



Solagran Limited

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Company Announcement

Completion of Strategic Partnership Agreement with BioProspect

The Directors of Solagran Limited are pleased to announce the finalisation of an agreement to licence the animal nutrition, animal health and agriculture rights to certain of its *Bioeffectives*® to BioProspect Limited (ASX:BPO).

The Board believes that the relationship that has now been formally established with BioProspect is an excellent strategic move for both companies.

- It will enable Solagran to maintain its very clear focus on human health. But at the same time it will enable the Company to unlock the value embedded in the use of *Bioeffectives* in applications other than human health.
- It will enable BioProspect to develop a comprehensive product range that will complement its existing activities, and in the process generate significant commercial opportunities for both companies.

As part of the agreement, Solagran will be entitled to two seats on the BioProspect Board. Initially, these seats will be filled by Dr Vagif Soultanov and Mr Denis Kilroy.

Bioeffectives

Solagran has a portfolio of 17 biologically effective natural substances (collectively trademarked as *Bioeffectives*®) and has the scientific and technical capability to develop many more. Each *Bioeffective* has multiple applications. 15 of the existing portfolio have applications in human health. Initial commercialisation efforts have been focussed on *Bioeffectives R, A and B* – but the Company is now taking the first steps to commercialise *Bioeffectives I and N*.

- *Ropren*, containing *Bioeffective R*, has been registered with the Russian Ministry of Health as a treatment for chronic liver disease. A manufacturing licence is expected in November with first sales soon after that.
- *Bioeffective A* has been listed on the Australian Register of Therapeutic Goods as *Conifer Green Needle Complex*, and is approved for inclusion in topical and systemic complementary medicines. A practitioner only product, *Bioeffective A 320*, was released in May and has already proven successful. The practitioner only product range will be extended over time, and further products aimed directly at consumers will be launched by Solagran's strategic partners in due course.
- *Bioeffective B* is already on the market in Australia and Europe as a topically applied substance used in conjunction with a sauna. Solagran is actively pursuing both the spa and sports recovery markets with this product. Pre-clinical trials have indicated that when taken orally, it could also have the potential to treat prostate hyperplasia.
- A drink based on *Bioeffective I* is currently being developed. Initially, it will be used to augment the sauna treatment range.
- *Bioeffective N* is both an antiviral and a haematopoietic or blood enhancing product. Human efficacy trials conducted in Russia during the 1990s demonstrated a potential to treat conditions associated with both the *Herpes simplex* and the *Herpes zoster* viruses. It is now in the early stages of commercialisation.

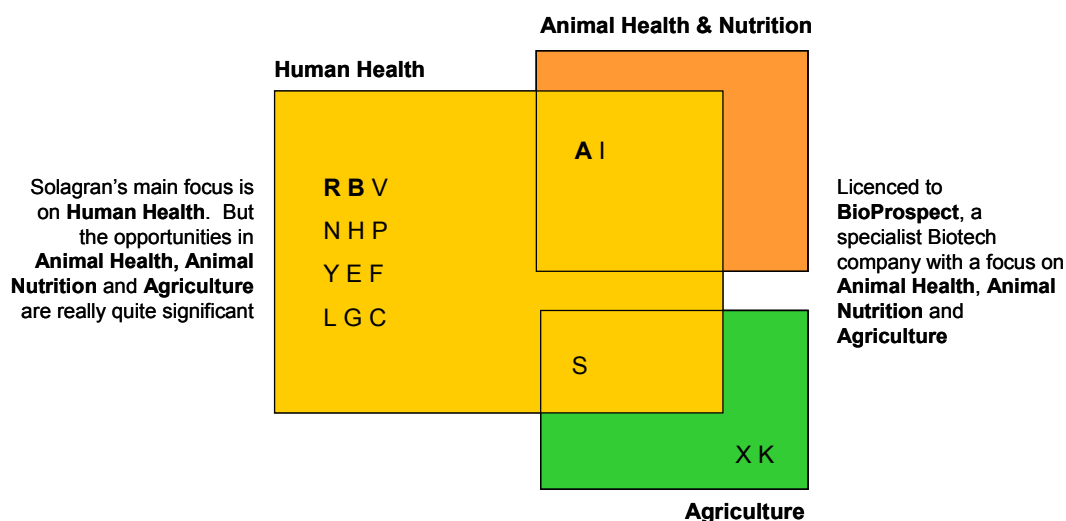
Solagran's strategic priority and very clear focus is the use of its *Bioeffectives* in human health applications. The commercial potential embedded in these applications is substantial.

However the company also has a number of *Bioeffectives* in its portfolio with real commercial potential in animal nutrition, animal health and agriculture. These represent a further source of value for Solagran's shareholders which the strategic partnership with BioProspect will now unlock – without diverting any management resources from Solagran's primary goals.

***Bioeffectives* in Animal Nutrition, Animal Health and Agriculture**

Bioeffectives originated from the pursuit of additives for livestock fodder in the 1930s, but their value in human health applications soon became apparent. Nevertheless, a great deal of work was done over many years to establish their potential in animal nutrition, animal health and agricultural applications. Solagran has five *Bioeffectives* that have direct and immediate application in the areas of animal nutrition, animal health and agriculture. In combination, they represent a significant commercial opportunity for both Solagran and BioProspect.

Figure 1. Applications of Existing *Bioeffectives* by Market Sector



- *Bioeffective A* can be used to reduce stress, eliminate infections and improve condition in farm animals. It also has the potential to displace antibiotics and hormones used in livestock production, and in so doing enhance the integrity of the human food chain. This has been demonstrated in trials conducted in Russia with chickens, pigs and cattle over many years – commencing with the work of Professor Solodky and continuing into the 1990s. In a limited Australian trial conducted in 1998-99, *Bioeffective A* acted as an adaptogen, reducing the effect of stress on animals.
- *Bioeffective K* is a natural insecticide with the potential to be used in organic farming. Russian trials have shown it to be effective against various types of aphids, as well as Colorado Beetle larvae. It also has natural anti-fungal activity against a number of phytopathogenic fungi.
- *Bioeffective S* has been shown in trials conducted in 2006 to be effective in preventing damage to crops from the Colorado Beetle.
- *Bioeffective I* is a substance that can be added to animal feed to improve nutrition and reduce stress
- *Bioeffective X* has been shown to have natural rodent repellent activity.

All of Solagran's *Bioeffectives* are obtained from sophisticated and patented extraction processes for which the feedstock is green foliage from plantation timber felled in the course of commercial forestry production. This provides a virtually unlimited supply of low cost raw materials for a very efficient production process that generates no waste. Even the final residue from the process can be recovered and used as a mineral rich organic fertiliser.

The Deal

Under the deal that has been agreed, BioProspect will acquire a 70 percent interest in Solagran's *Bioeffectives* technology as it applies to the global animal health, animal nutrition and agriculture markets – relating at this stage to *Bioeffectives A, I, K, S and X*. It will assume full responsibility for the funding and the execution of the commercialisation program. Solagran's residual 30 percent interest will be free carried until BioProspect meets its funding obligations under the terms of the proposed deal.

In addition to the right to appoint two members of the BioProspect Board, Solagran will receive 22.5 million shares and 22.5m options (\$0.05, 2010) in BioProspect, together with a further 22.5 million shares and 22.5m options (\$0.05, 2010) upon BioProspect completing its funding obligations and proceeding to full commercialisation.

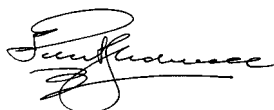
BioProspect will retain exclusive rights to those existing *Bioeffectives* that have application in the animal health, animal nutrition and agriculture markets – subject to realisation of certain revenue targets by December 2010. If exclusivity is maintained, Solagran will receive a further \$2.5 million worth of BioProspect shares together with free attaching options at a three month Volume Weighted Average Price (VWAP) as at 31 December 2007.

BioProspect will acquire 2.5 million unlisted options in Solagran, and exercise these options on or before 31 August 2007, injecting \$500,000 into Solagran.

The deal is entirely consistent with the Heads of Agreement signed earlier this year.

In Summary

The Directors believe that this strategic partnership has the potential to create significant wealth for the shareholders of both Solagran and BioProspect. Each company will be fully focussed on the use of natural substances in their respective market sectors. As a result value will be unlocked for Solagran shareholders that would otherwise have remained "locked up" in the Company for many years while it pursued its primary scientific and commercial goals in the human health market.



Peter Stedwell

Company Secretary

On behalf of the Board of Directors
Solagran Limited