



**Solagran Limited**

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## **Company Announcement Response to Public Comments**

The Directors of Solagran Limited (“the Company” or “Solagran”) advise the market of the position of the Company and its Directors in relation to certain public comments on an ASX announcement made by Solagran on 14 February, 2008.

On Friday, 15 February, 2008, The Age published an article headed “Solagran Directors bought up stock”. The Age publication initially states “Directors of biotechnology company Solagran were buying up stock for more than a year before they released crucial details of a successful clinical trial....with its drug *Ropren*<sup>®</sup> in patients suffering from chronic alcoholism or drug addiction.”

In response to this statement, the Directors of Solagran are aware of at least seven previous occasions where information in regard to these clinical trials has been released to the market via an ASX announcement, or has become available in the public domain through the actions of the Company. In chronological order those occasions were:

1. The positive nature of the trial results were first communicated in an ASX announcement on 19 October, 2006. That announcement included a statement from the Director of the Skvortsova-Stepanova hospital, Dr Vladimir Agishev, who stated that: *“as a result of this trial, we can report positive changes in relation to all of the tested symptoms and parameters. In comparison with the control group, the improvement in condition of the patients took place at a much earlier stage and was expressed to a greater degree... Overall, Ropren<sup>®</sup> was impressive and we intend to use it in our future clinical practice for treatment of exogenic psychoses arising from alcohol and drug abuse.”*
2. On 27 November, 2006 the Company released an ASX announcement prior to the Annual General Meeting that detailed the presentation to be made to shareholders by Solagran’s Executive Chairman, Dr Vagif Soultanov. Slide 26 of the presentation addressed the trials.
3. On 17 May, 2007 Solagran released an ASX announcement that outlined the presentation made personally by Dr Vagif Soultanov to the Gastro 2007 Conference in St Petersburg on the same date. Slide 21 makes reference to the trials.

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4. On 24 May 2007, Solagran made a further announcement to the ASX informing the market that three patent applications submitted by the Company had been accepted by the Russian patent authority. The second of these was a patent that clearly stemmed from these trials as it specifically mentions “the use of *Ropren*<sup>®</sup> in the treatment of drug and alcohol addiction.”
5. The Company held an Extraordinary General Meeting on 17 September, 2007. A visitor at this meeting was Dr Nina Golovkina, the Head of the Psychosomatic Conditions Department at the Skvortsova-Stepanova hospital where the trials were conducted. Dr Golovkina spoke to the meeting about the unexpectedly positive results obtained.

A translated summary (Dr Soultanov acted as translator) of Dr Golovkina’s presentation, which is available in the public domain, is as follows

*“We were trying to find a substance that will help detoxify the body, but not toxify the body from another point of view (that is low side effects).... This led us to trial two of Solagrans products. We used Bioeffective<sup>®</sup> R / Ropren<sup>®</sup> in dropper form (its registered form) and Bioeffective<sup>®</sup> A in capsule form. We used a 30 patient control group that was given conventional psychiatric medicine. We used Solagran products for the experimental group. 60 only had Solagran products. We used neuroleptics and other tranquilizers, and other substances as well, for very very acute cases, because the timeframe was very limited. But generally with Solagran products we tried not to use any of these substances.*

*What results did we get? We found out that Ropren<sup>®</sup> had very strong effect on the central nervous system, and it deals with anxiety, with hyperactivity, improves their emotional form in general, and decreases the strength of their psychotic condition. And it also deals with a chronic fatigue type condition coming from emotional exhaustion. And what was remarkable, the Solagran substances take people from a deep emotional condition pretty quickly – in 5-6 days – and usually with heavy conventional medicine we need 15 to 20 days.*

*What is good about these substances is that they really clean whole body and the main laboratory of the body which is the liver. Due to detoxifying the body, it improves the body’s real activity and carries a lot of oxygen in the system. And it is very interesting when you are moving out of psychotic condition it is very unusual that it does not give the patients any fits or seizures. This was amazing. It really brings back concentration and memory very quickly. To be honest with you it brings back health pretty quickly.*

*And it is a very interesting moment with polyneuropathy, because these patients can’t walk. And suddenly with Solagran’s substance, they can walk again – and it happens very quickly.*

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*We didn't find any allergic reactions. We believe this is because of natural origin and very well combined natural mixture. We believe it is an extremely economically viable product. We are really very happy with the substance. And we are very keen to see very very soon this medicine in the hospital. Thank you for your attention."*

6. In the Solagran Limited Annual Report 2007 (available in the public domain) Dr Vagif Sultantov in his "A Message from the Chairman" section stated:

*"In October 2006 we released some of the high level findings from a trial involving the use of Ropren<sup>®</sup> to treat critically ill heroin-addicted chronic alcoholics. The results of this trial were outstanding. In early 2007, we conducted a second series of trials with heroin-addicted chronic alcoholics with Bioeffective<sup>®</sup> A, mirroring the very positive trials undertaken with Ropren<sup>®</sup> a few months earlier.*

*The trials have already formed the basis of a number of patent applications and will be released in full in a journal article in due course.*

*Dr Nina Golovkina, the Head of the Department of Psychosomatic Conditions at the Skvortsova-Stepanova Psychiatric Hospital where these trials were conducted was in Australia at the time of the recent EGM. She addressed shareholders on the significance of the trials findings and in doing so communicated her intention to use Ropren<sup>®</sup> in her department as soon as it becomes available."*

7. In an ASX announcement on 8 January, 2008 the Company outlined the details of the award of two patents – one for the treatment of conditions associated with chronic alcoholism resulting from the trials conducted at Skvortsova-Stepanova Psychiatric Hospital, and the other for the treatment of dementia including Alzheimer's disease.

As stated in the announcement, these patents were a world first in protecting the use of plant polyphenols for the treatment of certain human conditions.

The granted Russian Patent provides the basis for an international patent application under the Patent Convention Treaty (PCT). It gives Solagran a minimum twelve months protected window to apply for patents in other countries.

Based on the above details, the Directors believe that the market had adequate and timely information as required by the ASX Listing Rules in regard to the results and the possible effects on the share price of the clinical trials conducted at the Skvortsova-Stepanova Psychiatric Hospital.

The Age article also states "Since the start of last year, Executive Chairman and principal founder Vagif Sultantov has repeatedly increased his shareholding, taking it from fewer than 500,000 shares to 10.8 million."

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The first Appendix 3Y released by the Company for Dr Soultanov in 2007 was on 31 May 2007 showing that Dr Soultanov held 7,307,633 Ordinary Shares, 1,682,151 Contributing Shares and 1,200,000 Unlisted Options. This significant holding is not "fewer than 500,000 shares".

For the record, the Directors state the following:

- Solagran Limited has offices and employees in Melbourne, St. Petersburg and Tomsk.
- All international patent work is handled in Solagran's St Petersburg office by the Patent Attorney with whom we have worked for many years. This is both efficient and economical. The Australian office of Solagran only becomes involved during the national phase specific to an Australian patent.
- The final report on the trials conducted at the Skvortsova-Stepanova Psychiatric Hospital is unlikely to be available to the Melbourne office until all the international patent work is completed. As usual, Solagran will announce the submission of this international patent application as soon as it occurs.
- Staff in St. Petersburg have the responsibility for reviewing the results of clinical trials conducted in Russia and assisting in the preparation of the relevant Patent Applications which are lodged with the Russian Patent Office in the Russian language.
- There is an enormous amount of work involved in processing clinical trials conducted in Russia. Since listing, Solagran has completed a total of 29 pre-clinical and clinical trials. It currently has approximately 10 trials underway. In the case of this specific trial, in addition to blood biochemical analyses, psychological tests and many other parameters, there were 270 EEG reports to be analysed. It is only when a report is finalised in Russian that it is sent to Australia. It is then reviewed in Russian by Solagran's Executive Chairman before being signed off, translated into English and then rechecked with specialists. This process requires our Executive Chairman to work at least 18 hours per day.
- Material used for the 14 February, 2008 ASX announcement was drawn from a draft research report. This report was emailed in Russian by Solagran's Pre-Clinical and Clinical Trials Co-ordinator, Dr Tamara Nikitina, directly to Dr Soultanov in Melbourne on 10 January, 2008, whilst Dr Soultanov was overseas with his family.
- On returning to Melbourne, Dr Soultanov was involved with the visit of Dr Victoria Gorbacheva, the Head of Business Development and Marketing in Russia for BC Menarini, until she left Australia on 3 February, 2008 (refer ASX Announcements 23 January, 2008 and 31 January, 2008).
- The email was first opened by Dr Soultanov on 3 February, 2008 and examined in detail (in Russian) on 5 February, 2008. Dr Soultanov forwarded the email to the Melbourne office for translation from Russian to English on 12 February, 2008.

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- The English translation was made available to Executive Director Denis Kilroy on the evening of 12 February, 2008, which is when he began preparing the ASX announcement released on 14 February, 2008.
- Directors of the Company had not purchased any shares in the market since 4 February 2008.

The Directors of Solagran Limited have always held the view that the Executive Chairman, Dr Vagif Soultanov is highly ethical, both as an internationally recognised scientist and as an individual. The above events are entirely consistent with his ethical behaviour.

The Company has instructed Lawyers to commence legal proceedings on behalf of Dr Vagif Soultanov and Mr Denis Kilroy in regard to the publication in The Age.

A handwritten signature in black ink, appearing to read 'Peter Stedwell'. The signature is fluid and cursive, with a prominent initial 'P'.

Peter Stedwell  
**Company Secretary**  
On behalf of the Board of Directors of Solagran Limited

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