



Giaconda Limited

Clarification of the Explanatory Memorandum

This Explanatory Memorandum should be read with, and forms part of Giaconda Limited's Notice of Annual General Meeting 2009. For the benefit of Members, each of the resolutions referred to in the Notice of Meeting 2009 is explained below. The clarification deals specifically with Resolution 4 regarding the issue of an additional twenty million (20,000,000) ordinary shares in respect to ASX Listing Rule 7.1.

Introduction

This Explanatory Memorandum is an explanation of, and contains information, to assist Members to determine how they wish to vote on the resolutions set out in the Notice of Meeting to the Annual General Meeting to be held on:

Monday, 23 November 2009 at 5:00pm at the Centre for Digestive Diseases, First Floor, 229 Great North Road, Five Dock

A. Financial Statements and Reports

The Financial Report, Directors' Report and Auditor's Report of Giaconda Limited for the financial year ended 30 June 2009 will be laid before the meeting, as required under the *Corporations Act 2001* (Cth). There is no requirement for a formal resolution on this item of business. The Auditor will be present to answer any questions regarding the conduct of the audit by Members.

B. Resolutions

Resolution 1 – Confirmation of a Non-Executive Independent Director

The Giaconda Limited Board Charter states that:

Giaconda aims to have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and have Giaconda achieve its objectives. The constitution provides for a minimum of 3 directors. The members in general meeting may increase or reduce the number of directors.

The Board have adopted the following composition:

- a majority of the Board will be independent non-executive directors;
- the Chair will be an independent non-executive director; and
- the CEO will be a director.

With the resignations of two Independent Directors the Board is in need of at least one new Independent Non-Executive Director and Chris Bilkey was appointed on 19 January 2009.

Details on Chris Bilkey

Chris 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 Sales and Marketing Director of Pharmacia, 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 merging of Pharmacia and Upjohn Companies in Australia. He was then appointed the Australasian President of Pharmacia and Upjohn, delivering over-budget sales and earnings in the region for both 1998 and 1999 and establishing key commercial, research

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and development, and government alliances. Chris participated in the Executive Group for Pharmacia's Asia Pacific region.

Giaconda Directorship: Chris was appointed a Director on 19 January 2009 by the unanimous decision of the Giaconda Board. He was previously a member of the Giaconda Board and served as Chairman until 22 August 2006.

Recommendation: Resolution 1

The Board unanimously recommends that Members vote FOR the approval of Chris Bilkey as an Independent Non-Executive Director on the Board of Giaconda Limited.

Resolution 2 – Election of a Non-Executive Director

As noted in **Resolution 1** the Board composition is to be composed of a majority of Independent Non-Executive Directors. While Colin Goldrick does not qualify as an Independent Director due to his contributions as a senior partner in Goldrick Farrell Mullan who have acted as commercial legal counsel for Giaconda, his experience with the company and extensive legal qualifications will enhance the 'effective composition' of the Giaconda Board as a Non-Executive Director.

Details on Colin Goldrick

Colin Goldrick is the Managing Director of Australian Medical Therapy Investments Pty Limited. He is also a consultant to and former partner of the legal firm of Goldrick Farrell Mullan. He has a long association with Giaconda, having acted as external legal counsel for Giaconda from 2004 until 2007 and for the Centre for Digestive Diseases Pty Limited for a number of years prior to that.

In addition to his broad experience across a wide range of corporate and commercial matters, Colin has particular expertise in assisting in the development and commercialisation of new technologies, including international licensing, fundraising and research and development of joint ventures and other arrangements in both the life sciences and information technology industries.

Prior to practising as a lawyer, Colin worked in the Information Technology industry for almost 15 years, holding positions ranging from technical support, through to sales and business unit management. He has also worked as a strategic management consultant within the business consultancy group of Computer Sciences Corporation, as well as independently, consulting with companies on corporate strategy and implementing business change.

Recommendation: Resolution 2

The Board unanimously recommends that Members vote FOR the approval of Colin Goldrick as a Non-Executive Director on the Board of Giaconda Limited.

Resolution 3 – Adoption of Remuneration Report

The Company is required to include in the Directors' Report a detailed Remuneration Report setting out certain prescribed information relating to Directors' and Executives' remuneration and submit this to the Members for adoption by resolution at each annual general meeting.

The Remuneration Report forms part of the Directors' Report which is contained in the Annual Report accompanying this Notice of Meeting 2009. The Remuneration Report sets out Giaconda's remuneration policy and the remuneration received by Directors and certain Executives in FY09 and the remuneration to be received in FY10.

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A reasonable opportunity will be provided to the Members at the meeting to discuss the Remuneration Report. The vote on this resolution is advisory only and does not bind the Directors or the Company.

Recommendation: Resolution 3

The Board unanimously recommends that Members vote FOR the adoption of the Remuneration Report.

Resolution 4 – Approve the issue of twenty million (20,000,000) additional ordinary shares

The Company needs to raise further funds to support its ongoing operational expenses and has determined that a maximum of an additional twenty million (20,000,000) shares be issued so that these will be available for subscription by potential investors at a price to be determined on a case by case basis.

According to ASX listing rule 7.3, the following must be noted:

1. The maximum number of securities that the Company will issue is 20,000,000 ordinary shares.
2. The shares will be ordinary shares which will rank equal to the Company's existing ordinary shares.
3. The shares will be issued and allotted within 3 months of the date of approval of the issue to potential sophisticated investors with whom the Company is now in negotiations. The allottees of the shares will not be related parties of the Company.
4. The price of the shares will be determined as negotiations are completed with the potential sophisticated investors, and will be \$0.03 (three cents) per share.
5. The funds raised from the issue of the shares will go towards the Company's ongoing operations expenses.
6. The company will disregard any votes cast on this resolution by:
 - a person who may participate in the proposed issue and a person who might obtain benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed; and
 - an associate of those persons.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Recommendation: Resolution 4

The Board unanimously recommends that Members vote FOR the issue of twenty million (20,000,000) ordinary shares in the Company.

Dated 29 October 2009