

APPENDIX 4D

For the Half Year Ended 31 December 2014

Results for Announcement to the Market

Current Reporting half year - Half year ended 31 December 2014
Previous Reporting half year - Half year ended 31 December 2013

Revenues	Down	(20.65%)	to	\$960,325
Loss after tax attributable to members	Up	251.23%	to	(\$6,314,960)
Net loss for the half year attributable to members	Up	251.23%	to	(\$6,314,960)

Dividends (distribution)	Amount per Security	Franked Amount per Security
Final dividend	n/a	n/a
Previous corresponding half year	n/a	n/a

Net Tangible Asset per Security (cents per security)

As at 31 December 2014 (4.61)
As at 31 December 2013 (1.67)

Record date for determining entitlements to dividend

n/a

Explanation of the above information:

Refer to the Directors' Report - Review of Operations.



Solagran Limited

ABN 48 002 592 396

Interim Financial Report for the Half Year Ended

31 December 2014

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Company Directory

Australian Company Number (ACN)

002 592 396

Solagran Limited is a public company limited by shares and is domiciled in Australia.

DIRECTORS

Dr Vagif Soultanov

Mr Alexander Kurganov

Dr Ian Nisbet

Mr Andi Solaiman

Executive Chairman

Executive Director

Independent Non-Executive Director and Chairman

Designate

Non-Executive Director

CHIEF EXECUTIVE OFFICER

Dr Darren Schliebs

REGISTERED OFFICER

98 - 106 Moray Street

South Melbourne, Victoria

Australia 3205

Ph: + 61 (0)3 9820 2699

Fx: + 61 (0)3 9820 3155

Em: info@solagran.com

PRINCIPAL PLACE OF BUSINESS

98 - 106 Moray Street

South Melbourne, Victoria

Australia 3205

Ph: + 61 (0)3 9820 2699

Fx: + 61 (0)3 9820 3155

Em: info@solagran.com

SHARE REGISTRY

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street

Abbotsford, Victoria, 3067, Australia

Ph: 1300 85 05 05 (within Australia)

+61 3 9415 4000 (overseas)

Fx: +61 3 9473 2500

Em: essential.registry@computershare.com.au

Website: www.computershare.com.au

SOLICITORS

Marsh and Maher

Level 2, 100 Wellington Parade

East Melbourne, Victoria

Australia 3002

BANKERS

National Australia Bank

Level 2, 330 Collins Street

Melbourne, Victoria

Australia 3000

AUDITORS

Grant Thornton Audit Pty Ltd

Rialto Tower, Level 30

525 Collins Street

Melbourne, Victoria

Australia 3000

WEBSITE

www.solagran.com

Directors' Report

The Board of Directors of Solagran Limited present the Directors' Report on the consolidated entity consisting of Solagran Limited and its controlled entities (referred to hereafter as 'the consolidated entity'), at the end of, or during, the half year ended 31 December 2014.

Directors

The names of the Directors in office at any time during, or since the end of the half year are as follows:

Dr Vagif Soultanov	Executive Chairman
Mr Alexander Kurganov	Executive Director
Dr Ian Nisbet	Independent Non-Executive Director and Chairman Designate
Mr Andi Solaiman	Non-Executive Director (resigned 23 September 2015)

Review of Operations and Results of Those Operations

The loss of the consolidated entity after income tax for the financial year was (\$6,314,962) (2013: \$1,797,943). The consolidated entity revenue for the period of the half year to 31 December 2014 was \$960,325, this represents an 20.65% decrease over the result for the corresponding half year to 31 December 2013 of \$1,210,245.

Overview of Company's Activities

Solagran Limited and its subsidiaries ("the consolidated entity") continued its focus on market and product development, intellectual property management and research to ensure sales growth. This has all been performed in an environment of significant capital constraint during a period where the consolidated entity was not trading on the Australian Stock Exchange (ASX). During this period, the consolidated entity has focused on the corporate goal of maximising and protecting value for our shareholders by raising capital, re-listing on the ASX, and building a sustainable business with the aim of profitability as soon as practicable.

The following summarises the status of the consolidated entity's commercial developments since the last Report.

Significant Changes in State of Affairs

Other than what has already been disclosed, there were no other significant changes in the state of affairs of the consolidated entity during, or since the end of, the half year.

The Russian subsidiaries of Solagran have been continuing a process of restructuring the consolidated entity over the past four years. The restructure now has Solagran well positioned for the future with a more simplified and less complex structure. The holding company, Solagran Son, owns all of the companies within the Russian group.

During the restructure, the following occurred:

- Due to inefficiencies and duplication of functions and tasks, the companies, Solagran Son, Sibex, Biotech and Darius went through liquidation procedures;
- For the effective implementation of production activity, a new company, Dana LLC was established to which all assets concentrated in the Tomsk region were transferred;
- For production activity in Vyshny Volochyok, a new company Solalife LLC was established, which has acquired the production facility and land that was previously leased by Biotech LLC from ARFEDA LLC;
- Trading and marketing tasks are now concentrated in the company LLC Solagift, a resident of Tomsk's Special Economic Zone;
- For the implementation of management and administration functions, a new company, Business Invest Consulting LLC (BIC LLC) was established;

- Finally, a new company, Solagran Son LLC, was established which is wholly owned by Solagran Limited Australia. Solagran Son LLC manages and controls the entire Russian group of companies consisting of Solagift, Dana, Solalife and BIC LLC.
- Consequently, an integrated structure of the Russian group fully controlled by Solagran Limited was developed, entirely satisfying its requirements with clear delineation of assigned functions. Management believe the new structure will better fit the needs of Solagran going forward.

Significant Events after Balance Date

During recent financial years, funding for the Company was obtained in the form of loan and converting note agreements. Following the delisting of Solagran Ltd from the ASX at the end of December 2015, all note holders were contacted and asked to confirm their intention for their notes to continue beyond 31 December 2015 and for the corresponding debt to be converted to equity. Subsequently all noteholders have agreed and the shares have been issued with the exception of Dr Vagif Soultanov to the extent of \$750,000. In addition, a further investment of \$600,000 from the sophisticated investors who had already made an equity investment of \$3,000,000 was made, in order to retire the bank debt in Tomsk, Russia. This has been successfully finalised.

Capital expenditure and retirement of debt since 31 December 2015 has significantly changed the entity's outlook going forward. We decreased the amount of outstanding debts, paid off the bank and continued further expansion to the production facilities in Vyshny Volochyok and Tomsk for additional production of some Bioeffectives to meet increased market demand.

There have not been any other matters or circumstances that have arisen since the end of the half year, which have, or may, significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future years.

Proceedings on Behalf of the Consolidated Entity

On 24 August 2010, Solagran was joined as a party to proceedings commenced by Gun Capital Management Pty Ltd alleging misrepresentation under the Trade Practices Act. On 21 June 2013, the court ordered that the application and cross claim be dismissed and that the question of costs should be reserved and listed for hearing at a future date.

Subsequently, after both parties attended a failed court directed mediation in July 2014 to agree on costs payable by Gun Capital to Solagran et al, the matter was referred to Court for Taxation and costs were subsequently settled. Upon due consideration by the Board of Solagran it was determined that no contingent liability exists in relation to this matter as at 31 December 2015.

The Inspectorate of the Federal Tax Service, Tomsk (IFTS) brought a claim against Dana LLC in regard to their claim of VAT on the acquisition of property and equipment from Sibex LLC. The court case was won by Dana LLC and as such no monies are currently payable to the IFTS. However the IFTS has the right of appeal and as such the reimbursement of the VAT tax and a penalty fee are possible.

There are no current proceedings on behalf of the consolidated entity pursuant to section 237 of the Corporations Act 2001.

Dividends

The consolidated entity did not pay, declare or propose any dividends during the half year.

Auditor's Independence Declaration

The Auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001 for the half year ended 31 December 2014, has been received and can be found in the 'Auditor's Independence Declaration' section of this Interim Financial Report.

This report is made in accordance with a resolution of the Directors.



Vagif Soultanov
Executive Chairman

Dated at Melbourne on this the 29th day of February 2016.

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

**Auditor's Independence Declaration
To the Directors of Solagran Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Solagran Limited for the half-year ended 31 December 2014, 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 review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner – Audit & Assurance

Melbourne, 29 February 2016

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the half year ended 31 December 2014

	Notes	31-Dec-14 \$	31-Dec-13 \$
Revenue from operations	2	960,325	1,210,245
Other income	2	589,308	390,307
Changes in inventory of finished goods and WIP		(5,631,506)	(123,442)
Raw materials and consumables used		4,874,307	(838,734)
Depreciation expenses		(2,212)	(5,887)
Corporate administration expenses		(300,511)	(587,644)
Employee expenses		(488,374)	(634,731)
Impairment expenses	2	(5,755,751)	(660,587)
Research and development expenses		(200,328)	(137,310)
Finance expenses		(316,467)	(355,763)
Realised foreign exchange gain/ (loss)		45,424	9,252
Other expenses		(89,175)	(63,649)
Loss for the half year		(6,314,960)	(1,797,943)
Other comprehensive income:			
Exchange differences on translating foreign operations		(795,190)	157,397
		(795,190)	157,397
Other comprehensive income/(expense) for the half year net of tax		(795,190)	157,397
Total comprehensive loss for the half year		(7,110,150)	(1,640,546)
Loss attributable to:			
Owners of the parent		(6,314,960)	(1,797,943)
Non-controlling interests		-	-
		(6,314,960)	(1,797,943)
Total comprehensive loss attributable to:			
Owners of the parent		(7,110,150)	(1,640,546)
Non-controlling interests		-	-
		(7,110,150)	(1,640,546)
Loss per share for the half year attributable to members of Solagran Ltd:			
Basic loss per share (cents per share)		(1.84)	(0.52)
Diluted loss per share (cents per share)		(1.84)	(0.52)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 31 December 2014

	Notes	31-Dec-14 \$	30-Jun-14 \$
Current Assets			
Cash and cash equivalents		34,105	10,405
Trade and other receivables	3	291,758	396,128
Inventories		1,102,793	6,734,299
Other assets		109,631	107,021
Total current assets		1,538,287	7,247,853
Non-current assets			
Available-for-sale financial assets		29,517	29,517
Property, plant and equipment	4	3,555,279	6,214,457
Other assets		36,683	85,796
Total non-current assets		3,621,479	6,329,770
Total assets		5,159,766	13,577,623
Current Liabilities			
Trade and other payables		3,642,520	5,067,486
Interest-bearing liabilities	6	16,483,382	16,697,591
Borrowings		754,288	318,946
Provisions		83,690	143,384
Total liabilities		20,963,880	22,227,407
Non-current liabilities			
Provisions		41,485	110,322
Total non-current liabilities		41,485	110,322
Total liabilities		21,005,365	22,337,729
Net assets		(15,845,599)	(8,760,106)
Equity			
Issued capital	8	79,393,130	79,393,130
Other components of equity	9	2,089,940	2,860,473
Accumulated losses		(97,328,669)	(91,013,709)
Total equity		(15,845,599)	(8,760,106)

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the half year ended 31 December 2014

	Share capital \$	Other components of equity \$	Foreign currency translation reserve \$	Share-based payment reserve \$	Accumulated losses \$	Non- controlling interests \$	Total \$
Balance as at 1 July 2013	79,393,130	(877,460)	1,351,832	3,099,219	(87,083,663)	-	(4,116,942)
Loss for the half year attributable to members of the parent entity	-	-	-	-	(1,797,943)	-	(1,797,943)
Other comprehensive income/(expense) for the half year	-	-	157,397	-	-	-	157,397
Total comprehensive income for the half year	-	-	157,397	-	(1,797,943)	-	(1,640,546)
<i>Transactions with owners in their capacity as owners</i>							
Share based payments	-	-	-	30,137	-	-	30,137
Balance as at 31 December 2013	79,393,130	(877,460)	1,509,229	3,129,356	(88,881,606)	-	(5,727,351)
Balance as at 1 July 2014	79,393,130	(877,460)	512,439	3,225,494	(91,013,708)	-	(8,760,105)
Loss for the half year attributable to members of the parent entity	-	-	-	-	(6,314,960)	-	(6,314,960)
Other comprehensive income/(expense) for the half year	-	-	(795,190)	-	-	-	(795,190)
Total comprehensive income for the half year	-	-	(795,190)	-	(6,314,960)	-	(7,110,150)
<i>Transactions with owners in their capacity as owners</i>							
Share based payments	-	-	-	24,657	-	-	24,657
Balance as at 31 December 2014	79,393,130	(877,460)	(282,751)	3,250,151	(97,328,668)	-	(15,845,598)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the half year ended 31 December 2014

	31-Dec-14	31-Dec-13
	\$	\$
<i>Cash flows from operating activities</i>		
Receipts from customers	849,948	1,092,553
Payments to suppliers and employees	(1,729,192)	(1,959,462)
Interest received	63,966	79,393
Interest and other costs of finance paid	(83,967)	(123,253)
Research and development tax rebate	477,927	303,393
Net cash flows used in operating activities	(421,318)	(607,376)
<i>Cash flows related to investing activities</i>		
Proceeds from sales of plant and equipment	-	11,622
Payment for purchases of plant and equipment	-	-
Net cash flows (used in)/provided by investing activities	-	11,622
<i>Cash flows related to financing activities</i>		
Proceeds from borrowings	448,108	583,170
Repayment of borrowings	-	-
Net cash flows (used in)/provided by financing activities	448,108	583,170
Net increase/(decrease) in cash and cash equivalents	26,790	(12,584)
Cash and cash equivalents at the beginning of the period	10,405	48,613
Effects of exchange rate changes on cash and cash equivalents	(3,090)	820
Cash and cash equivalents at the end of the period	34,105	36,849

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 1. Significant Accounting Policies

Reporting entity

The half year report covers Solagran Limited as a consolidated entity consisting of Solagran Limited and the entities it controlled at the end of, or during, the half year. The half year report is presented in Australian dollars.

Statement of compliance

These financial statements are general purpose financial statements for the half year reporting period ended 31 December 2014 which has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

Basis of preparation

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this consolidated half year financial report should be read in conjunction with the consolidated annual report for the year ended 30 June 2014 and any public announcements made by the consolidated entity during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Comparatives

All accounting policies adopted are consistent with the most recent consolidated annual financial report for the year ended 30 June 2014. Where necessary, comparatives have been reclassified and repositioned for consistency with current half year disclosure.

Significant accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2014.

Going concern

For the half year ended 31 December 2014, the consolidated entity incurred an operating loss of \$(6,314,960) (2013 loss: \$1,797,943) as it continued to further invest in drug development, new product development, capital outlay and corporate initiatives. As at the half year, the consolidated entity's net assets stood at (\$15,843,599) (June 2014: (\$8,760,106)) with available cash of \$34,105 (2014: \$10,405). For the half year ended 31 December 2014, the consolidated entity had net cash outflows from operating activities totalling (\$421,318) (2013: \$607,376).

The consolidated entity has issued multiple "Loan and Converting Note" agreements since it suspended trading on the ASX. These arrangements to fund the consolidated entity were written as cash loans, to be converted to equity, subject to conditions. Interest was to be payable in the event conversion was not obtained, otherwise the notes were to be converted to equity at the face value of the loan (i.e. no interest payable or accrued).

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 1. Significant Accounting Policies *(continued)*

The total amount of all such "Loan and Converting Note" agreements is \$17,445,500 (excluding accrued interest) at February 2016. All holders of such "Loan and Converting Note" agreements have signed further documentation providing the necessary notice to convert the loan to equity at 3c per share for the issue of 582,541,667 ordinary shares. The debt has been converted to equity, and the shares issued, at the time of signing this report.

The consolidated half year financial report has been prepared on a going concern basis on the assumption that sufficient funding will be available through loans from existing shareholders and/or further capital placements. The consolidated entity is seeking to minimise the funds required through loans and/or capital placements by focusing on maximising revenue from existing research and products, through improved marketing, increased customer access, new product registrations in new territories and new product development. Additionally the consolidated entity recently invested approximately \$610,000 on capital outlay in the consolidated entity's production facilities in Russia, with additional capital upgrades planned. Such upgrades are to meet the growth in demand from key customers in Russia, demand which currently exceeds our production capacity.

The Directors have a history of successfully raising capital and are confident one of the above funding sources will result in an injection of cash. Accordingly, the Directors believe that the value of the consolidated entity's existing net assets will generate sufficient funds for the consolidated entity to continue to operate in its normal manner.

In common with other biotechnology and drug development companies, the consolidated entity's operations are subject to considerable risks and uncertainty due primarily to the nature of the development and commercialisation undertaken. To allow the consolidated entity to execute its near term and longer term plans, it will be necessary to raise additional capital or secure funding through commercial transactions in the future. Accordingly, there remains uncertainty concerning the consolidated entity's ability to continue as a going concern for a further 12 months as defined in current accounting standards.

Based on the reduced cash flow requirements of the consolidated entity, the Directors consider that the consolidated entity is likely to have sufficient available funds to support operations and will manage the availability of resources over the immediate term.

Should the consolidated entity be unsuccessful in its funding activities noted above, significant uncertainty as to whether the consolidated entity will be able to continue as a going concern would exist and therefore, whether it will be able to realise its assets, specifically property plant and equipment and inventory balances, and settle its liabilities and commitments in the normal course of business.

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 2. Revenue / Expenses

	31-Dec-14	31-Dec-13
	\$	\$
Revenue		
Sale of goods	960,325	1,210,245
	960,325	1,210,245
Other income		
Interest	63,966	79,393
Research and development tax rebate	477,927	303,393
Other income	47,415	7,521
	589,308	390,307

The revenue from operations of the consolidated entity is not yet subject to identifiable seasonal or cyclical trends.

Significant expenses included in net loss before tax:

Impairment expenses

Impairment of receivables	1,038,448	-
Impairment of inventories to net realisable value	4,717,303	660,587
	5,755,751	660,587

Note 3. Trade and Other Receivables

	31-Dec-14	30-Jun-14
	\$	\$
Trade receivables	281,050	1,205,066
Other receivables	584,179	2,415,188
Less: allowance for doubtful debts	(573,472)	(3,224,126)
	291,757	396,128

The impairment allowance in the prior period relates to amounts advanced to our distributor in Russia.

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 4. Property, plant & equipment

	31-Dec-14	30-Jun-14
	\$	\$
Land and Building at cost	147,500	147,500
Less Accumulated Amortisation	(9,692)	(9,692)
	137,808	137,808
Plant and Equipment at cost	5,329,960	8,496,933
Less Accumulated Depreciation	(1,938,356)	(2,455,586)
	3,391,604	6,041,348
Motor Vehicles at cost	227,417	350,414
Less Accumulated Depreciation	(201,550)	(315,113)
	25,867	35,301
	3,555,279	6,214,457

Note 5. Intangibles

	31-Dec-14	30-Jun-14
	\$	\$
Goodwill		
At cost	3,062,694	3,062,694
Accumulated amortisation (and impairment)	(3,062,694)	(3,062,694)
	-	-
Patents and trademarks		
At cost	7,777,470	7,777,470
Accumulated amortisation (and impairment)	(7,777,470)	(7,777,470)
	-	-
	-	-

(a) Key assumptions for the recognition of Intangible Assets

During the half year to December 2011, Management conducted an assessment over the value of intangible assets in accordance with AASB 138 and determined that the economic benefits generated by the intellectual property did not coincide with the value recognised as an asset in the Financial Statements. As such Management impaired the total value of the intellectual property.

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 6. Interest-Bearing Liabilities

	31-Dec-14	30-Jun-14
	\$	\$
Secured		
Bank Loan Facility – Russia	619,224	1,065,933
Unsecured		
Convertible Notes	15,864,158	15,631,658
	16,483,382	16,697,591

Bank Overdraft Facility

A line of credit facility was renegotiated in 2012 with the Promregionbank LLC in Tomsk Siberia to Sibex LLC. The credit facility attracts a variable interest rate of 16% per annum. The loan is secured by the assets, in particular the property, plant and equipment that reside within Sibex LLC and a personal guarantee by Vladimir Chernenko.

Convertible Notes

The consolidated entity has issued multiple “Loan and Converting Note” agreements since it suspended from trading on the Australia Securities Exchange (ASX). These arrangements to fund the consolidated entity were written as cash loans to be converted to equity, subject to conditions. Interest was to be payable in the event conversion was not obtained, otherwise the notes were to be converted to equity at the face value of the loan (i.e. no interest payable or accrued). All notes were converted to equity in February 2016, after the balance date of 31 December 2015 with the exception of \$750,000 belonging to Dr Vagif Soultanov.

Note 7. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following:

Name of entity	Country of incorporation	Percentage owned %	
		31-Dec-14	30-Jun-14
<i>Parent Entity</i>			
Solagran Limited	Australia	-	-
<i>Subsidiaries of Solagran Limited</i>			
Solathera Limited	Australia	100	100
Solagran Netherlands BV	Netherlands	100	100
SibEX LLC	Russia	100	100
Solagift LLC	Russia	100	100
Solagran Son LLC	Russia	100	100
Biotech LLC	Russia	81	81
Darius LLC*	Russia	25	25
Dana LLC*	Russia	-	-
BIK LLC*	Russia	-	-

*Dana LLC, Darius LLC and BIK LLC are controlled by virtue of the shareholder agreements entered into during the period with Mr Vladimir Chernenko, Mr Oleg Moskalenko and Mr Alexander Kurganov respectively with Solagran Limited.

The consolidated entity elected not to account for a minority interest in Biotech LLC due to its insignificance.

Darius LLC, a shell company, was acquired during the period.

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 8. Reserves

	31-Dec-14	30-Jun-14
	\$	\$
Share-based payments reserve	3,250,151	3,225,494
Foreign currency translation reserve	(282,751)	512,439
Acquisition of NCI reserve	(877,460)	(877,460)
	2,089,940	2,860,473

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of shares issued to Solalife and options issued to the Executive Chairman, Dr Vagif Soultanov approved by shareholders at the 2008 Annual General Meeting.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. Amounts are reclassified to profit or loss when the investment is disposed of.

Note 9. Related Party Transactions

	31-Dec-14	30-Jun-14
	\$	\$
Sale of Bioeffective products to Eastok Pty Ltd	26,439	75,593

	31-Dec-14	30-Jun-14
	\$	\$
Payment for services		
Payment for rental of storage space, office facilities and for staffing services provided by Eastok Pty Ltd	40,136	122,609
Expenses incurred relative to Research and Development	-	91,085

	31-Dec-14	30-Jun-14
	\$	\$
Loans from related parties		
Convertible notes from director related entities – Vagif Soultanov	6,000,000	6,000,000
Solamind Pty Ltd – Vagif Soultanov	409,502	123,359
Eastok Pty Ltd – Vagif Soultanov	344,786	195,587

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 10: Segment Information

Operating segments have been determined on the basis of reports reviewed by the Board of Directors. The Board of Directors is considered to be the chief operating decision maker of the consolidated entity. The Board considers the business from both a product and geographic perspective and assesses performance and allocates resources on this basis.

The reportable segments are as follows:

Bioeffective Production and Sales Australia

Bioeffective Production and Sales in Australia represents the sale of all finished goods produced by our contract manufacturers using bioeffective materials derived from Russia. Currently Bioeffective A is sold in encapsulated form, and Bioeffective I is sold in drink concentrate form under the trade name of Siberian Red.

Bioeffective Production and Sales Russia

The Russian division produces Bioeffective R forming the basis of the pharmaceutical product available for sale in Russia, Reopen. The Russian division also sells a variety of water and oil-based fractions under the SibEX trademark.

31-Dec-14	Australia \$	Russia \$	Total \$
Segment Revenue			
Segment revenue from external customers	287,105	673,220	960,325
EBITDA	879,235	(5,026,183)	(4,146,948)
Interest revenue	3,220	60,746	63,966
Depreciation and amortisation	-	(2,212)	(2,212)
Segment Assets and Liabilities			
Segment assets	610,667	4,549,099	5,159,766
Segment liabilities	16,406,424	4,560,336	20,966,760
31-Dec-13	Australia \$	Russia \$	Total \$
Segment Revenue			
Segment revenue from external customers	298,063	912,182	1,210,245
EBITDA	(239,118)	(1,276,568)	(1,515,686)
Interest revenue	3,360	76,033	79,393
Depreciation and amortisation	-	(5,887)	(5,887)
Segment Assets and Liabilities			
Segment assets	706,151	14,048,713	14,754,864
Segment liabilities	14,349,743	6,119,189	20,468,932

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2014

Note 11. Events Subsequent to Reporting Date

There have not been any matters or circumstances, other than that referred to in the financial statements or notes thereto, that have arisen since the end of the half year, which significantly affected, or may significantly affect, the operations of Solagran Limited, the results of those operations or the state of affairs of Solagran Limited in future financial years, with the exception of the following, the financial effects of which have not been provided for in the 31 December 2014 half year report.

Private Placement of Capital

On 15 December 2015, the consolidated entity announced that it had secured a capital investment from sophisticated investors. The funding was received in multiple tranches, of which \$1,250,000 was recognised in the 30 June 2015 Financial Report. There were several subsequent tranches and additional investments in the period July to December 2015 in the total amount of \$1,980,000. The placements were in the form of "Loan and Converting Note" arrangements with sophisticated investors, with 66,000,000 corresponding fully-paid ordinary shares at AUD \$0.03 per share to be approved at the next available General Meeting of the Company. A further investment of \$600,000 from the sophisticated investors who had already put in an agreed \$3,000,000 was made in order to retire the bank debt in Tomsk Russia. This has been successfully finalised.

Capital Expenditure and Retirement of Debt

Since 30 June 2015 approximately \$610,000 has been spent on capital outlay in the consolidated entity's production facilities in Tomsk and Vyshny Volochyok, Russia. Since 30 June 2015, approximately \$250,000 has been outlaid to retire consolidated entity debt, including bank loans, tax debt and trade creditors.

Russian Restructure

The consolidated entity has undergone a restructure of the Russian entities. Refer to Significant Changes in State of Affairs contained within the Directors Report for further information.

Write-down of Inventory

During the 2015 financial year, Polyprenols used in the manufacture of Ropren has been identified as slow moving commercial quantities of Ropren have not been sold since December 2012. Management have therefore as prudently provided for such items for the amount of approximately \$3million.

Conversion of debt to equity and issuance of shares

Following the delisting of Solagran Ltd. from the ASX at the end of December 2015, all note holders were contacted and asked to confirm their intention for their notes to continue beyond 31 December 2015 and for the corresponding debt to be converted to equity. Subsequently all noteholders have agreed and the shares have been issued. The Company no longer has any significant debt going forward.

Court case: Inspectorate of the Federal Tax Service, Tomsk (IFTS) vs. and Dana LLC

The IFTS brought a claim against Dana LLC in regard to their claim of VAT on the acquisition of property and equipment from Sibex LLC. The court case was won by Dana LLC and as such no monies are currently payable to the IFTS. However the IFTS has the right of appeal and as such the reimbursement of the VAT tax and a penalty fee are possible. Should the IFTS be successful in their appeal the financial liability resulting would not exceed \$200,000.

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report To the Members of Solagran Limited

We have reviewed the accompanying half year financial report of Solagran Limited (the "Company") which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' Responsibility for the Half Year Financial Report

The directors of Solagran Limited are responsible for the preparation and fair presentation of the half year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half year financial report. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410, Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of consolidated entity's financial position as at 31 December 2014 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Solagran Limited, ASRE 2410 requires that we comply with ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Conclusion

Inventory – We were not appointed as auditors of the entity until October 2015 and thus did not observe the counting of physical inventories at the beginning of the half year period. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at half year end 31 December 2014 which is stated in the statement of financial position at \$1,102,793 (30 June 2014: \$6,734,299).

Biotech – Biotech, a subsidiary was placed under Russian bankruptcy proceedings post 31 December 2014 and as such under Russian legislation, accounting information could not be obtained. As such we were unable to obtain sufficient appropriate evidence in relation to expenses of \$AUD20,121, other income of \$AUD31,218, assets of \$AUD704,607 and \$AUD1,369,783 liabilities held by the Company.

Qualified Conclusion

Based on our review, which is not an audit, except for the possible effects of the matter described in the preceding paragraph, we have not become aware of any matter that makes us believe that the consolidated half year financial report of Solagran Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated half year financial report which indicates that the consolidated entity incurred a net loss of \$6,314,960 during the period ended 31 December 2014 and, as of that date, the consolidated entity's liabilities exceeded its assets by \$15,845,599. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 29 February 2016

Directors' Declaration

The Directors of the Company declare that:

- a. The financial statements and the accompanying notes set out on pages 7 to 18, are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.
- b. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- c. the financial statements and accompanying notes are prepared in compliance with Accounting Standard AASB 134 'Interim Financial Reporting'.

This declaration is made in accordance with a resolution of the Board of Directors.



Dr Vagif Sultanov
Executive Chairman

29 February 2016
Melbourne, Australia