

GIACONDA LIMITED
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)

SHAREHOLDER AND CREDITOR UPDATE

Sydney, NSW, 1 November 2011 – Giaconda Limited (ASX:GIA) (the **Company**) today announced that it has applied to the Australian Securities and Investments Commission (**ASIC**) on 24 October 2011 for an extension on its obligations under the Corporations Act to lodge and distribute its 2011 annual report, as well as hold its 2011 annual general meeting (**AGM**). The Company is awaiting the outcome of its application and will make an announcement once it receives the decision of ASIC.

Reasons for application

The application was made as the Company presently has insufficient funds to pay for the costs associated with preparing and publishing its 2011 annual report and holding its 2011 AGM. Those costs are estimated to be \$20,113 and the Company has \$13,107.09 cash at bank.

The Company proposes to catch up on its compliance with its financial reporting obligations at the time it holds an extraordinary general meeting (**EGM**) in the first half of 2012 to obtain shareholder approval for those transactions contemplated by the Deed Of Company Arrangement (**DOCA**) which require same.

The Company expects to have raised sufficient funds before that time to pay for the costs of catching up on its compliance with its financial reporting obligations and in holding its proposed EGM.

The Company believes that its proposal is in the best interests of its shareholders as it preserves its remaining funds whilst it secures further funding to complete the DOCA.

The Company also believes that its proposal is unlikely to prejudice its shareholders and creditors as its financial position has not significantly changed since 31 December 2010 (which is set out in its audited financial statements lodged on 25 February 2011) and its shares have been suspended from trading since 25 February 2011.

The Company proposes to lodge a separate announcement setting out its creditors and their admitted claims. It also proposes to set out in that announcement any changes to its financial position since 31 December 2010. While that information will not be audited and must be treated by users with caution, the Company believes it will accurately represent its financial position.

The Company also invites shareholders and creditors who may have questions of its financial position, business activities, or the DOCA, to contact Mr Marcus Connor of O'Neill Partners on (02) 9232 1244.

Status of DOCA

Creditors approved the DOCA at their second creditors meeting held on 31 March 2011. The DOCA is valid and effectual and has not been breached.

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The DOCA contemplates that:

- 1 Minimum Risk Pty Ltd (**Minimum Risk**) will provide a \$450,000 convertible loan to the Company once certain conditions have been satisfied;
- 2 the \$50,000 lent by Minimum Risk to the Company will be converted into fully paid ordinary shares in the Company once certain conditions have been satisfied;
- 3 Professor Thomas Borody will sell a significant part of his shareholding in the Company to Minimum Risk once certain conditions have been satisfied;
- 4 the Company will undertake a capital raising to fund its existing business operations once certain conditions have been satisfied;
- 5 trade creditors with admitted claims will be paid 100 cents in the dollar once certain transactions costs have been paid;
- 6 related party creditors with admitted claims will be paid the balance of the available funds;
- 7 related party creditors whose admitted claims have not been fully satisfied will be provided with the opportunity to have their debt assumed in full by the Crohn's Benefit Company Pty Ltd (**CBC**);
- 8 the CBC will acquire rights to any royalties received from Myoconda, Heliconda or Picoconda subject to certain conditions being satisfied. The CBC proposes to apply any net income received to pay the assumed debts on a pro rata basis until they are fully satisfied; and
- 9 the directors and management of the Company may change once certain conditions have been satisfied.

The terms of those proposed transactions have not yet been agreed because of the ongoing uncertainty regarding the Option Deed as explained below. Accordingly, the Company is unable to provide further detail at this time about those proposed transactions. However, the Company will make an announcement once it agrees those proposed transactions and wishes to requisition an EGM to obtain shareholder approval for same.

Impediment to completing the DOCA

For the purpose of finalising those proposed transactions and completing the DOCA, the Company has attempted to reach an agreement with its sole option holder, Corporate Governance Australia Pty Ltd (**CGA**), to terminate the Option Deed.

That deed provides CGA with five options to subscribe for a total of 7.5 million ordinary shares in the Company. The issue price is the lower of \$0.025 per ordinary share or 40% of the issue price of Giaconda shares offered during the subscription period. The subscription period commenced at 9am (Sydney time) on 1 January 2010 and expires on 4pm (Sydney time) on 4 July 2012.

That deed also provides CGA with a right to be issued with additional shares for no consideration if the Company undertakes a capital raising during the subscription period at an issue price of less than 4.2 cents per ordinary share.

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The Option Deed represents an impediment to the Company undertaking a capital raising. To date the Company has been unable to reach an agreement with CGA regarding the termination of that deed.

The Company therefore proposes to wait until after the expiry of the Option Deed before undertaking any capital raising. However, the Company proposes to finalise the proposed transactions and seek shareholder approval for those transactions at an EGM to be held no later than 30 June 2012.

The Company believes that approach is in the best interests of its shareholders and creditors in the absence of reaching a mutually acceptable agreement with CGA to terminate the Option Deed.

If that agreement can be reached well before the termination of the Option Deed, then the Company will seek to finalise the proposed transactions and requisition an EGM as soon as possible thereafter.

Prospects of successfully completing the DOCA

The Company believes that it has strong prospects for agreeing the proposed transactions and obtaining shareholder approval for same.

Minimum Risk has financially supported the Company during its external administration and intends to support it until the completion of the DOCA.

Minimum Risk has previously lent the Company \$50,000 on an unsecured basis to pay the transaction costs associated with its external administration. Whilst the Company was unable to raise sufficient funds in time to comply with its obligations to prepare and distribute its 2011 annual report and hold its 2011 AGM, Minimum Risk intends to provide the Company with a further loan to enable it to catch up on its compliance at the time it holds its proposed EGM.

Questions

If shareholders or creditors have questions of the Company, they may contact Mr Marcus Connor of O'Neill Partners on (02) 9232 1244.

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