GIACONDA LIMITED

A.B.N. 68 108 088 517

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2019

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DIRECTORS' REPORT

Your Directors present their report on Giaconda Limited (**Giaconda** or the **Company**) for the financial year ended 30 June 2019 together with the financial report and the auditors' report.

INFORMATION ON DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

Name:	Professor Thomas Borody
Title:	Chief Medical Officer
Qualifications:	MBBS, MD, PhD, FRACP, FACG, FACP and AGAF.
Experience and expertise:	Professor Borody holds a doctorate in medicine from the University of New South Wales. He is the founder and current Medical Director of the Centre for Digestive Diseases. He has been a recipient of the Winthrop Travelling Fellowship, the Neil Hamilton Fairly Fellowship and the Marshall & Warren Prize. He was a Clinical Fellow in Gastroenterology at the Mayo Clinic in Rochester, Minnesota. He is a member of the Australian Medical Association, the Gastroenterology Society of Australia, the European Gastroenterology Society, the Functional Brain-Gut Research Company and is a Fellow of the American College of Gastroenterology and the American College of Physicians. Professor Borody supervises a number of major medical research programs as well as being involved as a reviewer for the American Journal of Gastroenterology, Digestive Diseases and Sciences, Endoscopy, Journal of Gastroenterology and Hepatology, Medical Journal of Australia and Digestive and Liver Diseases. He has published in excess of 160 scientific papers. In 2004 he was appointed an Adjunct Professor of the Faculty of Science at the University of Technology Sydney. In July 2005 Professor Borody was awarded his PhD from the University of Newcastle.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	Professor Borody owns 1,220,000 fully paid ordinary shares in the Company in his capacity as the trustee for the B&F Superannuation Fund. Professor Borody owns 49,892,714 fully paid ordinary shares in the Company.
Interests in options:	None

DIRECTORS' REPORT

Name:	Mr Chris Bilkey
Title:	Director
Qualifications:	Diploma of Biochemistry, Latrobe University.
Experience and expertise:	Mr Bilkey was Vice President of Pharmacia for the Asia Pacific region and was active in the pharmaceutical industry for over 24 years with experience in a broad range of sales and marketing, operational and corporate strategic roles. He was previously the Sales and Marketing Director of Pharmacia. In that role he was responsible for the identification and pursuit of business development opportunities, as well as the creation and implementation of all sales and marketing plans and the operation's strategic plans. Chris played a leading role in facilitating the merger of the Pharmacia and Upjohn companies in Australia. He was then appointed the Australasian President of Pharmacia & Upjohn. In that role he delivered over-budget sales and earnings in the region for both 1998 and 1999 and established key commercial, research and development, and government alliances. Chris was the Chief Executive Officer for Pharmacia's Asia Pacific region.
Other current directorships:	None
Former directorships (in the last 3 years):	None

Name:	Ms Margo Alvaran
Title:	Non-Executive Director
Qualifications:	Bachelor of Science, University of Western Sydney.
Experience and expertise:	Ms Alvaran has over 10 years experience in clinical research in the field of gastroenterology. Throughout her employment with the Centre for Digestive Diseases ("CDD"), Ms Alvaran has had the opportunity to work in all aspects of clinical trials. That includes from inception through to closure, clinics trial reporting and publication and presentation at conferences. She has managed the Department of Research and Innovation for the CDD from 2008 to 2012. She is also a presenter of clinical trial results at medical conferences. Ms Alvaran has been involved with the Company since its beginning and has assisted with its administration and its medical research work. She has previously served as an administrative assistant and company secretary to the Company. In that role she was responsible for preparing monthly financial reports and organising Board meetings and shareholder meetings.
Other current directorships:	None
Former directorships (in the last 3 years):	None

DIRECTORS' REPORT

Special responsibilities:	None
Interests in shares:	None
Interests in options:	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	None

"Other current directorships" quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (in the last 3 years)" quoted above are directorships held in the last 3 years for listed entitles only and excludes directorships of all other types of entities, unless otherwise stated.

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors (the **Board**) held during the financial year and the number of meetings attended by each Director during the time the Director held office was:

	Board		Audit Committee	
Director	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
Professor Thomas Borody	1	1	1	1
Mr Chris Bilkey	1	1	1	1
Mrs Margaux Alvaran	0	0	0	0

There were no Remuneration, Risk and Nomination Committee meetings during the financial year.

INFORMATION ON COMPANY SECRETARY

Mr Marcus Connor was appointed to the position of Company Secretary on 8 July 2012.

Mr Connor is a corporate lawyer admitted to practice law in New South Wales, Australia. He holds a BA/LLB (Hons) and LLM degrees.

PRINCIPAL ACTIVITIES

The Company is presently focusing on the research and development of therapies for the treatment of different gastrointestinal diseases and conditions. The Company's immediate goal is to commercialise its existing intellectual property.

ROYALTY RIGHTS

The Company has the right to receive royalties and/or sublicensing receipts (the **Royalty Rights**) from a commercialised Myoconda®, Heliconda® and/or Picoconda® product from RedHill Biopharma Ltd (**RedHill**). Those rights are held by the Company pursuant to the Asset Sale Agreement between Giaconda Limited and RedHill Biopharma Ltd dated 16 August 2010 (the **Sale Agreement**).

DIRECTORS' REPORT

Those Royalty Rights and a description of each product sold by the Company to RedHill is set out below:

Product	Disease Indication	Legal owner	Giaconda's potential entitlement
Myoconda® (now called "RHB-104" by RedHill)	MAP infection in Crohn's disease	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Myoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget. 20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Myoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.
Heliconda® (now called "RHB-105" or "Talicia®" by RedHill)	Resistant *Helicobacter pylori* infection	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Heliconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget. 20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Heliconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget.
Picoconda® (now called "RHB-106" by RedHill)	Bowel preparation for colonoscopy	RedHill Biopharma Ltd	7% of Net Sales actually received by RedHill and/or its Affiliate in respect of Picoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget. 20% of Sublicense Receipts actually received by RedHill and/or its Affiliate in respect of Picoconda® after recovery by RedHill of all costs and expenses that exceed the agreed budget. Under the Salix/RedHill Agreement (disclosed in the Directors' Report for the year ended 30 June 2014) the company is also entitled to receive 20% of all Sublicense Receipts received by RedHill from Salix in consideration for the Company waiving its rights to buy back Picoconda® from RedHill.

DIRECTORS' REPORT

Myoconda® - A combination antibiotic therapy for the treatment of Crohn's disease

Crohn's Disease is a chronic inflammatory disease of the gastrointestinal tract. The disease most commonly affects the lower small intestine and the large intestine. Patients suffering from Crohn's Disease are conventionally treated with drugs aimed at reducing inflammation and other associated symptoms.

The cause of Crohn's Disease is unknown and the standard treatments aim to treat symptoms rather than the cause of the disease. The bacterium *Mycobacterium Avium Paratuberculosis* (**MAP**) is the lead candidate as an infectious cause of Crohn's Disease.

By targeting the MAP infection, Myoconda® is designed to address the possible source of the disease, rather than attempting to merely alleviate symptoms. Giaconda intended that Myoconda® would be used to treat patients who have failed conventional therapy and are confirmed to be infected with MAP.

Myoconda® is a combination of three registered antibiotics – Rifabutin, Clarithromycin and Clofazimine. Myoconda® presents these three compounds in a patented all-in-one capital combination. Significant data has been published demonstrating that patients treated with Myoconda® antibiotic combination experience long-term remission of clinical symptoms and information, some for over nine years.

As mentioned above, the Company sold Myoconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Myoconda® (which therapy is now called "RHB-104" by RedHill). The Company and its Directors do not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

Heliconda® - A combination therapy for the treatment of resistant Helicobacter pylori infection

Helicobacter pylori (*H. pylori*) is a bacterium believed to affect around 50% of the population worldwide. *H. pylori* lives in the mucosal lining of the stomach and causes up to 90% of peptic ulcer disease.

Current treatment for *H. pylori* infection focuses on eradicating the bacteria using a combination of antibiotics in the stomach acid suppressant. With the increased use of antibiotics to treat other infections and resultant prevalence of antibiotic resistance, it has become more difficult to treat *H. pylori* resistant strains. As a result, up to 30% of patients with resistant *H. pylori* failed these treatments.

Heliconda® is designed to address resistant *H. pylori* infection by incorporating the antibiotic rifabutin which has reported eradication rates of 79-80% in patients where all other available antibiotic regimes have failed. In addition to rifabutin, the Heliconda® combination includes Amoxycillin and stomach acid suppressant known as a protein pump inhibitor.

As mentioned above, the Company sold Heliconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Heliconda® (which therapy is now called "RHB-105" or "Talicia®" by RedHill). The Company and its Directors do not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

Picoconda® - Bowel preparation for use in Gastrointestinal Tract Procedures

Investigation of lower gastrointestinal tract disorders is often performed by colonoscopy, using a simple device to examine the lining of the gut. This is usually performed by gastroenterologist, surgeon or other clinician, as a more precise alternative to x-ray approaches, such as barium enema or barium meal tests.

DIRECTORS' REPORT

The key to a successful colonoscopy is a clean bowel. Conventional bowel preparations are powders dissolved in large volumes of liquid. These preparations are considered by many patients to be unpalatable and the resulting poor compliance often results in poor bowel cleansing.

The Company has developed a new preparation in the form of a capsule that avoids patient exposure to the often unacceptable taste of current products and allows for an unobstructed procedure. This preparation, Picoconda®, contains Picosulphate, a stimulant laxative used to empty the bowel prior to colonoscopy, bowel surgery, barium enema radiology or virtual colonography.

Preliminary studies at the Centre for Digestive Diseases have indicated a high acceptability of Picoconda® and cleansing capacity equivalent to that of standard polyethylene glycol solutions. The product, therefore, has the potential to provide diagnostic adequacy and reliability for gastrointestinal investigator procedures for providing a better tolerated product patients.

Picoconda® was jointly owned by Giaconda and Pharmatel. Both parties shared the development costs and any income derived from the product. The Company has a contractual obligation to pay Pharmatel its share of any revenue which the Company receives from RedHill.

As mentioned above, the Company sold Ibaconda® to RedHill. A summary of the material terms of that transaction is set out in Directors' report for the financial year ended 30 June 2011.

Shareholders should read the announcements made by RedHill to the NASDAQ and Tel-Aviv Stock Exchanges for further information about RedHill's progress in commercialising and developing Ibaconda® (which therapy is now called "RHB-106" by RedHill). The Company and its Directors do not make any representations or warranties in respect of the accuracy or completeness of those announcements, as well as in relation to RedHill's prospects of successfully commercialising and developing that therapy.

REMAINING INTELLECTUAL PROPERTY

The Company owns two products (being Hepaconda® and Ibaconda®). A description of each product and the status of its development is set out below.

Product	Disease Indication	Status
Hepaconda®	Hepatitis C Virus	The Board decided during the financial year ended 30 June 2011 to fully impair the value of Hepaconda® for the reasons explained in the Directors' report for that financial year. Accordingly, no further research or development work has been undertaken on Hepaconda®.
Ibaconda®	Constipation-predominant irritable bowel syndrome	The Board decided during the financial year ended 30 June 2011 to fully impair the value of Ibaconda® for the reasons explained in the Directors' report for that financial year. Accordingly, no further research or development work has been undertaken on Ibaconda®.

Hepaconda® - A combination therapy for the treatment of Hepatitis C Virus (HCV)

Hepatitis C Virus affects 3.1% of the world's population and is currently the number one cause of liver transplantation in the United States. There are six primary genotypes of HCV and study show that 70-75% of all infections are of the genotype one variety (**HCV-G**).

Currently the most effective treatment for chronic HCV includes a combination of drugs being Interferon, Alpha and Ribavirin. This treatment is associated with a number of side effects and is only effective for 42-46% of patients, leaving a large proportion with no effective therapy.

DIRECTORS' REPORT

Hepaconda® is a combination of Bezafibrate and Chenodeoxycholic Acid (**CDCA**). It has been demonstrated in clinical trials that CDCA, when used as a single compound, reduced Hepatitis C Infection (**HCV**) and improved liver function in patients. The combination of Bezafibrate, which has also been shown to eliminate HCV, with CDCA, therefore appears to offer an advantage over current treatments.

Ibaconda® - A combination therapy for the Irritable Bowel Syndrome

Irritable Bowel Syndrome (**IBS**) is a bowel disorder characterised by symptoms including abdominal pain or cramping, bloating, diarrhoea and/or constipation. The cause of IBS remains unknown.

IBS may be diarrhoea-predominant, constipation-predominant or alternated between both. There is currently no effective treatment or cure for IBS. Therapy may vary from a change in diet to the use of various medications, such as laxative, antibiotics or drugs that change the motility of the bowel. While such treatments relieve symptoms for some patients, a large proportion of patients continue to suffer.

Ibaconda® is a combination of Olsalazine and Colchicine which have been identified as providing effective relief to patients with constipation-predominant IBS when used in combination.

Olsalazine is an anti-inflammatory medication currently used to treat ulcerated colitis that produces a laxative effect. Colchicine is a drug that has also demonstrated some efficacy when used to treat the symptoms of constipation. Both of these drugs when used as a single agent are only moderately effective in some patients. When used together these drugs provide some effective relief of constipation than either of the two drugs used alone. It is on this basis that the Company contends that this combination offers an effective treatment alternative for patients with constipation-predominant IBS. Results of the use of this treatment at the CDD reinforce this concept and are being further quantified through research.

OPERATING AND FINANCIAL REVIEW

(a) Review of operations

The Company is a biotechnology company operating in Australia.

The vision of the Company is to become a worldwide leader in the development of innovative therapies for serious Gastro Intestinal (**GI**) diseases and disorders, providing relief of suffering and extended survival for patients while generating profitability and returns to investors above the industry sector norm.

The mission of the Company is to develop and license innovative and cost effective medical therapies for patients suffering from serious GI diseases and disorders for which there is no existing treatment that is as effective and safe.

The Company continues to make progress towards achieving its vision and mission during the financial year ended 30 June 2019 through its ongoing efforts to sell its remaining therapies (being Hepaconda® and Ibaconda®).

(b) Results of operations

Financial performance

The financial result for the year ended 30 June 2019 is a net loss after tax of $75,922 (2018: $116,819).

The Company is aiming to create value for shareholders through:

- the receipt of royalties from RedHill if that company is successful in commercialising Myoconda® (which therapy is now called “RHB-104” by RedHill), Heliconda® (which therapy is now called “RHB-105 or Talicia®” by RedHill) and Picoconda® (which therapy is now called “RHB-106” by RedHill); and

- its ongoing attempts to sell its remaining products being Hepaconda® and Ibaconda® even though the Company has fully impaired the value of those products.

DIRECTORS' REPORT

Financial position

The Company's main activity during the year was its ongoing efforts to sell Hepaconda® and Ibaconda®.

The Company did not raise any funds through the issue of shares during the year.

Professor Borody and his company, Centre For Digestive Diseases Pty Ltd (**CDD**), continue to support the Company financially by way of loans and other financial accommodation pursuant to the letter of comfort they have given the Company.

BUSINESS STRATEGY AND PROSPECTS FOR FUTURE FINANCIAL YEARS

Business strategy

The Board continued to maintain the following strategy for the Company during the financial year ended 30 June 2019:

- to scale back all activities of the Company in order to keep its operating expenses to a minimum;
- to place the operations of the Company on a care and maintenance basis until such time as the Company receives royalties from RedHill from a commercialised Myoconda®, Heliconda® or Picoconda® product;
- to apply all proceeds received from RedHill to satisfy all the then existing liabilities of the Company;
- to use the remaining net proceeds from RedHill to build a solid financial basis before:
  - declaring and paying dividends to its shareholders;
  - developing new products; and/or
  - applying to the ASX Limited for a relisting of its ordinary securities on the Australian Securities Exchange;
- to continue to actively evaluate the prospects for selling its remaining products (being Hepaconda® and Ibaconda®) even though those assets have been fully impaired.

Prospects

The Board has reason to believe that the Company will receive royalty payments from RedHill in respect of a commercialised Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105 or Talicia®" by RedHill) or Picoconda® (which therapy is now called "RHB-106" by RedHill) based on the announcements made by RedHill to its investors to date.

Those announcements are available from www.redhillbio.com. Neither the Company nor the Directors make any representations or warranties in relation to the accuracy or completeness of those announcements or in relation to RedHill's prospects of successfully commercialising and developing Myoconda®, Heliconda® or Picoconda®.

The Board also has reason to believe that the Company will receive payments from RedHill in respect of the Salix/RedHill Deal.

DIRECTORS' REPORT

Risks

There are specific risks associated with the Company's strategy and general risks which are largely beyond the control of the Company and its Directors. The risks identified below, or other risk factors, may have a material impact on the future financial performance of the Company and the market price of the Company's shares.

Legal risks

The Company faces the risk that RedHill may breach the obligations which it owes the Company under the Sale Agreement. Those breaches may take the form of:

- RedHill failing or refusing to use its reasonable commercial endeavours to commercialise and develop Myoconda® (which therapy is now called "RHB-104" by RedHill), Heliconda® (which therapy is now called "RHB-105 or Talicia®" by RedHill) or Picoconda® (which therapy is now called "RHB-106" by RedHill) in accordance with its obligation to do so under the Sale Agreement;

- RedHill failing or refusing to protect and maintain the intellectual property rights over Myoconda®, Heliconda® or Picoconda® in accordance with its obligation to do so under the Sale Agreement;

- RedHill failing or refusing to pay the Company any royalties which are due and payable to the Company in accordance with the Sale Agreement; or

- RedHill failing or refusing to pay the correct amount of royalties due to the Company in accordance with the Sale Agreement.

The Company faces the further risk that Salix may breach the obligations which it owes RedHill under the Salix RedHill Licence Agreement dated on or about 27 February 2014. If Salix were to breach that agreement and RedHill does not receive the amounts owing to it by Salix, then the Company is unlikely to receive the consideration payable to it by RedHill pursuant to the Salix/RedHill Deal.

Additionally, the Company faces the risk that RedHill may fail or refuse to pay the Company the amounts owed to it by RedHill in accordance with the Salix/RedHill Deal.

While those risks are matters beyond the control of the Company, the Company would have the right to commence legal proceedings against RedHill in an effort to obtain the appropriate Court orders to enforce compliance by RedHill with the relevant contract.

Neither the Company nor the Directors make any representations or warranties in relation to the successful commercialisation or development by RedHill of Myoconda®, Heliconda® or Picoconda® including, without limitation, the likely income (if any) the Company expects to receive from RedHill in respect of those therapies or from the Salix/RedHill Deal.

Operational risks

The Company faces the risk that RedHill may not commercialise and develop Myoconda®, Heliconda® or Picoconda® for medical or scientific reasons.

It might be that any clinical trials conducted by RedHill on those therapies are unsuccessful or produce substandard results which do not justify further research and development.

It might also be that a competitor of RedHill develops a more efficacious competing product with the result that RedHill abandons further research and development of Myoconda®, Heliconda® or Picoconda®.

Those risks are matters beyond the control of the Company.

DIRECTORS' REPORT

Insolvency risks

The Company also faces the risk that RedHill may suffer an insolvency event.

An insolvency event is commonly understood in Australia to include the following events which adversely affects the ability of its company to meet its obligations as and when they fall due:

- the appointment of an administrator to a company;
- the appointment of a liquidator to a company;
- the commencement of legal proceedings to wind up a company;
- the making of a Court order to wind up a company; or
- the company making a compromise with its creditors.

If RedHill suffers an analogous event in Israel (being its place of incorporation as a company), then it might be RedHill is no longer able to continue the research or development of Myoconda®, Heliconda® or Picoconda® product, as well as pay royalties in respect of those products to the Company.

It might also be that a liquidator appointed to RedHill has the legal authority to disclaim or cancel the Sale Agreement with the result that Giaconda is not entitled to any royalties from a commercialised Myoconda®, Heliconda® or Picoconda® product.

Those risks are matters beyond the control of the Company.

Economic risks

Generic economic conditions might have an adverse effect on the ability of the Company to fund its operations through future capital raisings.

Market risks

Share market conditions may affect the value of the Company's securities regardless of the Company's operating performance and the fact that those securities are no longer quoted on the Australian Securities Exchange. Share market conditions are affected by many factors such as:

- general economic outlook;
- introduction of tax reform or other new legislation;
- interest rates and inflation rates;
- changes in investor sentiment towards particular market segments;
- the demand for, and supply of, capital; and
- terrorism or other hostilities.

The market price for securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income, the Company will require further financing. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities.

If the Company is unable to obtain additional financing as needed, it may be required to sell its remaining assets. There is, however, no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

DIRECTORS' REPORT

DIVIDENDS

No dividend has been paid during the financial year and no dividend is recommended for the financial year. There were no dividends paid, recommended or declared during the current or previous financial year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Company occurred during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

No events subsequent to the balance date have occurred in relation to the Company.

ENVIRONMENTAL ISSUES

The Company is not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board is not aware of any breach of environmental requirements as they apply to the Company.

SHARES UNDER OPTION

The Company has no options on issue. Accordingly, no person has any rights to subscribe for unissued shares in the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court pursuant to section 237(1) of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purposes of taking responsibility on behalf of the Company for all or part of the proceedings.

The Company was not a party to any such proceedings during the financial year.

NON-AUDIT SERVICES

A tax return fee of $1,500 is payable to Walker Wayland's tax department for the tax return for 30 June 2019.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not indemnified its directors and officers or provided them with any insurance coverage during the financial year ended 30 June 2019.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Walker Wayland NSW Chartered Accountants, as part of the terms of its audit engagement agreement against claims made by third parties arising from the audit. No payment has been made to indemnity the auditors during the financial year.

DIRECTORS' REPORT

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration for the financial year ended 30 June 2019 has been received as required under section 307C(1) of the *Corporations Act 2001* (Cth) and can be found on the following page.

Signed in accordance with a resolution of the Board of Directors.

Professor **Thomas Borody**
Director

Mr Chris Bilkey
Director

Sydney, New South Wales
Dated 5th November 2019

Walker Wayland NSW
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF GIACONDA LIMITED

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2019 there have been no contraventions of:

i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. any applicable code of professional conduct in relation to the audit.

Walker Wayland NSW

Walker Wayland NSW
Chartered Accountants

Wali Aziz
Partner

Dated this 5th day of November 2019, Sydney

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
INCOME			
Interest income	2	9	-
EXPENSES			
Finance and legal		(75,895)	(72,749)
Administration		(36)	(44,070)
		(75,895)	(116,819)
Loss from continuing operations before income tax benefit		(75,922)	(116,819)
Income tax benefit relating to continuing operations	3	-	-
Loss from continuing operations after income tax benefit attributable to members of the Company		(75,922)	(116,819)
Other comprehensive income		-	-
Total comprehensive loss for the year		(75,922)	(116,819)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	16,894	-
Trade and other receivables	7	41	28,877
TOTAL CURRENT ASSETS		16,935	28,877
TOTAL ASSETS		16,935	28,877
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	8,500	52,533
Financial liabilities	9	842,903	734,891
Provisions	10	34,272	34,272
TOTAL CURRENT LIABILITIES		885,675	821,696
TOTAL LIABILITIES		885,675	821,696
NET (LIABILITIES)		(868,740)	(792,818)
EQUITY			
Contributed equity	11	7,486,270	7,486,270
Accumulated losses		(8,355,010)	(8,279,088)
TOTAL (DEFICIENCY)		(868,740)	(792,818)

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Contributed Equity $	Accumulated Losses $	Total $
Balance at *30.06.2017*	7,486,270	(8,162,269)	(675,999)
Loss attributable to members of parent entity		(116,819)	(116,819)
Balance at *30.06.2018*	7,486,270	(8,279,088)	(792,818)
Loss attributable to members of parent entity		(75,922)	(75,922)
Balance at *30.06.2019*	7,486,270	(8,355,010)	(868,740)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations		-	-
Payments to suppliers and employees		(89,394)	(65,720)
Interest received		9	-
Net cash used in operating activities	14b	(89,385)	(65,720)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement on borrowings		108,012	65,058
Net cash provided by financing activities		108,012	65,058
NET DECREASE IN CASH HELD		18,627	(662)
Cash at beginning of year		(1,733)	(1,071)
CASH AT END OF YEAR	14a	16,894	(1,733)

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: BASIS OF PREPARATION

Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of the financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Ongoing Viability and Going Concern

The Company incurred a net loss after tax of $75,922 for the year ended 30 June 2019 and had net current liabilities and net liabilities of $868,740 as at that date. The Company was in administration from the period 25 February 2011 to 4 July 2013.

The above matters give rise to material uncertainties that may cast significant doubt over the ability of the entity to continue as a going concern.

The Directors have determined that the company is a going concern and have prepared the financial statements on that basis. The Directors have made that determination based on the public announcements made by RedHill Biopharma Ltd (RedHill) to its investors about its progress in commercialising and developing Myoconda® (which therapy is now called “RHB-104” by RedHill), Heliconda® (which therapy is now called “RHB-105” or “Talicia®” by RedHill) and Picoconda® (which therapy is now called “RHB-106” by RedHill).

The Directors have also made that determination on the basis of the Company’s entry into and execution of the deed between the Company, Centre For Digestive Diseases Pty Ltd, Professor Borody, Salix Pharmaceuticals Inc and RedHill Biopharma Ltd dated 27 February 2014. That deed has resulted in the payment of USD$1 million from RedHill to the Company in consideration for the Company waiving its right to buy back the Picoconda® from RedHill. The Company is also entitled to receive 20% of the sublicense receipts which RedHill receives from Salix.

Furthermore, the Directors have made that determination based the key assumptions that the Company’s operations will be kept on a care and maintenance basis, the Company will not maintain its Hepaconda and Ibaconda patents and no repayments of related party loans will be made. The directors have obtained letters of support from the related parties confirming their willingness not to call for repayment of their loans for a period of at least 12 months from the date the of signing of the financial report.

Should the Company not collect the outstanding consideration, not obtain royalties or should the support of shareholders not be forthcoming, the ability of the Company to continue as a going concern is uncertain.

No adjustments have been made to the recoverability and classification of recorded asset values and the amount and classification of liabilities that might be necessary should the Company not continue as a going concern.

(b) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Financial Instruments

Recognition

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(c) Financial Instruments

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative Investments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Impairment

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(d) Intangibles

Patents and trade marks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses.

The amortisable amount of patents and trade marks is amortised on a straight line basis over the term of the patent and trade mark commencing from the time the intangible is registered.

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have an infinite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Equity-settled compensation

The Company operates a number of share-based compensation plans. These include both an employee share option plan and an employee share plan. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(g) Revenue

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(i) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: BASIS OF PREPARATION (CONTINUED)

(j) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Estimates

– Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

– Going concern basis of accounting

Going concern basis of accounting is also considered a key estimate and judgement. For further details refer to Note 1(a).

(k) New Accounting Standards for Application in Current Period

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion off those future requirements that may impact the Company is as follows:
AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).
When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.
The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

As the Company has no operational revenue (other than interest income) the adoption of AASB15 has not affected the reported loss for the year in 2019 and no changes to net liabilities has arisen.

(l) New Accounting Standards for Application in Future Periods
AASB 16 Leases is applicable for periods beginning on or after 1 January 2019. This standard requires operating leases to be capitalised as right of use assets and correspondence lease liability to be recognised.

As the entity has no operating leases, the impact of adopting this standard is that no changes in the operating results or net assets will arise on transition.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 2: INTEREST INCOME	2019 $	2018 $
Continuing operations		
— Interest received from financial institutions	9	-
Total Revenue	9	-

NOTE 3: INCOME TAX BENEFIT (EXPENSE)	2019 $	2018 $
The components of the tax benefit (expense) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(20,879)	(32,125)
Add (less):		
Tax effect of:		
— tax losses not brought to account as a deferred tax asset	20,879	15,127
— movement in accruals and provisions	-	20,006
— other allowable deductions	-	(3,008)
	20,879	32,125
Income tax benefit attributable to Company	-	-

Deferred tax losses not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Tax losses: operating losses $9,693,030 (2018: $9,672,151).

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION

a. **Directors**

The following were Directors of Giaconda Limited during the financial year:

(i) *Executive Director*

Professor Thomas Julius Borody, Chief Medical Officer

(ii) *Non-executive Directors*

Christopher Robert Bilkey

All of the above persons were also key management persons during the year ended 30 June 2019 unless otherwise stated.

b. **Shareholdings**

Number of Shares held by Key Management Personnel

	Balance 1.7.2018	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2019
Thomas Julius Borody	51,112,714	-	-		51,112,714
Total	51,112,714	-	-		51,112,714

* Net Change Other refers to shares purchased or sold during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 4: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

c. **Key Management Personnel Compensation**

Key Management Person	Short-term benefits				Post- employment benefits
	Cash & salary	Fees	Non-cash benefit	Other	Superannuation
	$	$	$	$	$
Financial Year 30 June 2019					
Capacity as Director					
Christopher Robert Bilkey	48,000*	-	-	-	-
Thomas Julius Borody	60,000*	-	-	-	-
Capacity as other key management personnel					
Thomas Julius Borody	170,000**	-	-	-	-
	278,000	-	-	-	-
Financial Year 30 June 2018					
Capacity as Director					
Christopher Robert Bilkey	48,000*	-	-	-	-
Thomas Julius Borody	60,000*	-	-	-	-
Capacity as other key management personnel					
Patrick Laughlin McLean	260,000*	-	-	-	-
Thomas Julius Borody	170,000**	-	-	-	-
	538,000	-	-	-	-

* Taken up as a contingent liability.

** Taken up as a contingent liability. Where payments are made in respect of this remuneration, they are paid to the Centre for Digestive Diseases, a related party of Professor Thomas Borody.

The directors resolved on 15 September 2008 to suspend the issue of shares under the non-executive directors share plan and defer all directors' fees owing now and into the future on the same terms and conditions on which the Chief Medical Officer had deferred payment of consulting fees.

NOTE 5: AUDITORS' REMUNERATION	**2019 $**	**2018 $**
Remuneration of the auditor for:		
- auditing or reviewing the financial report	7,000	40,000
- accounting services provided by related practice of auditor	1,500	10,800
	8,500	50,800

NOTE 6: CASH AND CASH EQUIVALENTS	**2019 $**	**2018 $**
Cash at bank	16,894	-
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:		
Cash and cash equivalents	16,894	-

NOTE 7: TRADE AND OTHER RECEIVABLES	**2019 $**	**2018 $**
Other receivables – Solicitors trust account	-	20,595
GST net receivables	41	8,282
	41	28,877

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 8: TRADE AND OTHER PAYABLES	2019 $	2018 $
Trade payables	8,500	50,800
Cash at Bank	-	1,733
	8,500	52,533

NOTE 9: FINANCIAL LIABILITIES	Note	2019 $	2018 $
CURRENT			
Borrowings - non-interest bearing	9a	842,903	734,891
		842,903	734,891

9a. The loans are only repayable in full should one of the following events occur:

(i) The Company enters into a licensing agreement for one of its products and the Board of Directors reasonably determines that the repayment of this amount will not impact on the operational viability of the Company.

(ii) The Company raises funds whether through debt or equity equal to or exceeding the cumulative amount of $5,000,000 in any financial year.

(iii) There is a change in the ownership of more than 50% of the issued shares of the Company.

(iv) The Company becomes insolvent or subject to any form of external administration other than for the purpose of corporate restructuring.

NOTE 10: PROVISIONS	2019 $	2018 $
Employee benefits	34,272	34,272
a. Aggregate employee entitlement liability of former CEO	34,272	34,272
	No.	No.
b. Number of employees at year end	-	1

NOTE 11: CONTRIBUTED EQUITY	2019 $	2018 $
78,373,505 (2017: 78,373,505) fully paid ordinary shares	7,486,270	7,486,270

a. **Ordinary shares**	No.	No.
At the beginning of reporting period	78,373,505	78,373,505
At reporting date	78,373,505	78,373,505

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

c. **Capital Management**

Management controls the capital of the Company in order to maintain a good debt to equity ratio and to ensure that the Company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS	2019 $	2018 $
Estimates of the potential financial effect of contingent liabilities that may become payable:		
Chief Medical Officer Fees		
The Company has engaged Professor Thomas Borody as Chief Medical Officer. The agreement provided for an annual salary to be paid for these services of $230,000. The agreement operated from 1 January 2005 to 31 December 2005. Professor Borody has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations.	230,000	230,000
Non-Executive Director Fees		
Professor Thomas Borody, as a non-executive director of the Company for the period 15 June 2004 to 31 December 2004 is entitled to a fee for his service. Professor Borody has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations.	16,438	16,438
Executive Director Fees		
Professor Thomas Borody, as an executive director of the Company from 1 January 2006 is entitled to a fee for his service. Professor Borody has agreed to defer payment of the balance owing until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations.	728,000	668,000
Chief Executive Officer Incentive Payment		
The Chief Executive Officer has been paid an incentive under his incentive program. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations. It is noted that $42,000 is in respect of services for the 2005 financial year and was payable in 2006. $93,600 is in respect of services for the 2006 financial year and was payable in 2008. $52,800 is in respect of services for the 2007 financial year and was payable in 2008.	188,400	188,400
Chief Executive Officer Living-Away-From-Home-Allowance Payment		
The Chief Executive Officer is paid a living-away-from-home-allowance under his employment contract. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
The Company cumulatively raises $5,000,000 in a year.		
In the event that the above is not accomplished, he will release the Company from these obligations.	213,187	213,187

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONTINUED)	2019 $	2018 $
Centre of Digestive Diseases		
The Company has engaged the Centre for Digestive Diseases, a related party of Professor Thomas Borody, to provide the service of Chief Medical Officer. The agreement provides for an annual fee to be paid for these services of $170,000 commencing 1 July 2006. The Centre for Digestive Diseases has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, he will release the Company from these obligations.	2,210,000	2,040,000
Chief Executive Officer Salary Payment		
The Chief Executive Officer is paid a salary under his employment contract.		
The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
The Company cumulatively raises $5,000,000 in a year.		
In the event that the above is not accomplished, he will release the Company from these obligations.	2,432,554	2,432,554
Chief Executive Officer Travel Expense Reimbursement		
The Chief Executive Officer is required to travel overseas as part of his duties. During the year The Chief Executive Officer incurred costs in relation to overseas travel which he has not been reimbursed. The Chief Executive Officer has agreed to defer payment of this amount until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
The Company cumulatively raises $1,000,000 in a year.		
In the event that the above is not accomplished, he will release the Company from these obligations.	22,380	22,380
Non-Executive Director Fees		
Messrs Woods, Moore and Bilkey, as non-executive directors of the Company are entitled to a fee for their services. Messrs Woods, Moore and Bilkey have agreed to defer payment of the balances owing until the first to occur of;		
The Company enters into a licensing agreement or assignment agreement for one of its products; and the Board reasonably determines that the payment of these amounts will not impact on the operational viability of the Company; or		
There is change in ownership of more than 50% of the issued shares of the Company.		
In the event that the above is not accomplished, they will release the Company from these obligations.	798,991	750,991
Estimates of the potential financial effect of contingent assets that may be received:		
The Company is in the process of selling its Ibaconda patents for a total consideration of US$500,000, which will only be received if the patents are renewed, recovered and the shareholders approve the transaction. ($AU based on current exchange rate)	745,000	530,000

NOTE 13: SEGMENT REPORTING

Primary Reporting — Business Segments	Development	
	2019 $	2018 $
REVENUE		
Segment income	-	-
RESULT		
Loss from continuing operations before income tax	(75,922)	(116,819)
Income tax benefit (expense)	-	-
Loss from continuing operations after income tax	(75,922)	(116,819)
Profit from discontinuing operations	-	-
Net loss attributable to members of the Company	(75,922)	(116,819)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 13: SEGMENT REPORTING (CONTINUED)	2019 $	2018 $
ASSETS		
Segment assets	16,935	28,877
LIABILITIES		
Segment liabilities	885,675	821,696

As a business segment has not been discontinued, separate segment reporting between continuing and discontinuing operations is not required.

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Business and Geographical Segments

Business segments

The principal activity of the Company was that of the development and commercialisation of therapies for gastrointestinal diseases and disorders.

Geographical segments

The Company operates from Sydney, New South Wales, Australia.

NOTE 14: CASH FLOW INFORMATION	2019 $	2018 $
a. **Reconciliation of Cash**		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	16,894	-
Cash at bank (overdraft)	-	(1,733)
	16,894	(1,733)
b. **Reconciliation of Cash Flow from Operations with Loss from Ordinary Activities after Income Tax**		
Loss from ordinary activities after income tax	(75,922)	(116,819)
Non-cash flows in loss from ordinary activities:		
— Movements in employee provisions	-	-
Changes in assets and liabilities		
— Decrease/(Increase) in receivables	28,837	21,428
— Increase/(Decrease) in payables	(43,300)	29,671
Cash flows from operations	(89,385)	(65,720)

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

No events after balance date have occurred in relation to the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 16: FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable and borrowings.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2019 $	2018 $
Financial Assets			
Cash and cash equivalents	6	16,894	-
Loans and receivables	7	41	28,877
		16,935	28,877
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	8	8,500	52,533
— Borrowings	9	842,903	734,891
		851,403	787,424

The Audit Committee has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Company. The Audit Committee monitors the Company's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counter party credit risk, currency risk, financing risk and interest rate risk. The Audit Committee meets on a periodical basis and minutes of the Audit Committee are reviewed by the Board.

The Audit Committee's overall risk management strategy seeks to assist the consolidated Company in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risk the Company is exposed to through its financial instruments is liquidity risk.

a. **Credit risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Credit risk exposures

The Company is not exposed to any material credit risk.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages this risk through the following mechanisms:

— preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;

— only investing surplus cash with major financial institutions; and

c. **Market risk**

(i) *Interest rate risk*

Exposure to interest rate risk arises on interest earned on cash equivalents only, and is considered immaterial.

(ii) *Price risk*

The Company is not exposed to price risk.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 16: Financial RISK MANAGEMENT (CONTINUED)

Financial liability and financial assets maturity analysis

Cash flow realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	8,500	52,533	-	-	-	-	8,500	52,533
Financial liabilities*	-	-	842,903	734,891	-	-	842,903	734,891
Total contractual outflows	8,500	52,533	842,903	734,891	-	-	851,403	787,424
Total expected outflows	8,500	52,533	842,903	734,891	-	-	851,403	787,424
Financial assets — cash flows realisable								
Cash assets	16,894	-	-	-	-	-	16,894	-
Loans and receivables	41	28,877	-	-	-	-	41	28,877
Total anticipated inflows	16,935	28,877	-	-	-	-	16,935	28,877
Net (outflow)/inflow on financial instruments	8,435	(23,656)	(842,903)	(734,891)	-	-	(834,468)	(758,547)

* Realisation in 1 to 5 Years is a conservative estimate based on management expectations. Management are not aware of any of the payment events noted in Note 9a being likely to occur within the coming twelve months.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are equal to their carrying value in the balance sheet.

The fair values have been determined based on the following methodologies:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables excludes amounts provided for relating to annual leave which is not considered a financial instrument.

Sensitivity analysis

The board considers that there are no material market risks requiring sensitivity analysis to be performed.

NOTE 17: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions and balances with related parties during the year were as follows:

Related party (relationship)	Transaction	Movement		Amount owed (to)/from related party	
		2019 $	2018 $	2019 $	2018 $
Centre for Digestive Diseases Pty Ltd (Common control)	Loan	(107,845)	(27,000)	(840,255)	(732,410)
Professor Thomas Borody (Director)	Loan	-	-	(1,437)	(1,437)
Chris Bilkey (Director)	Loan	-	-	(522)	(522)
Trevor Moore (Retired Director)	Loan	-	-	(522)	(522)
Marcus Connor (Company Secretary)	Loan	(167)	-	(167)	-

The loans with the related parties are interest free and have no fixed repayment date.

Director related entity

The Company occupies offices located at the Centre for Digestive Diseases, a related entity of Professor Thomas Borody. No rent is being paid for the use of these offices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTE 18: ECONOMIC DEPENDENCY

The Company is economically and financially dependent upon Professor Borody and Centre for Digestive Diseases Pty Ltd for funding.

NOTE 19: COMPANY DETAILS

The registered office of the Company is:

Ground Floor, 44 East Street
Five Dock New South Wales 2046

The principal place of business of the Company is:

Ground Floor, 44 East Street
Five Dock New South Wales 2046

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 15 to 28, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the Company;

2 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.

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

Professor Thomas J. Borody
Director

Mr Chris Bilkey
Director

Dated this 5th day of November 2019

walkerwayland

Walker Wayland NSW
Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF GIACONDA LIMITED

REPORT ON THE FINANCIAL REPORT
OPINION
We have audited the accompanying financial report of Giaconda Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes 1 to 19, comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

In our opinion:

(a) the accompanying financial report of the Company is in accordance with the Corporations Act 2001, including:

I. giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and
II. complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

BASIS FOR OPINION
We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the Auditor's responsibility section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY REGARDING GOING CONCERN
Without modifying our opinion, we draw your attention to the following matter. As a result of the matters disclosed in Note 1a) "Ongoing Viability and Going Concern" of the financial report, there is a material uncertainty that cast significant doubt on whether the Company can continue as a going concern and therefore will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The ability of the Company to continue as a going concern is dependent upon its ability to obtain receipt of US$500,000 for the sale of Ibaconda patents, obtain receipt of royalties from patent sales to Salix and obtaining financial support from related party lenders.

walkerwayland

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF GIACONDA LIMITED

OTHER INFORMATION
The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILTY FOR THE FINANCIAL REPORT
The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparations of the financial report that give a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL REPORT
Our responsibility is to express an opinion on the financial report based on our audit. Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee than an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

INDEPENDENT AUDIT REPORT TO THE SHAREHOLDERS OF GIACONDA LIMITED

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Walker Wayland NSW

Walker Wayland NSW
Chartered Accountants

Wali Aziz
Partner

Dated this 8th day of November 2019, Sydney

CORPORATE DIRECTORY

Giaconda Limited
ABN 68 108 088 517

www.giacondaltd.com

Directors

Professor Thomas Borody

Mr Chris Bilkey

Ms Margo Alvaran

Company Secretary

Mr Marcus Connor

Executive Management

Professor Thomas Borody, Chief Medical Officer

Registered Office

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Share Registry

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