



**Solagran Limited**

Solagran Limited  
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Wednesday, 9 April 2008

Mr Darren Collins  
Senior Adviser, Issuers (Melbourne)  
ASX Limited  
Level 45, Rialto South Tower  
525 Collins Street  
MELBOURNE VIC 3000

Dear Mr Collins

**Re: ASX Limited letter to Solagran Limited dated 8 April 2008**

We refer to your letter dated 8 April 2008.

Our responses to the questions set out in your letter are as follows:

1. **At the time that the Companies Update was released to the market, was the Company aware of the key terms of the margin lending arrangements of any, or all, of the Directors, including the respective trigger points, the right of the lender to sell unilaterally and any other material details (the "Information")?**

Yes, on the understanding that:

- (a) one or more of the Directors reviewed and executed a 5 page standard form application for a corporate account with Opes Prime Stock Broking Ltd on 2 March 2007; and
- (b) the Directors were (and are) not aware nor were they (or have been) informed of the lending arrangements and/or the key terms of any lending arrangements between ANZ Nominees Ltd and Opes Prime Stock Broking Ltd.

2. **If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, did the Company consider that the Information was material to the Company?**

No.

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3. **If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, and the Company did not consider that the Information was material, please advise the basis on which the Company did not consider the Information to be material to the Company.**

- On 28 February 2008, when the Company announced that it had been granted a manufacturing licence to manufacture its pharmaceutical registered product *Ropren*<sup>®</sup> in Russia. The Board considered that the granting of this licence would considerably increase the Company's revenue and profitability.
- The Company held a meeting of the Board of Directors on 3 March 2008.
- The Board noted that on 28 February 2008, a call of 5 cents per Contributing Share was completed. The Board considered that by taking up their Contributing Shares, the voting rights held by the Directors and/or their related entities had been significantly increased.
- Having regard to the granting of the manufacturing licence and the completion of the call on the Contributing Shares held by the Directors and/or their related entities, the Board was satisfied that the nature of the Company's operations and its current and future economic prospects were (more than) adequate.

Furthermore, at that meeting:

- a copy of ASX's Companies Update no. 02/08 was tabled and considered by the Board. The Board was aware that three of its four directors had indirectly entered into margin lending arrangements with respect to shares held in the Company;
- the Board reviewed the Companies Update and considered its application to the Company, having regard to the nature of the Company's operations and the particular circumstances of the Company;
- the Board considered the Companies Update and the Company's position and in light of such did not consider it appropriate to seek to review the Information. The Board formed the view that the Information related to personal financial arrangements of related entities of the Directors. The Board considered that those arrangements were not relevant to the Company's business affairs and operations;
- the Board concluded that at that time the nature of the Company's operations and the particular encouraging economic circumstances relevant to the Company were such that the margin loan arrangements of the related entities of the Directors were not material; and

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- the Board concluded that the arrangements therefore did not require disclosure under ASX Listing Rule 3.1.

4. **If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements and the Company considered that the Information was material, please advise why the Information was not released to the market at that time.**

Not applicable.

5. **If the answer to question 1 is "no", please advise whether, subsequent to the release of the Companies Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors.**

Not Applicable.

6. **If, subsequent to the release of the Companies Update, the Company did become aware of the Information in respect of any, or all, of the Directors margin lending arrangements, please advise when it became aware of the Information.**

Not Applicable.

7. **In the light of the guidance contained in the Companies' Update, please advise what steps were taken by the Company in order to ascertain whether the Information in relation to the margin lending arrangements of the Directors, whether considered individually or collectively, was material to the Company.**

We refer to our response to question numbered 3 (above) and confirm that:

- A meeting of the Board of Directors of the Company was held on 3 March 2008 at which a copy of ASX's Companies Update no. 02/08 was tabled and considered by the Board.
- The Board considered the Companies Update and the Company's position and in light of such did not consider it appropriate to seek to review the Information in relation to the particular margin lending arrangements of the related entities of the Directors.
- The Board concluded that at that time the nature of the Company's operations and the particular circumstances relevant to the Company were such that the margin lending arrangements of the related entities of the Directors were not material to the Company.

8. **If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors please advise whether the Company considered that the Information was material to the Company?**

Not Applicable.

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9. If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors and the Company did not consider that the Information was material, please advise the basis on which the Company did not consider the Information to be material to the Company.

Not Applicable.

10. If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors and the Company considered that the Information was material, please advise why the Information was not released to the market at that time.

Not Applicable.

11. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yes.

Yours sincerely

**SOLAGRAN LIMITED**



**Peter Stedwell**  
Company Secretary  
Solagran Limited

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8 April 2008

Peter Stedwell  
Company Secretary  
Solagran Limited  
Level 11, 492 St Kilda Road  
Melbourne VIC 3004

By email only

Dear Peter

**Solagran Limited (the "Company")**

We refer to the following.

- The Company's announcement titled "Letter to Shareholders from Executive Chairman" which was lodged with ASX Limited ("ASX") on 3 April 2008 and which states that "it (Solamind Pty Ltd) purchased a further stake of approximately four million shares (in Solagran Limited). These purchases were funded with a debt facility secured by Solamind's existing holding".
- The Company's announcement titled "Letter to ASX" which was lodged with ASX on 4 April 2008 and which states that "there are three related parties with securities of the Company securing margin lending facilities with Opes Prime. The relevant securities of the related parties comprise 41,800,349 ordinary shares and 4,972,090 contributing shares".
- The announcement made by Australia and New Zealand Banking Group Limited ("ANZ") to ASX on 8 April 2008 which was cross-released under the Company's ASX Code on the same day (the "ANZ Announcement"). The ANZ Announcement discloses ANZ's shareholding of 56,111,895 ordinary shares (42.57%) and 10,132,865 partly paid ordinary shares (21.03%) in the Company as at the close of trading on 7 April 2008 (the "Affected Shares") as a result of transactions entered into by ANZ pursuant to Australian Master Securities Lending Arrangements with Opes Prime Stockbroking Limited ("Opes Prime") and Leveraged Capital Limited, each dated 26 July 2006.
- ASX's Companies Update no. 02/08 dated 29 February 2008 that refers to the disclosure of material information relating to the financing arrangements of entities and existence of terms of any finance arrangements that may be in place in relation to directors' shareholdings e.g. margin loans.

As you are aware listing rule 3.1 requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information. The exceptions to this requirement are set out in listing rule 3.1A.

I would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

*"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."*

Furthermore, paragraph 18 of Guidance Note 8 states:

*"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- 3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
  - The information concerns an incomplete proposal or negotiation.*
  - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
  - The information is generated for the internal management purposes of the entity.*
  - The information is a trade secret."*

ASX's Companies Update no. 02/08 states the following:

*"Where a director has entered into margin loan or similar funding arrangements for a material number of securities, ASX advises that [listing rule 3.1](#) (PDF 204 KB), in appropriate circumstances, may operate to require the entity to disclose the key terms of the arrangements, including the number of securities involved, the trigger points, the right of the lender to sell unilaterally and any other material details. Whether a margin loan arrangement is material under listing rule 3.1 is a matter which the company must decide having regard to the nature of its operations and the particular circumstances of the company."*

Having regard to the above definition, listing rule 3.1 and Companies Update 02/08 ("Companies Update"), we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. At the time that the Companies Update was released to the market, was the Company aware of the key terms of the margin lending arrangements of any, or all, of the Directors, including the respective trigger points, the right of the lender to sell unilaterally and any other material details (the "Information")?
2. If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, did the Company consider that the Information was material to the Company?
3. If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements, and the Company did not consider that the Information was material, please advise the basis on which the Company did not consider the Information to be material to the Company.
4. If, at the time that the Companies Update was released, the Company was aware of the Information in respect of any, or all, of the Directors' margin lending arrangements and the Company considered that the Information was material, please advise why the Information was not released to the market at that time.
5. If the answer to question 1 is "no", please advise whether, subsequent to the release of the Companies Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors.
6. If, subsequent to the release of the Companies Update, the Company did become aware of the Information in respect of any, or all, of the Directors margin lending arrangements, please advise when it became aware of the Information.
7. In the light of the guidance contained in the Companies' Update, please advise what steps were taken by the Company in order to ascertain whether the Information in relation to the margin lending arrangements of the Directors, whether considered individually or collectively, was material to the Company.
8. If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors please advise whether the Company considered that the Information was material to the Company?
9. If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors and the Company did not consider that the Information was material, please advise the basis on which the Company did not consider the Information to be material to the Company.
10. If, subsequent to the release of the Companies' Update, the Company became aware of the Information in relation to the margin lending arrangements of any, or all, of the Directors and the Company considered that the Information was material, please advise why the Information was not released to the market at that time.
11. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by return e-mail or by facsimile on facsimile number (03) 9614 0303. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 4.00pm EST on Wednesday, 9 April 2008.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, it would be appreciated if you would prepare your response in a form suitable for release to the market and separately address each of the questions asked.

If you have any queries in relation to the above please let me know.

Yours sincerely,



Darren Collins  
Senior Adviser, Issuers (Melbourne)

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