Solagran Limited
ACN 002 592 396
Level 11
492 St Kilda Road
Melbourne 3004
Victoria
Australia
Tel 61 3 9820 2699
Fax 61 3 9820 3155

Solagran Limited

13 March, 2008

Company Announcement
Co-operation Agreement with Tomsk Regional Government

The Directors of Solagran Limited are pleased to announce that the company has finalised negotiations in preparation for signing an important scientific and economic co-operation agreement with the Tomsk Regional Government. The agreement will be signed on 20 March by Victor Kress, the Governor of Tomsk, and Solagran Director Charles Pellegrino, at a special ceremony timed to coincide with the opening of Solagran's first commercial *Bioeffectives®* production facility.

Tomsk is a major scientific and research hub. It is home to eight universities and one of three Special Economic Zones established by the Russian Federal Government. Each Special Economic Zone (SEZ) offers significant investment incentives and tax breaks for companies invited to participate. The Tomsk SEZ is focussed on three industries: Biotechnology, Nanotechnology and Information Technology.

The agreement to be signed next week provides for co-operation between Solagran and the Government of Tomsk in a range of activities related to the biotechnology sector. It ensures that Solagran, with its permanent production facility, will play a significant and multi-dimensional ongoing role in the development of the biotechnology, pharmaceutical and food industries in Russia, as well as in Central and Eastern Europe. There will be particular emphasis on scientific development, clinical research and education. This agreement is the first of its kind for the Tomsk Government and reflects the excellent standing that Solagran has achieved in the eyes of the Government since it first became involved in the region in May 2006.

The facility that the Governor will open on 20 March includes both liquid CO_2 and organic solvent extraction processes. It also contains the world's first commercial polyprenols production line. *Bioeffective® R*, the active ingredient in *Ropren®*, is composed of a specific combination of polyprenols. Solagran's polyprenols production line is recognised by the Tomsk Regional Government, and within the wider Russian scientific community, as being an outstanding scientific and engineering achievement.

While the amount of scientific literature on the subject of polyprenols is a clear indicator that leading researchers in North America, Europe and Japan consider them to be perhaps the most exciting new class of pharmaceuticals developed in the last 35 years, few researchers are able to obtain these substances in quantities sufficient to undertake research, let alone conduct large scale clinical trials. They are too complex to be synthesised and without Solagran's technology, extracting them even in analytical quantities is both difficult and expensive.

Nevertheless, after a construction project lasting less than one year, Solagran is now just a week away from opening a commercial production facility capable of producing up to 20kg of polyprenols per month when operating at full capacity. This production line uses organic solvent extraction and employs nearly 100 major pieces of equipment, 3 kilometres of stainless steel pipe, more than 700 flow controllers, and approximately 500 measurement devices. While the plant is capable of producing the full range of *Bioeffectives®,* it's most important purpose is to produce polyprenols to meet the initial demand for *Ropren®*.

The Tomsk Regional Government has a policy of providing active support on many dimensions for what it considers to be the most advanced biotechnology projects – particularly those that will have a major economic and/or social impact on the Tomsk region [in accordance with *Law No 23-0Z. Government Support of Investment Activity in the Tomsk Region* 18.03.03]. This will certainly be the case for Solagran. The Government has indicated that it is fully aware of the potentially enormous scientific, economic and community health benefits that will flow from Tomsk becoming a centre for *Bioeffectives®* production and research, and last year invited Solagran to submit an application to establish a much larger GMP certified *Bioeffectives®* manufacturing facility within the Tomsk SEZ. The application is currently with federal authorities, but it has the full and unqualified support of the Governor of Tomsk. This larger facility will include a production line with the capacity to eventually produce up to 150-200kg of polyprenols per month, and negotiations are already underway with consulting engineers for the design and construction of this GMP certified plant. But even that level of production will not be sufficient to meet the expected demand for *Ropren®* from Russia – let alone from other countries. It will however provide an excellent manufacturing template that will be able to be used in the construction of additional production facilities both in Russia and elsewhere in the world consistent with Solagran's current strategic plan.

In forwarding the final version of the agreement, the Managing Director of SibEX, Mr Alexander Kurganov, commented that the leadership of the Administrative Authority for the Tomsk Special Economic Zone was most impressed with the depth of Solagran's science and the comprehensive nature of its plans for both the near future and the longer term. He also commented that from the perspective of the Tomsk Regional Government, Solagran's visionary approach, the fundamental nature of its science and its history making achievements in such a short period of time, had given the company a very special standing in the eyes of many Government officials.

The Directors are confident that this agreement will enhance the already strong relationships that Solagran has established in Tomsk, and in so doing will enable the company to accelerate future developments related to *Bioeffectives®* production, research and education.

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

Components of Production Facility Photographed During Final Stage of Construction

Pipeline and equipment for first and second stage chromatography

Vessels for product and solvent after chromatography

Elements of the extraction technology line