss attributable to ordinary equity holders	(90,220)	(58,906)
Weighted average number of ordinary shares for basic earnings per share	<hr/> 16,571,833	<hr/> 16,571,833

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taking into account.

5. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	14,402	51,869
Short-term deposits	1,182,064	1,272,330
	<hr/> 1,196,466	<hr/> 1,324,199

The average effective interest rate on short-term bank deposits was 4.91% (2009: 7.93%)

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

5. CASH AND CASH EQUIVALENTS (CONTINUED)

	Consolidated	
	2010	2009
	\$	\$
Reconciliation of net profit after tax to net cash flows from operations		
Net loss	(90,220)	(58,906)
(Increase)/Decrease in trade and other receivables	(48,199)	19,836
(Decrease)/increase in trade and other payables	10,686	(11,202)
Net cash used in operating activities	(127,733)	(50,272)

6. TRADE AND OTHER RECEIVABLES

Trade receivables	51,068	2,869
	51,068	2,869

7. SHARE-BASED PAYMENTS

No share based payment expense has been recognised in the current year or the prior year.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of in share options on issue at the end of:

	2010 No.	2010 WAEP	2009 No.	2009 WAEP
Outstanding at the beginning of the year	32,200,000	0.10	32,200,000	0.10
Granted during the year	-	-	-	-
Outstanding at the end of the year	32,200,000	0.20	32,200,000	0.10
Exercisable at the end of the year	32,200,000	0.20	32,200,000	0.10

The outstanding balance as at 30 June 2010 is represented by:

- A total of 300,000 options exercisable any time until 8 February 2012 with a strike price of \$0.10.
- A total of 300,000 options exercisable any time until 8 February 2012 with a strike price of \$0.10.
- A total of 300,000 options exercisable any time until 8 February 2012 with a strike price of \$0.10.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

7. SHARE BASED PAYMENTS (CONTINUED)

- A total of 1,000,000 options exercisable any time until 1 February 2012 with a strike price of \$0.20.
- A total of 30,000,000 treasury options exercisable any time until 1 February 2012 with a strike price of \$0.20.
- A total of 300,000 options exercisable any time until 29 November 2012 with a strike price of \$0.10.

Contractual life of options

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.60 years.

Exercise price of options

The range of exercise prices for options outstanding at the end of the year was \$0.10 - \$0.20.

Fair value of options

The weighted average fair value of options outstanding at the end of the year was \$0.004.

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

The following table lists the inputs to the model used for the year ended 30 June 2009 & 2010. No options have been issued for the year ended 30 June 2010.

	2010	2009
Historical volatility (%)	20.00%	20.00%
Risk-free interest rate (%)	6.35%	6.35%
Expected life of option (years)	5	5

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

8. TRADE AND OTHER PAYABLES (CURRENT)

	<u>Consolidated</u>	
	2010	2009
	\$	\$
Trade payables (i)	42,060	31,374
	42,060	31,374

i. Trade payables are non-interest bearing and are normally settled on 30-day terms.

Information regarding the credit risk of current payables is set out in note 13.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

9. ISSUED CAPITAL

Consolidated	
2010	2009
\$	\$

Issued Capital

1,466,803	1,466,803
1,466,803	1,466,803

2010			2009	
	Number	\$	Number	\$
Balance at beginning of financial year	16,571,833	1,466,803	16,571,833	1,466,803
Shares issued during the year :	-	-	-	-
Balance at end of financial year	16,571,833	1,466,803	16,571,833	1,466,803

Fully paid ordinary shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

10. SHARE OPTION RESERVE

The share -option reserve records items recognised as expenses on valuation of directors share options and other equity settled transaction.

11. CONTINGENT ASSETS AND LIABILITIES

At the date of signing this report, the Company is not aware of any contingent asset or liability that should be disclosed in accordance with AASB 137.

12. AUDITOR'S REMUNERATION

Consolidated	
2010	2009
\$	\$

AUDITOR'S REMUNERATION

Audit or review of financial report	10,363	11,455
	10,363	11,455

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as disclosed in notes 9 and 10 respectively.

	Consolidated	
	2010	2009
	\$	\$
FINANCIAL ASSETS		
Cash and cash equivalents	1,196,466	1,324,199
Trade and other receivables	51,068	2,869
FINANCIAL LIABILITIES		
Payables	42,060	31,374

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate sensitivity analysis

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the Groups:

- Net loss would increase or decrease by \$14,651 which is mainly attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board, which have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

13. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES AND FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Consolidated

	Weighted average effective interest rate %	Less than 1 year \$
2010 Non-interest bearing	-	42,060
2009 Non-interest bearing	-	31,374

The following table details the Group's expected maturity for its non-derivative financial assets. The table below has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.

Consolidated

	Weighted average effective interest rate %	Less than 1 year \$
2010 Variable interest rate	4.29%	1,196,466
2009 Variable interest rate	4.09%	1,324,199

14. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION

Payments to related parties

HLB Mann Judd (SA) Pty Ltd has received professional fees for accounting, taxation and secretarial services provided during the year amounting to \$35,397 (2009: \$36,753). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Ltd. These transactions were entered into under normal commercial terms and conditions.

Key management personnel remuneration and equity holdings

The board currently determines the nature and amount of remuneration for board members and senior executives of the Company. The board will review directors fees on a regular basis in line with the Company's activities.

Some directors have received unlisted options in previous years. Options are valued using the Black-Scholes model.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

14. RELATED PARTY DISCLOSURE AND KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Specified directors' remuneration

	Short-term Benefits	Post Employment	Total
	Salary & Fees	Superannuation	
Dr David Brookes			
2010	20,000	1,800	21,800
2009	20,000	1,800	21,800
Mr Robert Greenslade			
2010	5,500	-	5,500
2009	5,500	-	5,500
Mr Stephen Evans			
2010	5,500	-	5,500
2009	5,500	-	5,500
2010	31,000	1,800	32,800
2009	31,000	1,800	32,800

15. SUBSIDIARIES

Name of entity	Country of incorporation	2010 %*	2009 %*
<u>Parent entity</u>			
Kagera Nickel Ltd (Formerly Innovance Ltd)	Australia		
<u>Subsidiary</u>			
Amadori Pty Ltd	Australia	100	100

* Percentage of voting power is in proportion to ownership

16. SIGNIFICANT EVENTS AFTER BALANCE DATE

On the 16th of August 2010 Kageral Nickel Ltd (Formerly Innovance Ltd) lodged its Prospectus with the Australian Stock Exchange. The Company is offering 12,000,000 shares for subscription at an offer price of \$0.20 cents per share to raise \$2,400,000 with oversubscriptions of up to an additional 8,000,000 shares to raise \$4,000,000.

The Company convened a general meeting on 13 September 2010 to seek shareholder approvals required under the Share Sale Agreement and to ready the Company for listing on ASX. Other items approved related to consolidation of shares and options, issue of options to directors and consultants, election of directors, change to nature of activities, approval to voluntary withdrawal of the NSX listing increase in aggregate non-executive directors fees and the change of name. All resolutions were passed unanimously.

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE YEAR ENDED 30TH JUNE 2010

17. PARENT ENTITY INFORMATION

	Consolidated	
	2010	2009
	\$	\$
Financial Position		
Assets		
Current Assets	1,241,687	1,302,925
Non-current Assets	10,000	100,000
	1,251,687	1,402,925
Liabilities		
Current Liabilities	39,646	31,374
Non-current Liabilities	-	-
	39,646	31,374
Equity		
Issued Capital	1,466,803	1,466,803
Reserves	141,080	141,080
Retained Earnings	(395,843)	(236,332)
	1,212,040	1,371,551
Financial Position		
(Loss) for the year	(159,510)	(39,429)
Other comprehensive income	-	-
	(159,510)	(39,429)

The accompanying notes form part of these financial statements

Notes to the Financial Statements FOR THE YEAR ENDED 30TH JUNE 2010

18. DISCONTINUING OPERATIONS

Subsequent to the end of the financial year the directors resolved to dispose of the Group's wholly owned subsidiary, Amadori Pty Ltd, discontinuing its involvement in the biotechnology sector. It is expected the disposal will take place within the next 12 months.

Financial information relating to the discontinued operation to the date of disposal is set out below:

	Consolidated	
	2010	2009
	\$	\$
Revenue	366	176
Expenses	(21,076)	(19,653)
Loss before income tax	(20,710)	(19,477)
Income tax expense	-	-
Loss from discontinuing operations	(20,710)	(19,477)

The net cash flows of the discontinuing operations which have been incorporated into the statement of cash flows are as follows;

	Consolidated	
	2010	2009
	\$	\$
Net cash outflow from operating activities	(19,094)	(21,496)
Net cash outflow generated by discontinuing operations	(19,094)	(21,496)

19. SEGMENT INFORMATION

Due to the limited operations of the Group, management does not allocate asset, liabilities, income or expenditure to specific segments.

The accompanying notes form part of these financial statements

Directors' Declaration

The directors of Kagera Nickel Ltd (Formerly Innovance Ltd) declare that:

- (a) In the Directors' opinion the financial statements and notes and the Remuneration report in the Directors Report set out on pages 4 to 10, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in note 1; and
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 by the chief executive officer and chief financial officer for the financial year ended 30 June 2010

On behalf of the board



Simon O'Loughlin
Non-executive director, chairman

Dated 30 September 2010

The accompanying notes form part of these financial statements

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KAGERA NICKEL LIMITED (FORMERLY INNOVANCE LIMITED)****Report on the Financial Report**

We have audited the accompanying financial report of Kagera Nickel Limited (formerly Innovance Limited), which comprises the Consolidated Statement of Financial Position as at 30 June 2010, and the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year ended on that date, selected explanatory notes and the directors' declaration of Kagera Nickel Limited (formerly Innovance Limited) (the consolidated entity). The consolidated entity comprises the entity and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Kagera Nickel Limited (formerly Innovance Limited) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

[In our opinion:

- (a) the financial report of Kagera Nickel Limited (formerly Innovance Limited) is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1

Report on the Remuneration Report

We have audited the Remuneration Report included on page 9 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Kagera Nickel Limited (formerly Innovance Limited) for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.



PKF
Chartered Accountants



PJ Whelan
Partner

Signed in Adelaide this 30th day of September 2010