

APPENDIX 4D

For the Half Year Ended 31 December 2015

Results for Announcement to the Market

Current Reporting half year - Half year ended 31 December 2015
Previous Reporting half year - Half year ended 31 December 2014

| | | | | |
|--|------|----------|----|---------------|
| Revenues | Down | (16.71%) | to | \$799,830 |
| Loss after tax attributable to members | Down | (82.54%) | to | (\$1,102,579) |
| Net loss for the half year attributable to members | Down | (82.54%) | to | (\$1,102,579) |

| 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 2015 | (5.36) |
| As at 31 December 2014 | (4.61) |

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 2015

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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

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SOLICITORS

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Australia 3002

BANKERS

National Australia Bank

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Melbourne, Victoria

Australia 3000

AUDITORS

Grant Thornton Audit Pty Ltd

Rialto Tower, Level 30

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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 2015.

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 half year was (\$1,102,579) (2014: \$6,314,960). The consolidated entity revenue for the half year to 31 December 2015 was \$799,830, this represents an 16.71% decrease over the result for the corresponding half year to 31 December 2014 of \$960,325.

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 2015, 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.

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**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 2015, 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 2015

| | Notes | 31-Dec-15 \$ | 31-Dec-14 \$ |
|--|-------|--------------------|--------------------|
| Revenue from operations | 2 | 799,830 | 960,325 |
| Other income | 2 | 687,637 | 589,308 |
| Changes in inventory of finished goods and WIP | | (689,928) | (5,631,506) |
| Raw materials and consumables used | | (82,637) | 4,874,307 |
| Depreciation expenses | | (15,698) | (2,212) |
| Corporate administration expenses | | (631,794) | (300,511) |
| Employee expenses | | (284,977) | (488,374) |
| Impairment expenses | 2 | (641,980) | (5,755,751) |
| Research and development expenses | | (156,578) | (200,328) |
| Finance expenses | | (72,602) | (316,467) |
| Realised foreign exchange gain/ (loss) | | 32,603 | 45,424 |
| Other expenses | | (46,455) | (89,175) |
| Loss for the half year | | (1,102,579) | (6,314,960) |
| Other comprehensive income: | | | |
| Exchange differences on translating foreign operations | | (591,073) | (795,190) |
| | | (591,073) | (795,190) |
| Other comprehensive income/(expense) for the half year net of tax | | (591,073) | (795,190) |
| Total comprehensive loss for the half year | | (1,693,652) | (7,110,150) |
| Loss attributable to: | | | |
| Owners of the parent | | (1,102,579) | (6,314,960) |
| | | (1,102,579) | (6,314,960) |
| Total comprehensive loss attributable to: | | | |
| Owners of the parent | | (1,693,652) | (7,110,150) |
| Non-controlling interests | | - | - |
| | | (1,693,652) | (7,110,150) |
| Loss per share for the half year attributable to members of Solagran Ltd: | | | |
| Basic loss per share (cents per share) | | (0.32) | (1.84) |
| Diluted loss per share (cents per share) | | (0.32) | (1.84) |

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 2015

| | Notes | 31-Dec-15 \$ | 30-Jun-15 \$ |
|--------------------------------------|-------|---------------------|---------------------|
| Current Assets | | | |
| Cash and cash equivalents | | 869,398 | 963,846 |
| Trade and other receivables | 3 | 247,162 | 225,700 |
| Inventories | | 648,295 | 1,338,223 |
| Other assets | | 160,599 | 95,516 |
| Total current assets | | 1,925,454 | 2,623,285 |
| Non-current assets | | | |
| Available-for-sale financial assets | | 29,517 | 29,517 |
| Property, plant and equipment | 4 | 3,126,659 | 4,149,604 |
| Other assets | | 393 | 30,598 |
| Total non-current assets | | 3,156,569 | 4,209,719 |
| Total assets | | 5,082,023 | 6,833,004 |
| Current Liabilities | | | |
| Trade and other payables | | 2,591,687 | 4,423,459 |
| Interest-bearing liabilities | 6 | 19,575,515 | 17,782,429 |
| Borrowings | | 1,170,274 | 1,166,391 |
| Provisions | | 114,510 | 166,137 |
| Total liabilities | | 23,451,986 | 23,538,416 |
| Non-current liabilities | | | |
| Provisions | | 31,469 | 41,421 |
| Total non-current liabilities | | 31,469 | 41,421 |
| Total liabilities | | 23,483,455 | 23,579,837 |
| Net assets | | (18,401,432) | (16,746,833) |
| Equity | | | |
| Issued capital | | 79,393,130 | 79,393,130 |
| Other components of equity | 8 | 763,697 | 1,315,717 |
| Accumulated losses | | (98,558,259) | (97,455,680) |
| Total equity | | (18,401,432) | (16,746,833) |
| Non-controlling interests | | - | - |
| Total equity | | (18,401,432) | (16,746,833) |

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 2015

| | 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 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 loss 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) |
| Balance as at 1 July 2015 | 79,393,130 | (877,460) | (1,081,636) | 3,274,813 | (97,455,680) | - | (16,746,833) |
| Loss for the half year attributable to members of the parent entity | - | - | - | - | (1,102,579) | - | (1,102,579) |
| Other comprehensive income/(expense) for the half year | - | - | (591,073) | - | - | - | (591,073) |
| Total comprehensive loss for the half year | - | - | (591,073) | - | (1,102,579) | - | (1,693,652) |
| <i>Transactions with owners in their capacity as owners</i> | | | | | | | |
| Share based payments | - | - | - | 39,053 | - | - | 39,053 |
| Balance as at 31 December 2015 | 79,393,130 | (877,460) | (1,672,709) | 3,313,866 | (98,558,259) | - | (18,401,432) |

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 2015

| | 31-Dec-15 | 31-Dec-14 |
|--|--------------------|------------------|
| | \$ | \$ |
| <i>Cash flows from operating activities</i> | | |
| Receipts from customers | 597,390 | 849,948 |
| Payments to suppliers and employees | (2,423,283) | (1,729,192) |
| Interest received | 8,461 | 63,966 |
| Interest and other costs of finance paid | (72,602) | (83,967) |
| Research and development tax rebate | - | 477,927 |
| Net cash flows used in operating activities | (1,890,034) | (421,318) |
| <i>Cash flows related to investing activities</i> | | |
| Payment for purchases of plant and equipment | (6,862) | - |
| Net cash flows (used in)/provided by investing activities | (6,862) | - |
| <i>Cash flows related to financing activities</i> | | |
| Proceeds from borrowings | 1,827,436 | 448,108 |
| Repayment of borrowings | - | - |
| Net cash flows (used in)/provided by financing activities | 1,827,436 | 448,108 |
| Net increase/(decrease) in cash and cash equivalents | (69,460) | 26,790 |
| Cash and cash equivalents at the beginning of the period | 963,846 | 10,405 |
| Effects of exchange rate changes on cash and cash equivalents | (24,988) | (3,090) |
| Cash and cash equivalents at the end of the period | 869,398 | 34,105 |

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 2015

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 2015 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 2015 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 2015. 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 2015.

Going concern

For the half year ended 31 December 2015, the consolidated entity incurred an operating loss of \$(1,102,579) (2014 loss: \$6,314,960) 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 (\$18,401,432) (June 2015: (\$16,746,833)) with available cash of \$869,398 (June 2015: \$963,846). For the half year ended 31 December 2015, the consolidated entity had net cash outflows from operating activities totalling (\$1,890,034) (2014: \$421,318).

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 2015

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 2015

Note 2. Revenue / Expenses

| | 31-Dec-15 | 31-Dec-14 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| Revenue | | |
| Sale of goods | 799,830 | 960,325 |
| | 799,830 | 960,325 |
| Other income | | |
| Gain on disposal of controlled entity | 610,780 | - |
| Interest | 8,461 | 63,966 |
| Research and development tax rebate | - | 477,927 |
| Other income | 68,396 | 47,415 |
| | 687,637 | 589,308 |

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 | 210,588 | 1,038,448 |
| Impairment of inventories to net realisable value | 431,392 | 4,717,303 |
| | 641,980 | 5,755,751 |

Note 3. Trade and Other Receivables

| | 31-Dec-15 | 30-Jun-15 |
|------------------------------------|----------------|----------------|
| | \$ | \$ |
| Trade receivables | 285,877 | 256,732 |
| Other receivables | 59,396 | 542,440 |
| Less: allowance for doubtful debts | (98,110) | (573,472) |
| | 247,162 | 225,700 |

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2015

Note 4. Property, plant & equipment

| | 31-Dec-15 | 30-Jun-15 |
|-------------------------------|------------------|------------------|
| | \$ | \$ |
| 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 | 4,841,240 | 6,147,398 |
| Less Accumulated Depreciation | (1,859,792) | (2,151,812) |
| | 2,981,448 | 3,995,586 |
| Motor Vehicles at cost | 65,675 | 264,695 |
| Less Accumulated Depreciation | (58,272) | (248,485) |
| | 7,403 | 16,210 |
| | 3,126,659 | 4,149,604 |

Note 5. Intangibles

| | 31-Dec-15 | 30-Jun-15 |
|---|-------------|-------------|
| | \$ | \$ |
| 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 2015

Note 6. Interest-Bearing Liabilities

| | 31-Dec-15 | 30-Jun-15 |
|-----------------------------|-------------------|-------------------|
| | \$ | \$ |
| Secured | | |
| Bank Loan Facility – Russia | 413,419 | 609,333 |
| Unsecured | | |
| Convertible Notes | 19,162,096 | 17,173,096 |
| | 19,575,515 | 17,782,429 |

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-15 | 30-Jun-15 |
| <u>Parent Entity</u> | | | |
| Solagran Limited | Australia | - | - |
| <u>Subsidiaries of Solagran Limited</u> | | | |
| 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 |
| Dana LLC* | Russia | - | - |
| BIK LLC* | Russia | - | - |

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

With effect from 24 December 2015, Solagran disposed of Darius LLC for no consideration. There was limited activity in the half year period ended 31 December 2015.

As at 31 December 2015, Biotech LLC is no longer a subsidiary of Solagran due to the company being placed under bankruptcy in the 2015 financial year, and being liquidated effective 31 December 2015. There was no trading activity in this entity since then.

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

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2015

Note 8. Reserves

| | 31-Dec-15 | 30-Jun-15 |
|--------------------------------------|----------------|------------------|
| | \$ | \$ |
| Share-based payments reserve | 3,313,866 | 3,274,813 |
| Foreign currency translation reserve | (1,672,709) | (1,081,633) |
| Acquisition of NCI reserve | (877,460) | (877,460) |
| | 763,697 | 1,315,720 |

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-15 | 30-Jun-15 |
|---|-----------|-----------|
| | \$ | \$ |
| Sale of Bioeffective products to Eastok Pty Ltd | 32,100 | 72,522 |

| | 31-Dec-15 | 30-Jun-15 |
|---|-----------|-----------|
| | \$ | \$ |
| Payment for services | | |
| Payment for rental of storage space, office facilities and for staffing services provided by Eastok Pty Ltd | - | 122,867 |
| Expenses incurred relative to Research and Development | - | 53,867 |

| | 31-Dec-15 | 30-Jun-15 |
|--|-----------|-----------|
| | \$ | \$ |
| Loans from related parties | | |
| Convertible notes from director related entities – Vagif Soultanov | 6,000,000 | 6,000,000 |
| Solamind Pty Ltd – Vagif Soultanov | 846,902 | 818,654 |
| Eastok Pty Ltd – Vagif Soultanov | 323,372 | 347,737 |

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2015

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-15 | Australia \$ | Russia \$ | Total \$ |
|---|--------------------|--------------------|--------------------|
| Segment Revenue | | | |
| Segment revenue from external customers | 191,976 | 607,854 | 799,830 |
| EBITDA | (1,048,292) | 236,140 | (812,152) |
| Interest revenue | 4,939 | 3,522 | 8,461 |
| Depreciation and amortisation | (14,173) | (1,525) | (15,698) |
| Segment Assets and Liabilities | | | |
| Segment assets | 1,330,634 | 3,751,389 | 5,082,023 |
| Segment liabilities | 20,802,156 | 2,681,299 | 23,483,455 |
| 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 |

Notes to the Consolidated Financial Statements for the Half Year Ended 31 December 2015

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 2015 half year report.

Private Placement of Capital

Since 31 December 2015 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.

Conversion of Convertible Notes to Equity

Subsequent to the half year period, all convertible noteholders have agreed in writing to the conversion to equity, and the shares have been issued at the date of signing the half year reports.

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.

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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 2015, 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 2015 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 after 30 June 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 2015 which is stated in the statement of financial position at \$648,295 (30 June 2015: \$1,338,223).

Biotech – Biotech, a subsidiary, was under Russian bankruptcy proceedings before being liquidated during the half year period and as such, under Russian legislation, accounting information could not be obtained. We were therefore unable to obtain sufficient appropriate evidence in relation to other income of \$AUD280,000, assets of \$AUD10,000 and \$AUD385,000 liabilities held by the Company just before being liquidated. This company was deconsolidated from the group effective 31 December 2015.

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 2015 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 \$1,102,585 during the period ended 31 December 2015 and, as of that date, the consolidated entity's liabilities exceeded its assets by \$18,401,432. 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 2015 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