



GIACONDA LIMITED

A.B.N. 68 108 088 517

APPENDIX 4D AND
FINANCIAL REPORT
SIX MONTHS ENDED
31 DECEMBER 2006



Giaconda Limited Appendix 4D & Half-Year Financial Results

Sydney, Australia. 13 February 2007. Giaconda Limited (ASX: GIA), the gastroenterology drug development company, today announced the release of its interim results for the half-year ended 31 December 2006.

Results for Announcement to the Market

	2006	2005	Change \$	Change %
Revenue from ordinary activities	108,936	98,245	10,691	10.9%
Operating loss from ordinary activities after income tax	(553,193)	(651,873)	98,680	15.1%
Operating loss attributable to members	(553,193)	(651,873)	98,680	15.1%
Net tangible assets per security	0.06	0.07	(0.01)	(14.3%)

No dividends have been declared or are expected to be declared.

Key financial points

- The cash position of \$3.13M (2005: \$5.15M). This cash position is after allowing for expenditure of \$0.46M on capitalised intellectual property and development costs, and \$0.04M on research costs.
- The trading results of a loss from operations before tax for the half-year of \$0.56M compares to \$0.83M for the 6-months ending 31 December 2005 and \$1.44M for the year ended 30 June 2006.

Half-Year Highlights

Myoconda[®]

- Preparation for the next clinical trial of Myoconda[®] for the treatment of Crohn's Disease was a major focus for the company. Giaconda has sourced the three Active Pharmaceutical Ingredients required for the manufacturing of the product and is in the process of negotiating contracts with a manufacturer for the clinical trial material.
- Regulatory file preparation on Myoconda[®] for the treatment of severe Crohn's Disease has progressed well and is in the final stages.
- Significant progress during the six months has been made in securing partners for Myoconda[®] with Letters of Intent signed with Orphan Australia for the Australia, Asia, Namibia and South Africa territories and with Tramedico BV for the Benelux region.
- Negotiations on the License Agreements with existing partners, Forest Laboratories, Tramedico BV and Orphan Australia are ongoing and discussions continue with potential licensees for the US territory and with other companies for other territories.

GIACONDA LIMITED

Suite 1307, Level 13, 370 Pitt Street, Sydney NSW 2000 Phone: [612] 9266 0440 Fax: [612] 9266 0441

email: info@giaconda.net.au

www.giaconda.net.au



Half-Year Highlights (cont)

Picoconda™

- The results of a Phase II clinical study involving Picoconda™, a bowel preparation for gastrointestinal procedures, were presented at the Australian Gastroenterology Week conference in Adelaide and published in the *Journal of Gastroenterology and Hepatology* in October 2006. Significantly, one outcome of the trial was that the Picoconda™ capsules were found to be the most favoured bowel preparation by patients and in general, resulted in a lower number of mild adverse events than the other preparations in the trial. The clinical study should assist in establishing Picoconda™ as a next generation bowel prep.

Ibaconda®

- The intellectual property relating to Ibaconda® was strengthened with a European patent being granted on 27 December 2006

Hepaconda®

- Preparations continued for the Phase IIa trial for Hepaconda®, Giaconda's product for Hepatitis C. The trial will be conducted by Giaconda's clinical associates at the Centre for Digestive Diseases (CDD) and approval for the trial from the Human Research Ethics Committee has been obtained.

Heliconda®

- Heliconda® was granted a European patent on 8 November 2006

About Giaconda Limited

Giaconda Limited is a biotechnology company involved in developing and licensing innovative and cost effective medical therapies in the field of gastroenterology. Giaconda's products are targeted towards the treatment of serious conditions that are not adequately addressed by any existing therapy. In this way, Giaconda's products are intended to satisfy these significant unmet medical needs of the gastrointestinal market. The Giaconda portfolio consists of five products, all of which are novel combinations of known compounds. Giaconda has two lead products, Myoconda® for the treatment of Crohn's Disease and Heliconda® for the treatment of resistant *Helicobacter pylori* infection. Both of these products are ready for Phase III clinical trials, with a Phase IIIa already complete for Myoconda.

For more information please visit www.giacondalimited.com

Except for historical information, this news release may contain forward-looking statements that reflect the Company's current expectation regarding future events. These forward looking statements involve risk and uncertainties, which may cause but are not limited to, changing market conditions, the successful and timely completion of clinical studies, the establishment of corporate alliances, the impact of competitive products and pricing, new product development, uncertainties related to the regulatory approval process, and other risks detailed from time to time in the Company's ongoing quarterly and annual reporting.

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Giaconda Limited

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Giaconda Limited

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Directors' Report

Your directors present their report on Giaconda Limited (Giaconda) for the six months ended 31 December 2006.

Directors

The names of the directors of Giaconda in office at any time during the period and to the date of the report are:

Thomas Borody	Director and Chief Medical Officer
Christopher Bilkey	Chairman (resigned 22 August 2006)
Patrick McLean	Director and Chief Executive Officer
Trevor Moore	Director
Tony Moon	Director
Richard Woods	Director, and Chairman since 22 August 2006

All Directors except Mr Chris Bilkey have been in office from the 1 July 2006 to the date of this report. Mr Bilkey resigned from the Board on 22 August 2006 due to personal reasons and Mr Richard Woods a director since 2004, replaced Mr Bilkey as Chairman of the Board on that day.

Operating Results

The operating loss of the company for the six months after providing for income tax amounted to \$553,193 (December 2005 adjusted for AIFRS: loss \$651,873).

Review of Operations during July to December 2006

During the six months, Giaconda's principal activities involved the commercialisation of Giaconda's lead product Myoconda[®] through licensing discussions with global pharmaceutical companies and further development for the next clinical trial of Myoconda[®].

As part of the ongoing efforts to secure licensing partners for Giaconda's products Patrick McLean attended the BioMilan Forum in September to introduce Giaconda's products to potential partners in Italy. The New South Wales Department of State and Regional Development provided a small grant for Giaconda to attend the BioMilan Forum.

Maintenance of Intellectual Property

The following product pipeline of company owned¹ intellectual property was maintained throughout the six month period:

- **Myoconda[®]**, a triple antibiotic therapy to treat severe Crohn's Disease where standard therapy has not been effective.
 - Patents granted in United States, Australia, New Zealand, South Africa, Israel and Philippines
 - Patents pending in Argentina, Canada, Europe, Japan, Norway and Philippines (divisional application)

¹ Picoconda[™] was developed in conjunction with Mr Nic Shortis, whose company, Pharmatel Research and Development Pty Limited (ACN 104 997 328) retains a 50% interest in the patent. All other patents are owned solely by Giaconda.

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Review of Operations during July to December 2006 (continued)

- **Hepaconda**[®], a dual therapy to treat Hepatitis C virus, especially genotype one, where standard therapy has not been effective.
 - Patents granted in Australia and New Zealand
 - Patents pending in Canada, Europe, Japan and United States
- **Heliconda**[®], a triple therapy to treat resistant *Helicobacter pylori* infection where standard therapy has failed.
 - Patents granted in United States, Australia and Europe
 - Patent pending in Canada
- **Ibaconda**[®], a dual therapy to treat constipation predominant Irritable Bowel Syndrome where other therapies have failed.
 - Patents granted in United States, Europe, Australia and South Africa
 - Patent pending in Canada
- **Picoconda**[™], a bowel preparation designed to reduce the poor taste of present bowel preparation products and provide a clear view of the bowel mucosa during colonoscopy
 - Patents granted in United States, Australia and New Zealand
 - Patents pending in Canada and Europe

These are the basis of the initial development and licensing activities of Giaconda. Giaconda has first right of refusal to additional intellectual property from Professor Borody and the Centre for Digestive Diseases.

Progress on the Product Pipeline

Myoconda[®]

In the six months Giaconda has been focusing on its lead product Myoconda[®].

- It has sourced the three Active Pharmaceutical Ingredients (APIs) required for the manufacturing of the product and conducted the appropriate investigations to ensure that the APIs meet US Pharmacopeia standards.
- Giaconda met with the regulatory bodies of the US Food and Drug Administration (FDA), the Canadian Therapeutic Products Directorate (TPD), the European Agency for Evaluation of Medicinal Products (EMA) and the UK Medicines and Healthcare products Regulatory Agency (MHRA).
- After the evaluation of several manufacturing companies Giaconda is in the process of negotiating contracts with a manufacturer for the clinical trial material.
- Giaconda announced on 1 August 2006 the signing of a non-binding Letter of Intent with Orphan Australia for the Australia, Asia, Namibia and South Africa territories.
- Giaconda announced on 22 September 2006 the signing of a non-binding Letter of Intent with Tramedico BV for the commercialisation of Myoconda[®] in the Benelux region.
- The CEO continues to discuss and negotiate the Licence Agreements with Forest Laboratories UK for United Kingdom and Ireland territories, Orphan Australia, and Tramedico BV as well as continuing discussions with potential licensees for the US territory and with other companies for other territories.
- Professor Tom Borody made a poster presentation at a US Conference on the therapeutic role of Myoconda[®] in fistulising Crohn's Disease.

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Directors' Report

Review of Operations during July to December 2006 (continued)

Picoconda™

Results of a Phase II clinical study involving Picoconda™ were announced on 18 October 2006. The results of the clinical study involving Picoconda™, a bowel preparation for gastrointestinal procedures, were presented at the Australian Gastroenterology Week conference in Adelaide and published in the *Journal of Gastroenterology and Hepatology*. Significantly for Giaconda, one outcome of the trial was that the Picoconda™ capsules, with or without a hypertonic solution, were found to be the most favoured bowel preparation by patients and in general, resulted in a lower number of mild adverse events than the other preparations in the trial. Giaconda is aiming to provide a product that is more readily acceptable to patients which will result in higher patient compliance and therefore will assist in delivering a higher standard of medical care. The clinical study should assist in establishing Picoconda™ as a next generation bowel prep.

Ibaconda®

Ibaconda® was granted a European patent on 27 December 2006 which allows Giaconda to certify the patent in Austria, Belgium, Cyprus, Switzerland and Liechtenstein, Germany, Denmark, Spain, Finland, France, United Kingdom, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal and Sweden.

Hepaconda®

Preparations continued for the upcoming Phase IIa trial for Hepaconda®, Giaconda's product for Hepatitis C. The trial will be conducted by Giaconda's clinical associates at the Centre for Digestive Diseases (CDD) and approval for the trial from the Human Research Ethics Committee has been obtained.

Heliconda®

Heliconda® was granted a European patent on 8 November 2006 which allows Giaconda to certify the patent in Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Portugal, Spain, Sweden, Switzerland and Liechtenstein, The Netherlands, and the United Kingdom.

Employment of Personnel

Giaconda employs three individuals; the Chief Executive Officer (Patrick McLean), the Chief Operating Officer (Rosa Surace), and the Chief Administrative Officer & Company Secretary (Kirrilli Parker). Professor Tom Borody is contracted as Chief Medical Officer through the Centre for Digestive Diseases.

Other Corporate Changes

Mr Richard Woods was appointed Chairman on 22 August 2006 due to the resignation of Chris Bilkey from the Board due to personal reasons.

Ms Kirrilli Parker was appointed as Company Secretary and Chief Administrative Officer on 1 July 2006.

The content on Giaconda's website www.giacondalimited.com was reviewed with an extensive updating of the website being completed in early December 2006.

A review of Giaconda's corporate governance policies was undertaken with implementation of additional policies to manage internal company risks. The Board approved the amended and new policies in December 2006, with some of these being available on Giaconda's website.

The Audit Committee was renamed the Audit, Risk and Compliance Committee on 30 October 2006 to better reflect the activities conducted by that Committee.

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Directors' Report

Auditor's Declaration

The auditor's declaration under section 307C of the Corporations Act 2007 is set out on page 6 for the half-year ended 31 December 2006.

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



Richard A. Woods

Chairman



Patrick L. McLean

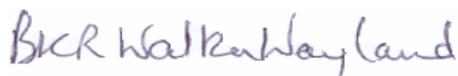
Chief Executive Officer

Dated: 12th day of February 2007

**AUDITORS' 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 half-year ended 31 December 2006 there have been:

- (a) no contraventions of the auditors' independence requirements as set out in 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.



BKR Walker Wayland
(NSW Partnership)
Chartered Accountants

T. F. Tyler
Partner

Level 8, 55 Hunter Street
Sydney NSW 2000

Dated this 12th day of February 2007

Giaconda Limited

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INCOME STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Note	31 December 2006 \$	31 December 2005 \$
Income		108,936	98,245
Personnel Costs		(321,365)	(475,097)
Finance and Legal		(78,156)	(142,957)
Administration		(157,995)	(127,832)
Research and Development		(43,134)	(127,192)
Licensing		(74,614)	(50,864)
Loss from ordinary activities before income tax benefit (expense)	2	(566,328)	(825,697)
Income tax benefit relating to ordinary activities		13,135	173,824
Loss from ordinary activities after income tax expense benefit (expense) attributable to members of the Company		(553,193)	(651,873)
Total changes in equity other than those resulting from transactions with owners as owners		(553,193)	(651,873)
Overall Operations:			
Basic earnings per share (cents per share)		(0.76)	(0.90)
Diluted earnings per share (cents per share)		(0.73)	(0.87)

The accompanying notes form part of these financial statements.

Giaconda Limited

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BALANCE SHEET AS AT 31 DECEMBER 2006

	31 December 2006 \$	30 June 2006 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3,129,699	4,289,110
Trade and other receivables	33,053	55,227
Other current assets	39,053	17,698
Income Tax	1,419	0
TOTAL CURRENT ASSETS	3,203,224	4,362,035
NON-CURRENT ASSETS		
Property, plant and equipment	55,928	63,437
Intangible assets	1,392,435	885,664
Deferred tax assets	1,226,572	964,630
TOTAL NON-CURRENT ASSETS	2,674,935	1,913,731
TOTAL ASSETS	5,878,159	6,275,766
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	243,612	501,603
Interest bearing liabilities	3,703	3,512
Provisions	37,534	45,756
TOTAL CURRENT LIABILITIES	284,849	550,871
NON-CURRENT LIABILITIES		
Interest bearing liabilities	5,240	7,140
Deferred tax liabilities	369,358	120,551
Provisions	22,313	-
TOTAL NON-CURRENT LIABILITIES	396,911	127,691
TOTAL LIABILITIES	681,760	678,562
NET ASSETS	5,196,399	5,597,204
EQUITY		
Contributed equity	7,208,010	7,055,622
Reserves	187,166	187,166
Accumulated losses	(2,198,777)	(1,645,584)
TOTAL EQUITY	5,196,399	5,597,204

The accompanying notes form part of these financial statements.

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CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	\$	\$	\$	\$
	Share Capital	Accumulated	Options	
	Ordinary	Losses	Reserve	Total
Balance at 1.7.2005	1,933,901	(702,816)	136,533	1,367,618
Shares issued during the period (net of equity raising costs)	5,178,111	-	-	5,178,111
Options reserve on recognition of options at granting date	-	-	20,307	20,307
Losses attributable to members of parent entity	-	(651,873)	-	(651,873)
Sub-total	5,178,111	(651,873)	20,307	(4,546,545)
Balance at 31.12.2005	7,112,012	(1,354,689)	156,840	5,914,163
Balance at 1.7.2006	7,055,622	(1,645,584)	187,166	5,597,204
Shares issued during the year (net of equity raising costs)	152,388	-	-	152,388
Losses attributable to members of parent entity	-	(553,193)	-	(553,193)
Sub-total	152,388	(553,193)	-	(400,805)
Balance at 31.12.2006	7,208,010	(2,198,777)	187,166	5,196,399

The accompanying notes form part of these financial statements.

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CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from operations	3,000	-
Payments to suppliers and employees	(911,274)	(517,011)
Payment for research and development	(43,134)	(127,192)
Interest received	105,939	86,293
Borrowing costs	(15)	(439)
Income tax paid	(1,419)	-
Net cash used in operating activities	(846,903)	(558,349)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(2,004)	(37,846)
Payments and investments in intellectual property	(460,992)	(125,498)
Net cash used in investing activities	(462,996)	(163,344)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares or shares to be issued	152,388	5,529,702
Repayment of borrowings	(1,900)	(1,538)
Net cash provided by financing activities	150,488	5,528,164
NET INCREASE (DECREASE) IN CASH HELD	(1,159,411)	4,806,471
Cash at beginning of period	4,289,110	343,936
CASH AT END OF PERIOD	3,129,699	5,150,407

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Giaconda Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Giaconda Limited has prepared the financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). The accounting policies applied are consistent with those applied in the 30 June 2006 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

(a) Income Tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: BASIS OF PREPARATION (Continued)

(b) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Office furniture and equipment	20% to 25%
Computer equipment	25%
Apartment furniture	20% to 25%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: BASIS OF PREPARATION (Continued)

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement 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 stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the Company assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement

These notes form part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1: BASIS OF PREPARATION (Continued)

(e) Intangibles

Patents and trademarks

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.

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 a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(f) 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.

(g) 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.

(h) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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

(i) Goods and Services Tax (GST)

Revenue, 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

(j) Comparative Figures

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

These notes form part of the financial statements

Giaconda Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2: PROFIT FROM ORDINARY ACTIVITIES

31 December 2006 \$	31 December 2005 \$
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The following revenue and expense items are relevant in explaining the financial performance for the interim period:

- Interest received from third parties	105,936	98,245
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NOTE 3: SEGMENT INFORMATION

Primary Reporting — Business Segments

Research, Development & Licence

31 December 2006 \$	31 December 2005 \$
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Segment Revenue	3,000	-
Total segment revenue	3,000	-
Unallocated revenue	105,936	98,245
Total revenue from ordinary activities	108,936	98,245
Segment result	(672,264)	(923,942)
Unallocated expenses net of unallocated revenue	105,936	98,245
Loss before income tax benefit	(566,328)	(825,697)
Income tax benefit	13,135	173,824
Loss after income tax benefit	(553,193)	(651,873)

These notes form part of the financial statements

Giaconda Limited

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NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
NOTE 4: CONTINGENT LIABILITIES	\$	\$
Chief Medical Officer Fees		
The Company has engaged Dr Thomas Borody as Chief Medical Officer. The agreement provides for an annual salary to be paid for these services of \$230,000 commencing 1 January 2005. It has been agreed with Professor Borody that these amounts will be deferred until the Company;		
(a) enters into a licensing agreement for one of its products; and		
(b) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.		
In the event that a licensing agreement is not accomplished Professor Borody releases the Company from the obligation to pay these amounts.	-	114,055
Chief Medical Officer Fees		
The Company has engaged Dr Thomas Borody as Chief Medical Officer. The agreement provides for an annual salary to be paid for these services of \$230,000 commencing 1 January 2005. It has been agreed with Professor Borody that these amounts will be deferred until the Company;		
a) enters into a licensing agreement for one of its products; or		
b) there is a change in the ownership of more than 50% of the issued shares of the Company; and		
c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.		
In the event that a licensing agreement is not accomplished Professor Borody releases the Company from the obligation to pay these amounts.	230,000	-

These notes form part of the financial statements

Giaconda Limited

A.B.N. 68 108 088 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
NOTE 4: CONTINGENT LIABILITIES (Continued)	\$	\$

Chief Medical Officer Fees

The Company has engaged the Centre for Digestive Diseases to provide the services of Chief Medical Officer. The agreement provides for an annual salary to be paid for these services of \$170,000 commencing 1 July 2006. It has been agreed with the Centre for Digestive Diseases that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products; or
- (b) there is a change in the ownership of more than 50% of the issued shares of the Company; and
- (c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished the Centre for Digestive Diseases releases the Company from the obligation to pay these amounts.

85,000

-

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. It has been agreed with Professor Borody that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products; and
- (b) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Professor Borody releases the Company from the obligation to pay these amounts.

-

16,438

These notes form part of the financial statements

Giaconda Limited

A.B.N. 68 108 088 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
NOTE 4: CONTINGENT LIABILITIES (Continued)	\$	\$

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. It has been agreed with Professor Borody that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products; or
- (b) there is a change in the ownership of more than 50% of the issued shares of the Company; and
- (c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Professor Borody releases the Company from the obligation to pay these amounts.

16,438

-

Executive Director Fees

Professor Thomas Borody, as an executive director of the Company for the period 1 January 2006 to 31 December 2006 is entitled to a fee for his service. It has been agreed with Professor Borody that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products; or
- (b) there is a change in the ownership of more than 50% of the issued shares of the Company; and
- (c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Professor Borody releases the Company from the obligation to pay these amounts.

60,000

-

These notes form part of the financial statements

Giaconda Limited

A.B.N. 68 108 088 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
NOTE 4: CONTINGENT LIABILITIES (Continued)	\$	\$

Chief Executive Officer Bonus

The Chief Executive Officer of the Company, Mr Patrick McLean is entitled to an incentive under the incentive program. It has been agreed with Mr McLean that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products; and
- (b) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Mr McLean releases the Company from the obligation to pay these amounts. \$42,000 is in respect of services for the 2005 financial year and would have been payable in 2006. \$93,600 is in respect of services for the 2006 financial year.

-	42,000
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Chief Executive Officer Bonus

The Chief Executive Officer of the Company, Mr Patrick McLean is entitled to an incentive under the incentive program. It has been agreed with Mr McLean that these amounts will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products;
- (b) there is a change in the ownership of more than 50% of the issued shares of the Company; and
- (c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Mr McLean releases the Company from the obligation to pay these amounts. \$42,000 is in respect of services for the 2005 financial year and would have been payable in 2006. \$93,600 is in respect of services for the 2006 financial year.

135,600	-
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These notes form part of the financial statements

Giaconda Limited

A.B.N. 68 108 088 517

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	31 December 2006	31 December 2005
NOTE 4: CONTINGENT LIABILITIES (Continued)	\$	\$

Chief Executive Officer Living-Away-From-Home-Allowance

The Chief Executive Officer of the Company, Mr Patrick McLean is entitled to a living-away-from-home-allowance under his employment contract. It has been agreed with Mr McLean that an amount of \$50,000 (for the 2007 fiscal year) will be deferred until the Company;

- (a) enters into a licensing agreement for one of its products;
- (b) there is a change in the ownership of more than 50% of the issued shares of the Company; and
- (c) the Board reasonably determines that the payment of these amounts will not impact the operational viability of the Company.

In the event that a licensing agreement is not accomplished Mr McLean releases the Company from the obligation to pay these amounts.

25,000

-

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the period end, an announcement was made to the market dated 9 February 2007. The announcement advised that amendments had been made to the agreements in respect of the contingent liabilities previously advised in the financial statements for the year ended 30 June 2006. The amendments have been reflected in Note 4.

Other than the items noted above, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial period that has significantly affected, or may significantly affect, the operations, results of operations or state of affairs of the Company in subsequent period.

These notes form part of the financial statements

Giaconda Limited

A.B.N. 68 108 088 517

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on 7 to 20.
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half year ended on that date.
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.

Director



Richard A. Woods

Director



Patrick L. McLean

Dated this 12th day of February 2007

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
GIACONDA LIMITED****Scope**

We have reviewed the financial report of Giaconda Limited for the half-year ended 31 December 2006 as set out on pages 7 to 21. The Company's Directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows, and in order to lodge the financial report with the Australian Securities and Investments Commission and the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

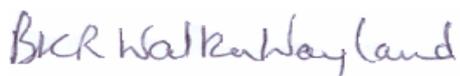
Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

**INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
GIACONDA LIMITED****Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Giaconda Limited is not in accordance with:

- (a) the Corporation Act 2001 including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulation 2001; and
- (b) other mandatory professional reporting requirements in Australia.

**BKR Walker Wayland
(NSW Partnership)
Chartered Accountants****T F Tyler
Partner**

Dated this 12th day of February 2007