

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 28th October 2014

NOTICE OF ANNUAL GENERAL MEETING

The Notice of the Annual General Meeting of Cardia Bioplastics Ltd to be held on Friday 28th November 2014 together with the accompanying documents will be dispatched to shareholders today. At the same time the 2014 Annual Report will be sent to shareholders who requested it.

The Notice and accompanying documents are attached.

Rekha Bhambhani
Company Secretary

CARDIA BIOPLASTICS LIMITED
(ACN 064 755 237)

NOTICE OF ANNUAL GENERAL MEETING
INCLUDING
PROXY FORM
AND
EXPLANATORY MEMORANDUM

Date of Meeting

Friday, 28th November 2014

Time of Meeting

10.00 am (AEDST)

Place of Meeting

Level 11, 409 St Kilda Road,
Melbourne, 3004

CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING ("AGM") OF SHAREHOLDERS OF CARDIA BIOPLASTICS LIMITED (ACN 064 755 237) ("CARDIA OR THE COMPANY") WILL BE HELD AT LEVEL 11, 409 ST KILDA ROAD, MELBOURNE 3004 ON FRIDAY 28 NOVEMBER 2014 AT 10.00AM (AEDST) FOR THE PURPOSES OF TRANSACTING THE FOLLOWING BUSINESS.

The Explanatory Memorandum and Proxy Form accompanying this Notice of Annual General Meeting are hereby incorporated in and comprise part of this Notice of Annual General Meeting.

BUSINESS

2014 Annual Financial Report

To receive and consider the Annual Report of the Company for the year ended 30 June 2014, comprising the Financial Report, the Directors' Report, and the Independent Auditor's Report.

NON-BINDING RESOLUTION

To consider, and if thought fit, to pass, with or without amendment, the following non-binding resolution:

Resolution 1: Adoption of Remuneration Report

"That, for the purposes of section 250R (2) of the Corporations Act 2001(Cth) and for all other purposes, the 2014 Remuneration Report as included in the Directors' Report of the Annual Report of the Company for the year ended 30 June 2014 be adopted."

Further details in respect of Resolution 1 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by:

- (a) a member of the key management personnel for the Company or its subsidiaries whose remuneration details are included in the Remuneration Report (or a closely related party of that person), unless that person does so as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1 and the vote is not cast on behalf of a member of the Key management personnel of the Company or its subsidiaries whose remuneration details are included in the Remuneration Report (or a closely related party of that person); and
- (b) a member of the key management personnel for the Company or its subsidiaries whose remuneration details are not included in the Remuneration Report (or a closely related party of that person) that is appointed as a proxy where the proxy appointment does not specify the way the proxy is to vote on Resolution 1, unless the proxy is the Chairman of the meeting at which Resolution 1 is voted on and the proxy appointment expressly authorises the Chairman to exercise the proxy even if Resolution 1 is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company or its subsidiaries.

ORDINARY RESOLUTIONS

To consider, and if thought fit, to pass, with or without amendment, the following **ordinary resolutions**:

Resolution 2: Re-election of Director- Mr. Richard Tegoni

"That Mr Richard Tegoni, a director retiring by rotation in accordance with ASX Listing Rule 14.5 and Clause 4.3 of the Company's Constitution and being eligible, is re-elected as a director of the Company.

Further details in respect of Resolution 2 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Resolution 3: Re-election of Director- Mr. Gideon Meltzer

"That Mr. Gideon Meltzer, a director retiring in accordance with ASX Listing Rule 14.4 and Clause 4.2 of the Company's Constitution and being eligible, is re-elected as a director of the Company.

Further details in respect of Resolution 3 are set out in the Explanatory Memorandum accompanying this Notice of Annual General Meeting.

Resolution 4: Ratification of Issue of Shares to Sophisticated and Professional Investors

"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 209,534,237 fully paid ordinary shares under the placement announced on 14 November 2013 and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, be ratified."

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 4 by:

- a person or persons who participated in the issue and an associate of that person (or those persons).

However, the Company need not disregard a vote cast on Resolution 4 if it is cast by:

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

Resolution 5: Ratification of Issue of Shares and Options to Sophisticated and Professional Investors

"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 118,333,333 fully paid ordinary shares and 39,444,444 free attaching options under the placement announced on 6 March 2014 and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice, be ratified."

Voting Exclusion Statement

The Company will disregard any votes cast on the Resolution 5 by:

- a person or persons who participated in the issue and an associate of that person (or those persons).

However, the Company need not disregard a vote cast on Resolution 5 if it is cast by:

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

Resolution 6: Approval of Share Loan Plan

"That the shareholders approve the Company's Loan Share Plan for the purposes of ASX Listing Rules 7.1 and 7.2 Exception 9(b), Section 259B of the Corporations Act 2001 (Cth) and for all other purposes, as laid before the meeting, a copy of which is available for inspection at the registered office of the Company (during normal business hours)."

Voting Exclusion Statement

The Company will disregard any votes cast in respect of Resolution 6 by

- a Director of the Company and their respective associates.

However, the Company will not disregard a vote if:

- a) 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

- b) 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

Resolution 7: Issue of Shares to Director- Mr Richard Tegoni in lieu of Director Remuneration

"Subject to approval of Resolution 6 and that, for the purpose of ASX Listing Rule 10.14 and in accordance with a resolution of the Board of Directors, Mr Richard Tegoni (or his nominee) be issued fully ordinary shares in the capital of the Company, under Share Loan Plan, up to the value of \$60,000 in satisfaction of his part remuneration for the 12 months period to September 2015, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice and with such shares to be free from restriction and freely tradeable with effect from the date of issue."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by a director of the Company and any associate of that person.

However, the Company will not disregard a vote if it is cast:

- a) by any such person and any of his associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) 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.

In addition pursuant to the Corporations Act, the Company's KMP or closely related person are not permitted to cast a vote as a Proxy for a person permitted to vote, unless the Proxy form either:

- expressly authorises and directs the way the proxy is to vote on Resolution 7 or
- expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote.

Resolution 8: Issue of Shares to Director- Mr Gideon Meltzer in lieu of Director Remuneration

"Subject to approval of Resolution 6 and that, for the purpose of ASX Listing Rule 10.14 and in accordance with a resolution of the Board of Directors, Mr Gideon Meltzer (or his nominee) be issued fully ordinary shares in the capital of the Company, under Share Loan Plan, up to the value of \$16,000 in satisfaction of his part remuneration for the 12 months period to September 2015, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice and with such shares to be free from restriction and freely tradeable with effect from the date of issue."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by a director of the Company and any associate of that person.

However, the Company will not disregard a vote if it is cast:

- a) by any such person and any of his associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) 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.

In addition pursuant to the Corporations Act, the Company's KMP or closely related person are not permitted to cast a vote as a Proxy for a person permitted to vote, unless the Proxy form either:

- expressly authorises and directs the way the proxy is to vote on Resolution 8 or
- expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote.

Resolution 9: Issue of Shares to Director- Mr Steven Bendel in lieu of Director Remuneration

"Subject to approval of Resolution 6 and that, for the purpose of ASX Listing Rule 10.14 and in accordance with a resolution of the Board of Directors, Mr Steven Bendel (or his nominee) be issued fully ordinary shares in the capital of the Company, under Share Loan Plan, up to the value of \$16,000 in satisfaction of his part remuneration for the 12 months period to September 2015, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice and with such shares to be free from restriction and freely tradeable with effect from the date of issue."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by a director of the Company and any associate of that person.

However, the Company will not disregard a vote if it is cast:

- a) by any such person and any of his associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) 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.

In addition pursuant to the Corporations Act, the Company's KMP or closely related person are not permitted to cast a vote as a Proxy for a person permitted to vote, unless the Proxy form either:

- expressly authorises and directs the way the proxy is to vote on Resolution 9 or
- expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote.

Resolution 10: Issue of Shares to Managing Director- Dr Frank Glatz as short term incentive

"Subject to approval of Resolution 6 and that, for the purpose of ASX Listing Rule 10.14 and in accordance with a resolution of the Board of Directors, Dr Frank Glatz (or his nominee) be issued fully ordinary shares in the capital of the Company, under Share Loan Plan, up to the value of \$125,000 as short term incentive, on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice and such shares to be free from restriction and freely tradeable with effect from the date of issue."

Voting Exclusion Statement:

The Company will disregard any votes cast on the Resolution by a director of the Company and any associate of that person.

However, the Company will not disregard a vote if it is cast:

- a) by any such person and any of his associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) 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.

In addition pursuant to the Corporations Act, the Company's KMP or closely related person are not permitted to cast a vote as a Proxy for a person permitted to vote, unless the Proxy form either:

- expressly authorises and directs the way the proxy is to vote on Resolution 10 or
- expressly authorises the Chairman of the Meeting to exercise the undirected proxy vote.

SPECIAL RESOLUTION

To consider, and if thought fit, to pass, with or without amendment, the following **special resolution**:

Resolution 11: Approval of 10% placement facility

"That, pursuant to and in accordance with Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of Equity Securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion Statement

The Company will disregard any votes cast on this Resolution by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of Shares, if this Resolution is passed.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman 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.

PROXIES

Appointing a proxy

Members are entitled to appoint up to two proxies to act generally at the Annual General Meeting on their behalf, and to vote in accordance with their directions on the Proxy Form. A proxy need not be a Member. A personalised Proxy Form is attached to this Notice of Annual General Meeting.

Where two proxies are appointed, each proxy can be appointed to represent a specified proportion or number of the votes of the member. If no number or proportion of votes is specified, each proxy may exercise half of the member's votes. Neither proxy is entitled to vote on a show of hands if more than one proxy attends the Annual General Meeting.

If you appoint a proxy, the Company encourages you to direct your proxy how to vote on each resolution by marking the appropriate boxes on the Proxy Form.

Completed Proxy Forms (together with any authority under which the Proxy Form was signed, or a certified copy of the authority) must be returned by 10.00 am on 26th November 2014.

- by mail to Share Registry – Advanced Share Registry, PO Box 1156, Nedlands, Western Australia -6909
- personally to Share Registry-Advanced Share Registry, 110 Stirling Highway, Nedlands, Western Australia- 6009
- by facsimile to + 61 (08) 9262 3723

Further instructions are on the reverse of the Proxy Form.

Undirected Proxies and Voting Restrictions

Where permitted, the Chairman of the Annual General Meeting will vote undirected proxies in favour of all the resolutions (including Resolution 1, 6, 7, 8, 9 & 10). This will be on the basis that the Proxy Form expressly authorises the Chairman to vote undirected proxies even if the resolution is connected directly or indirectly with the remuneration of the Company's Key Management Personnel.

If you appoint a Director (other than the Chairman of the meeting), or any of the Company's other key management personnel or a closely related party of that person, as your proxy and do not direct your proxy how to vote on Resolutions 1, 6, 7, 8, 9 & 10 the proxy will not be permitted to vote as your proxy on those resolutions. **Accordingly, if you want your vote to be counted on those resolutions, you should direct your proxy how to vote in respect of those resolutions.**

Corporate representation

A corporation which is a member, or which has been appointed a proxy, may appoint an individual to act as a representative to vote at the Annual General Meeting. The appointment must comply with section 250D of the Corporation Act. The representative should bring to the Annual General Meeting evidence of his or her appointment unless it has previously been provided to the Share Registry.

VOTING EXCLUSION

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a 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 Annual General 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.

ENTITLEMENT TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING

All members may attend the Annual General Meeting. The Directors have determined that for the purposes of voting at the meeting, shares will be taken to be held by the persons who are registered as the holders of those shares as at 7 pm (AEDST) on 26th November 2014.

By Order of the Board of
Cardia Bioplastics Limited

Rekha Bhambhani
Company Secretary
Dated: 27 October 2014

The accompanying Explanatory Memorandum and Proxy Form including Voting instructions form part of this Notice of Annual General Meeting

EXPLANATORY MEMORANDUM TO NOTICE OF ANNUAL GENERAL MEETING

This Explanatory Memorandum accompanies and forms part of the Cardia Bioplastics Limited ("Cardia" or "the Company") Notice of Annual General Meeting to be held on 28th November 2014 at 10.00 am (AEDST). The Notice of Annual General Meeting should be read together with this explanatory memorandum.

BUSINESS

2014 ANNUAL REPORT

To receive and consider the Annual Financial Report of the Company for the year ended 30 June 2014, comprising the Financial Report, the Directors' Report and the Auditor's Report.

Under the Corporations Act 2001, the directors of a public company that is required to hold an Annual General Meeting must table the financial statements and reports of the Company for the previous year for discussion by the members at that annual general meeting.

Shareholders have been provided with all relevant information concerning the Company's financial statements for the year ended 30 June 2014 in the Annual Report.

A Copy of the Annual Report is enclosed with this Notice for those shareholders who have requested it.

Shareholders should note that the sole purpose of tabling the Annual Report of the Company at the Annual General Meeting is to provide the shareholders with the opportunity to ask questions or discuss matters arising there from at the meeting. At the meeting, a representative of the Company's auditors, William Buck will be available to answer any questions of the members.

It is not the purpose of the meeting that the financial statements be approved, rejected or modified in any way. Further as it is not required by the Corporations Act, no resolution to adopt, receive or consider the statements will be put to the meeting.

NON-BINDING RESOLUTION

1. Resolution 1: Adoption of Remuneration Report

1.1 Background

Pursuant to section 250R(2) of the Corporations Act, at the Annual General Meeting, the Company must propose a resolution that the Remuneration Report be adopted.

The Remuneration Report is contained within the 2014 Annual Report. You may access the Annual Report by visiting the Company's website www.cardiabioplastics.com or you may order a hard copy of the Annual Report by phoning +61 (0) 3 95620122. The Remuneration Report :

- explains the Board's policy for determining the nature and amount of remuneration of executive Directors and senior management of the Company;
- explains the relationship between the Board's remuneration policy and the Company's performance;
- sets out remuneration details for each Director and the most highly remunerated senior management of the Company; and
- details and explains any performance conditions applicable to the remuneration of executive Directors and senior management of the Company.

The purpose of Resolution 1 is to lay before the shareholders the Company's Remuneration Report so that shareholders may ask questions about or make comments on the management of the Company in accordance with the requirements of the Corporations Act and vote on a non-binding resolution to adopt the Remuneration Report for the year ended 30 June 2014.

The Chairman will allow a reasonable opportunity for Shareholders as a whole to ask about, or make comments on the Remuneration Report.

Section 250R (3) of the Corporations Act provides that Resolution 1 is advisory only and does not bind the Directors of the Company of itself, a failure of Shareholders to pass Resolution 1 will not require the Directors to alter any of the arrangements in the Remuneration Report.

However, the Corporations Act has been amended by the Corporations Amendment (Improving Accountability on Director of the Company and Executive Remuneration) Act 2011 (**Director and Executive Remuneration Act**) which received the Royal Assent on 27 June 2011 and came into effect on 1 July 2011.

The Director and Executive Remuneration Act introduced new sections 250U and 250Y, amongst others, into the Corporations Act, giving Shareholders the opportunity to remove the Board if the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings (**Two Strikes Rule**).

Under the Two Strikes Rule, where a resolution on the Remuneration Report receives a 'no' vote of 25% or more at two consecutive annual general meetings, the Company will be required to put to shareholders at the second annual general meeting a further resolution (the 'spill resolution') on whether another meeting (known as "spill meeting") should be held (within 90 days) at which all Directors (other than the Managing director and any directors appointed since the applicable Directors' Report was approved by the Board) who were in office at the date of approval of the applicable Directors' Report must stand for re-election.

If the spill resolution is approved at the annual general meeting by a simple majority of 50% or more of the eligible votes cast, the spill meeting must be held within 90 days of that second annual general to consider the composition of the Board.

The Company's 2012 Remuneration Report **received** a "no" vote of 25% or more shareholders whereas 2013 Remuneration Report **did not** receive a "no" vote of 25% or more when they were tabled at the respective Annual General Meetings.

Shareholders will be given a reasonable opportunity at the Meeting to ask questions about, and make comments on, the Remuneration Report and the Company's remuneration arrangements.

Where permitted, the Chairman intends to exercise all undirected proxies in favour of Resolution 1.

1.2 Voting exclusion statement

For the purposes of the voting exclusion statement:

- (a) the "key management personnel" for the Company and its subsidiaries are those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its subsidiaries either directly or indirectly. The Key management personnel for the Company and its subsidiaries during the year ended 30 June 2014 are listed in the Annual Financial Report of the Company; and
- (b) a 'closely related party' of a member of the key management personnel for the Company and its subsidiaries means:
 - (i) a spouse or child of the member;
 - (ii) a child of the member's spouse;
 - (iii) a dependant of the member or of the member's spouse;
 - (iv) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity; or
 - (v) a company the member controls.

The Company will also apply these voting exclusions to persons appointed as attorney by a member to attend and vote at the meeting under a power of attorney- on the basis that references to persons attending and voting are read as references to persons attending and voting and references to an instrument under which the proxy is appointed are read as references to the power of attorney under which the attorney is appointed.

1.3 Directors' Recommendation

The Directors unanimously recommend that members vote **in favour** of Resolution 1.

ORDINARY RESOLUTIONS

2. Resolution 2: Re-election of Director- Mr. Richard Tegoni

2.1 Background

In accordance with ASX Listing Rule 14.5 and Clause 4.3 of the Company's Constitution, at every Annual General Meeting, one-third of the directors (excluding the Managing Director) must retire from office and are eligible for re-election. The directors to retire are those who

have been longest in office since their appointment or last re-appointment, or, if the directors have been in office for an equal length of time, by agreement.

Mr. Richard Tegoni retires in accordance with the Company's Constitution and being eligible for re-election has consented to be re-elected and presents himself for re-election. He is 46 years of age and was appointed a non-executive director on 21 December 2012, have assumed role of Non-Executive Chairman effective 18 October 2013 and Executive Chairman effective 16 September 2014.

Information about Mr. Tegoni is contained in the 2014 Annual Report.

2.2 Directors' Recommendation

The Directors (other than Mr. Tegoni) recommend that members vote **in favour** of Resolution 2.

3. Resolution 3: Re-election of Director- Mr. Gideon Meltzer

3.1 Background

In accordance with ASX Listing Rule 14.4 and Clause 4.2 of the Company's Constitution, at every Annual General Meeting each director appointed since the last Annual General Meeting must retire from office and is eligible for re-election.

Mr. Gideon Meltzer retires in accordance with the Company's Constitution and being eligible for re-election has consented to be re-elected and presents himself for re-election. He is 46 years of age and was appointed a non-executive director on 7 November 2013.

Mr. Meltzer's qualifications include Bachelor of Economics and Bachelor of Law along with a Graduate Diploma in Taxation Law from Monash University.

Mr. Meltzer comes with significant Capital Markets and Corporate and Commercial experience having served as General Counsel and Company Secretary at an ASX S&P 200 company and smaller capped listed companies where he advised the boards on a range of corporate transactions and governance.

Information about Mr. Meltzer is also contained in the 2014 Annual Report.

3.2 Directors' Recommendation

The Directors (other than Mr. Meltzer) recommend that members vote **in favour** of Resolution 3.

4. Resolution 4: Ratification of Issue of Shares to Professional and Sophisticated Investors

4.1 Background

On 14 November 2013, the Company raised \$628,603 (before costs) via placement offer to professional and sophisticated investors. A total of 209,534,237 fully paid ordinary shares were issued at 0.3 cents (\$0.003) per share.

These shares were issued under the Company's 15% placement capacity available pursuant to Listing Rule 7.1

Funds raised via placement have been used for general working capital requirements of the Company.

4.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that without the approval of shareholders the Company must not issue or agree to issue more securities if such issue, when aggregated with the securities issued by the Company during the previous 12 months, would be an amount that would exceed 15% of the issued shares at the commencement of that 12 month period, unless an exception in ASX Listing Rule 7.2 applies.

In addition, ASX Listing Rule 7.1A provides that the Company can place a further 10% of its issued capital where it has prior approval from shareholders.

ASX Listing Rule 7.4 further provides that an issue of securities without approval of shareholders under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if:

- a) the issue of securities did not breach ASX Listing Rule 7.1; and
- b) holders of ordinary securities subsequently approve the issue.

By Resolution 4, the Company is seeking shareholders' approval under ASX Listing Rule 7.4 to ratify the prior allotment and issue of 209,534,237 fully paid ordinary shares, so as to refresh the Company's 15% placement capacity accordingly, pursuant to ASX Listing Rule 7.1.

4.3 Technical information required by ASX Listing Rule 7.5

In compliance with ASX Listing Rule 7.5, the following information is provided:

- **Number of securities issued or to be pursuant to Resolution 4**
209,534,237 Ordinary shares were issued pursuant to ASX Listing Rule 7.1.
- **Issue price of securities**
\$0.003 per Share
- **Terms of securities**
All Shares were issued as fully paid ordinary shares ranking equally with existing shares.
- **Names of allottees or the basis on which allottees were determined**
 - The Shares were issued to clients of Patersons Securities Ltd, specifically professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the Corporation Act 2001) and no related parties were involved.
- **Intended use of the funds raised**
Funds raised have been used for the general working capital requirements of the Company.
- **Voting Exclusion Statement**
A voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum.

4.4 Directors' Recommendation

The Board recommends that members vote in favour of Resolution 4.

5. Resolution 5: Ratification of Issue of Shares and Options to Professional and Sophisticated Investors

5.1 Background

On 6 March 2014, the Company raised \$355,000 via placement offer to professional and sophisticated investors on the following terms:

- Issue of 118,333,333 fully paid ordinary shares at an issue price of \$0.003 per share with one free new option for every three new shares subscribed.
- New Options have an exercise price of \$0.006 and are exercisable on or before 31 December 2014.

118,333,333 fully paid ordinary shares and 39,444,444 free attaching options were issued under the Company's placement capacity available pursuant to Listing Rule 7.1

Funds raised via placement are being used for general working capital requirements of the Company.

5.2 ASX Listing Rule 7.4

ASX Listing Rule 7.1 provides that without the approval of shareholders the Company must not issue or agree to issue more securities if such issue, when aggregated with the securities issued by the Company during the previous 12 months, would be an amount that would exceed 15% of the issued shares at the commencement of that 12 month period, unless an exception in ASX Listing Rule 7.2 applies.

ASX Listing Rule 7.4 further provides that an issue of securities without approval of shareholders under ASX Listing Rule 7.1 is treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if:

- a) the issue of securities did not breach ASX Listing Rule 7.1; and
- b) holders of ordinary securities subsequently approve the issue.

By Resolution 5, the Company is seeking members' approval under ASX Listing Rule 7.4 to ratify the prior allotment and issue of 118,333,333 fully paid ordinary shares and 39,444,444 free attaching options, so as to refresh the Company's 15% placement capacity accordingly, pursuant to ASX Listing Rule 7.1.

5.3 Technical information required by ASX Listing Rule 7.5

In compliance with ASX Listing Rule 7.5, the following information is provided:

- **Number of securities to be issued pursuant to Resolution 5**
118,333,333 fully paid ordinary shares and 39,444,444 free attaching options (expiry 31 December 2014).
- **Issue price of securities**
Share were issued at an issue price of \$0.003 per share and options were issued free of cost.
- **Terms of securities**
All Shares were issued as fully paid ordinary shares ranking equally with existing shares. New Options have an exercise price of \$0.006 and are exercisable on or before 31 December 2014. Upon exercise, new options will rank equally with then ordinary shares on issue.
- **Names of allottees or the basis on which allottees were determined**
The Shares were issued to professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the Corporation Act 2001) and no related parties were involved.
- **Intended use of the funds raised**
Funds raised are being used for the general working capital requirements of the Company.
- **Voting Exclusion Statement**
A voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum.

5.4 Directors' Recommendation

The Board recommends that members vote in favour of Resolution 5.

6. Resolution 6: Approval of Loan Share Plan

6.1. Background

The Board remains committed to incentivising and retaining the Company's directors and other personnel in a manner which promotes alignment of their interests with shareholder interests, while at the same time offering eligible participants market-competitive remuneration arrangements.

At the same time, the Company desires to maintain maximum ability to raise capital in accordance with the ASX Listing Rules.

The Company had last adopted employee share option plan in 2011 AGM which expires on 28 November 2014.

The Board has approved the new Plan and now seeks shareholder approval of the Plan for the purposes of ASX Listing Rule 7.2 Exception 9 and section 259B of the Corporations Act 2001 (Cth).

Corporations Act 2001 (Cth)

The terms of the Plan include a requirement that where the Company grants a loan to the employee pursuant to the Loan Terms (**Loan**), the Company will take security over the Loan Shares as security for repayment of that Loan. In order to hold such security over the Company's shares, the Company seeks approval for the taking of the security over its own shares under the Plan for the purposes of section 259B of the Corporations Act 2001 (Cth).

ASX Listing Rules

Listing Rule 7.1 requires shareholder approval for an issue of equity securities if, over a rolling 12 month period, the amount of equity securities issued (without prior shareholder approval) is more than 15% of the number of ordinary shares on issue at the start of that 12 month period.

Listing Rule 7.2 exception 9 provides that an issue of securities under an employee incentive scheme does not detract from the available 15% limit under Listing Rule 7.1 if the issue of securities is made under an employee incentive scheme and that employee incentive scheme was approved by shareholders no more than three years before the date of issue of the securities. The Loan Share Plan is regarded as an employee incentive scheme for the purposes of Listing Rule 7.2.

The Company intends that the issue of shares under the Loan Share Plan not be included when undertaking the 15% calculation pursuant to Listing Rule 7.1. Accordingly, it is seeking shareholder approval in order for the Company to be able to issue shares pursuant to the Loan Share Plan and have those shares qualify under exception 9 to Listing Rule 7.2.

6.2 Information required for Listing Rule 7.2 Exception 9(b)

Listing Rule 7.2 Exception 9(b) requires the information detailed in sections (a), (b) and (c) below to be provided to members for approval under this resolution:

(a) *Shares already issued*

The Company has not previously issued any shares pursuant to the Loan Share Plan.

(b) *Loan Share Plan Summary*

From time to time, and in its absolute discretion, the Board will invite employees and other eligible persons (including the Directors) to subscribe for Loan Shares under the Plan at a price to be determined by the Board in its discretion as being an arm's length market value (**Issue Price**) and, if the Board considers appropriate, for those persons to receive a limited recourse loan for all or part of the subscription price for those Loan Shares (**Loan**).

The key terms of each limited recourse loan provided under the Plan (**Loan Terms**) are as follows:

- (i) the loan may only be applied towards the subscription price for the Loan Shares;
- (ii) the loan will be interest free, provided that if the loan is not repaid by the repayment date set by the Board, the loan will incur interest at 9% per annum after that date (which will accrue on a daily basis and compound annually on the then **Outstanding Loan Balance** as defined in the Loan Agreement);
- (iii) by signing and returning a limited recourse loan application, the participants of the Plan (each a **Participant**) acknowledges and agrees that the Loan Shares will not be transferred, encumbered, otherwise disposed of, or have a security interest granted over it, by or on behalf of the Participant until the loan is repaid in full to the Company;
- (iv) the Company has security over the Loan Shares as security for repayment of the loan;
- (v) the loan becomes repayable on the earliest of:
 - (A) 5 years from the date on which the loan is advanced to the Participant;
 - (B) one month after the date of the Participant's resignation or cessation of office/engagement/employment (as the case may be) other than if the Participant is removed from office, if the Company does not renew the Participant's employment agreement or engagement terms, or where the Company dismisses the Participant other than for cause; and
 - (C) (by the legal personal representative of the Participant) six months after the Participant ceases to be an employee of the Company due to their death;the earliest date being the **Repayment Date**;
- (vi) notwithstanding paragraph (v) above, the Participant may repay all or part of the Loan at any time before the Repayment Date; and

- (vii) the Loan will be limited recourse such that on the Repayment Date the repayment obligation under the Loan will be limited to the lesser of:
 - (A) the Outstanding Loan Balance, and
 - (B) the realisable value of the Loan Shares on that date.

In addition, where the Participant has elected for the Loan Shares to be provided to the Company in full satisfaction of the Loan, the Company must accept the Loan Shares as full settlement of the repayment obligation under the Loan.

- (viii) The Loan Shares will rank equally with all other fully paid ordinary shares on issue in the capital of the Company. Holders of Loan Shares will be entitled to exercise all voting rights attaching to those Loan Shares in accordance with the Company's constitution. In addition, holders of Loan Shares will be entitled to participate in dividends declared and paid by the Company in accordance with the Company's constitution.
- (ix) The Loan Shares may only be sold by a Participant where the Participant has been granted a Loan and the Loan has been repaid in full (otherwise any dealing by the Participant in the Loan Shares is prohibited without the prior written consent of the Company).
- (x) If the Loan becomes due and payable under the Loan Terms and the Participant has not repaid the Outstanding Loan Balance in full within 21 days of the due date, then the Participant will forfeit their interest in the Loan Shares as full consideration for the repayment of the Outstanding Loan Balance, and the Company may either (at its election) take such action in the Participant's name or direct that the Participant take such action in relation to the Loan Shares as the Company considers appropriate, which may include but is not limited to the Company undertaking a buy-back of the Loan Shares or selling the Loan Shares.
- (xi) the Application for the Loan Shares to be executed by a Participant constitutes the appointment by the Participant of the Company to be its attorney under a power of attorney and to do all acts or things in his or her name on his or her behalf which may be necessary for the purpose of giving effect to this Plan, including power to effect an application of all proceeds that would have otherwise been provided or due to the Participant on a transfer, buy back or capital reduction of the Loan Shares solely in satisfaction of the Outstanding Loan Balance.

Copies of the rules of the Plan are available for inspection at the Company's registered office and will be provided without charge to shareholders on request.

(c) *Voting Exclusion Statement*

A voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum

6.3 Director Recommendation

The Directors abstain from making a voting recommendation to shareholders with respect to this Resolution 6.

7. Resolutions 7, 8 & 9: Issue of shares to M/s Richard Tegoni, Gid Meltzer and Steven Bendel under Share Loan Plan in lieu of Director Fees.

7.1 Background

As announced to the market, Mr. Richard Tegoni has assumed the role of Executive Chairman effective 16 September 2014, reflecting his continued close involvement with the prioritisation and implementation of Cardia's core business strategy.

The Board has further resolved to amend the remuneration arrangements effective 1 October 2014 of all the Directors reflecting their continued support and commitment to the Company and provision of time and their services to the Company, so far, at heavily discounted rates.

Further to preserve the Company's cash flow during the current growth phase, the Directors have agreed to accept part of their remuneration to be paid by issue of shares.

As per the new arrangements, Mr. Tegoni will to be paid \$100,000 per annum as his remuneration of which he has agreed to accept 60% (\$60,000) of remuneration to be paid by issue of shares.

As per the new arrangements, Mr. Meltzer and Mr. Bendel will to be paid \$40,000 per annum each as their remuneration of which each of them has agreed to accept 40% (\$16,000) of remuneration to be paid by issue of shares.

To the extent that Shareholders do not approve the issue of shares, Directors' respective share component of remuneration will be paid in cash.

Issue of Shares under Loan Share Plan to the Directors is subject to the Shareholders' approval to Resolution 6.

7.2 ASX Listing Rule 10.14

Whilst the Board can make offers to issue shares to Directors under Loan Share Plan; allotment is not able to proceed until after Shareholder approval is obtained under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must not permit a director of that entity to acquire securities under an employee incentive scheme without the approval of the members in general meeting, where the Notice of Meeting complies with the requirements of Listing Rule 10.15.

By Resolution 7, the Company is seeking shareholders' approval under ASX Listing Rule 10.14 to issue fully paid ordinary shares to Mr. Richard Tegoni, under Loan Share Plan, up to the value of \$60,000 by way of salary sacrifice of his part remuneration (60%), in accordance with the Resolution of the Board. Shares will be issued at quarterly intervals for the share component of remuneration due for that particular quarter (\$15,000 each quarter).

By Resolution 8, the Company is seeking shareholders' approval under ASX Listing Rule 10.14 fully paid ordinary shares to Mr. Gideon Meltzer, under Loan Share Plan, up to the value of \$16,000, by way of salary sacrifice of his part remuneration (40%), in accordance with the Resolution of the Board. Shares will be issued at quarterly intervals for the share component of remuneration due for that particular quarter (\$4,000 each quarter).

By Resolution 9, the Company is seeking shareholders' approval under ASX Listing Rule 10.14 fully paid ordinary shares to Mr. Steven Bendel, under Loan Share Plan, up to the value of \$16,000, by way of salary sacrifice of his part remuneration (40%), in accordance with the Resolution of the Board. Shares will be issued at quarterly intervals for the share component of remuneration due for that particular quarter (\$4,000 each quarter).

7.3 Technical information required by ASX Listing Rule 10.15

Pursuant to Listing Rule 10.15 the following information regarding Resolutions 7, 8 and 9 is provided to members:

- (a) Shares may be offered under the Share Loan Plan to Richard Tegoni, Gideon Meltzer and Steven Bendel (the Participating Directors) or their nominees
- (b) The share component of Directors' fees for the 12 months period ending 30 September 2015 will be as follows:
 - i) \$60,000 to Richard Tegoni (60% of Remuneration)
 - ii) \$16,000 to Gideon Meltzer (40% of Remuneration)
 - iii) \$16,000 to Steven Bendel (40% of Remuneration)
- (c) The maximum number of shares which may be issued to the Participating Directors is determined by the directors' remuneration that the Company has agreed to pay by issue of shares to the Participating Directors for the 12 months period ending on 30 September 2015 (\$92,000) divided by the deemed issue price of the shares calculated in accordance with paragraph (d) below. The number of Shares issued each quarter will be a function of the deemed issue price and the proportion of fees that the Company decides to satisfy through issue of Shares;
- (d) The Shares will be issued for nil cash consideration as they will be issued in satisfaction of part of the directors' remuneration agreed to be paid by the Company to the Participating Directors at quarterly intervals. The Shares will be deemed to have an issue price of no less than the volume weighted average sale price for each quarter of each year, subject to paragraph (c) above;
- (e) For the 12 months ending 30 September 2015, the maximum number of Shares that may be issued to the Participating Directors assuming a deemed issue price of \$0.003 per Share, being the closing share price to 20 October 2014, will be approximately 30,666,667 shares;
- (f) The Company had last adopted Employee Share Option Plan in November 2011, no shares have been issued to any Director or any other person under the Plan.

- (g) The Board may, from time to time at its absolute discretion, declare that any Director, Officer of the Company or a subsidiary of the Company is eligible to be offered to subscribe for Shares under the Share Loan Plan. The directors in office at the date of preparing this Notice of Meeting are Mr Richard Tegoni, Mr Steven Bendel, Mr Gideon Meltzer and Dr Frank Glatz who is the Company's Managing Director.
- (h) No loan will be provided in respect of the issue of Shares as they are being issued in consideration for Directors' remuneration which the Company has agreed to pay the Participating Directors for 12 months period to 30 September 2015.
- (i) The Shares will be issued to the Participating Directors within 12 months from the date of Annual General Meeting and will be issued on a quarterly basis according to the share component of Directors' remuneration owing to each of the Participating Director at that time, except to the extent the Company elects to pay the Directors' remuneration in cash.

7.4 Related Party Requirements of Chapter 2E of the Corporations Act 2001

Shareholder approval under Chapter 2E of the Corporations Act- Related Parties is not required because the Shares are being issued in satisfaction of Directors' remuneration owed by the Company to the Participating Directors on a quarterly basis. The issue of Shares constitutes reasonable remuneration in accordance with Section 211 of the Corporations Act that has been calculated on commercial terms, having regard to the circumstances of the Company.

The issue of the shares to M/s Tegoni, Meltzer and Bendel and their willingness to acquire same on the terms set out indicate the Participating Directors' confidence in the future of the Company.

7.5 Voting Exclusion Statement

A voting exclusion statement is included for each of the resolutions 7, 8 and 9 in the Notice accompanying the Explanatory Memorandum.

7.6 Director's recommendations

The Directors abstain from making any recommendation on Resolutions 7, 8 and 9.

8. Resolution 10: Issue of Shares to Managing Director- Dr Frank Glatz as short term incentive

8.1 Background

As announced to the market on 16 September 2014, the Board has resolved to amend the remuneration arrangements effective 1 October 2014 of all the Directors including remuneration of the Managing Director

As per the new arrangements, Dr Glatz's total remuneration would be \$342,400 of which \$125,000 will be at risk and will be paid to Dr. Glatz on quarterly basis as short term incentive, subject to Dr. Glatz meeting performance targets of revenue and margins set by the Board.

To preserve the Company's cash flow during the current growth phase, Dr. Glatz has agreed to receive short term incentive portion of his remuneration by issue of shares.

To the extent that Shareholders do not approve the issue of shares, short term incentive to Dr. Glatz will be paid in cash.

Issue of Shares under Loan Share Plan to Dr. Glatz is subject to the Shareholders' approval to Resolution 6.

8.2 ASX Listing Rule 10.14

Whilst the Board can make offers to issue shares to Directors under Loan Share Plan; allotment is not able to proceed until after Shareholder approval is obtained under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must not permit a director of that entity to acquire securities under an employee incentive scheme without the approval of the members in general meeting, where the Notice of Meeting complies with the requirements of Listing Rule 10.15.

By Resolution 10, the Company is seeking shareholders' approval under ASX Listing Rule 10.14 fully paid ordinary shares to Dr. Glatz, under Loan Share Plan, up to the value of \$125,000, by way of short term incentive as part of his remuneration arrangements, as per the Resolution of the Board. Shares will be issued in equal instalments at quarterly intervals subject to Dr. Glatz being able to satisfy quarterly performance targets set up by the Board. (\$31,250 each quarter).

8.3 Technical information required by ASX Listing Rule 10.15

Pursuant to Listing Rule 10.15 the following information regarding Resolution 10 is provided to members:

- (a) Shares may be offered under the Loan Share Plan to Dr. Glatz or his nominee
- (b) Total short term incentive payable to Dr. Glatz for the 12 months period ending 30 September 2015 will be as \$125,000;
- (c) The maximum number of shares which may be issued to Dr. Glatz is determined by the short term incentive that the Company has agreed to pay by issue of shares to Dr. Glatz for the 12 months period ending on 30 September 2015 (\$125,000) divided by the deemed issue price of the shares calculated in accordance with paragraph (d) below. The number of Shares issued each quarter will be a function of the deemed issue price and the proportion of incentive that the Company decides to satisfy through issue of Shares;
- (d) The Shares will be issued for nil cash consideration as they will be issued in satisfaction of part of the remuneration arrangements agreed to be paid by the Company to Dr. Glatz at quarterly intervals. The Shares will be deemed to have an issue price of no less than the volume weighted average sale price for each quarter of each year, subject to paragraph (c) above;
- (e) For the 12 months ending 30 September 2015, the maximum number of Shares that may be issued to Dr. Glatz assuming a deemed issue price of \$0.003 per Share, being the closing share price to 20 October 2014, will be approximately 41,666,667 shares;
- (f) The Company had last adopted Employee Share Option Plan in November 2011, no shares have been issued to any Director or any other person under the Plan.
- (g) The Board may, from time to time at its absolute discretion, declare that any director, Officer of the Company or a subsidiary of the Company is eligible to be offered to subscribe for Shares under the Share Loan Plan. The directors in office at the date of preparing this Notice of Meeting are Mr Richard Tegoni, Mr Steven Bendel, Mr Gideon Meltzer and Dr Frank Glatz who is the Company's Managing Director.
- (h) No loan will be provided in respect of the issue of Shares as they are being issued in consideration for Directors' remuneration which the Company has agreed to pay to Dr. Glatz for 12 months period to 30 September 2015.
- (i) The Shares will be issued to Dr. Glatz within 12 months from the date of Annual General Meeting and will be issued on a quarterly basis according to the incentive owing to Dr. Glatz at that time, except to the extent the Company elects to pay Dr. Glatz's short term incentive in cash.

8.4 Related Party Requirements of Chapter 2E of the Corporations Act 2001

Shareholder approval under Chapter 2E of the Corporations Act- Related Parties is not required because the Shares are being issued in satisfaction of Directors' remuneration that will be owed by the Company to Dr. Glatz on a quarterly basis. The issue of Shares constitutes reasonable remuneration in accordance with Section 211 of the Corporations Act that has been calculated on commercial terms, having regard to the circumstances of the Company.

8.5 Voting Exclusion Statement

A voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum

8.6 Director's recommendations

The Directors abstain from making any recommendation to the Resolution 10.

SPECIAL RESOLUTION

9. Resolution 11: Approval of 10% placement facility

9.1 Background

Listing Rule 7.1A came into effect on 1 August 2012 and enables eligible entities to issue Equity Securities up to 10% of its issued share capital through placements over a 12 month period after the annual general meeting (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less.

The Company is an eligible entity for the purposes of Listing Rule 7.1A as it is not included in the S&P /ASX 300 Index and has a market capitalisation of approximately \$11.14 million as at 20th October 2014.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility.

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 9.2(c) below).

The effect of Resolution 11 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the period up to 12 months after the Meeting without subsequent Shareholder approval and without using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 11 is a special resolution and therefore requires approval of 75% of the votes cast by Shareholders' present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

9.2 ASX Listing Rule 7.1A

a) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

b) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company as at the date of the Notice has on issue two classes of Equity Securities, Shares and Listed Options.

c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of Equity Securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the date of issue or agreement:

- A) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- B) plus the number of partly paid shares that became fully paid in the 12 months;
- C) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- D) less the number of fully paid shares cancelled in the 12 months.

Note that A has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of Equity Securities under or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of shareholders under Listing Rules 7.1 or 7.4.

d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of this Notice, the Company has on issue **3,714,432,502** ordinary shares and has a capacity to issue:

- (i) **557,164,875** equity securities under Listing Rule 7.1 subject to shareholders' approval being obtained under Resolutions 4,5 ; and
- (ii) subject to Shareholders' approval being obtained under Resolutions 4, 5 and 11, **371,443,250** equity securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to 9.2(c) above).

e) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price of Equity Securities in the same class calculated over the 15 ASX trading days immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

f) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

9.3 Information required by ASX Listing Rule 7.3A

ASX Listing Rule 7.3A sets out a number of matters which must be included in a notice of meeting seeking an approval under ASX Listing Rule 7.1A. The following information is provided for the purposes of Listing Rule 7.3A:

- a) The Equity Securities will be issued at an issue price of not less than 75% of the volume weighted average price for the Company's Equity Securities over the 15 ASX trading days immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- b) If Resolution 11 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, the existing Shareholders' voting power in the Company will be diluted as shown in the table below. There is a risk that:
 - (i) the market price for the Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Equity Securities on the issue date,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below also shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A (2) as at the date of this Notice.

The table also shows:

- (i) two examples where variable "A" has increased, by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placement under Listing Rule 7.1 that are approved at a future Shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable "A" in Listing Rule 7.1A.2		Dilution		
		50% decrease in Current Issue Price	Current Issue Price	100% increase in Current Issue Price
		\$0.0015	\$0.003	\$0.006
3,714,432,502 Current Variable "A"	10% Voting dilution	371,443,250 Ordinary Shares	371,443,250 Ordinary Shares	371,443,250 Ordinary Shares
	Funds raised	\$557,165	\$1,114,330	\$2,228,660
5,571,648,753 50% increase in current Variable "A"	10% Voting dilution	557,164,875 Ordinary Shares	557,164,875 Ordinary Shares	557,164,875 Ordinary Shares
	Funds raised	\$835,747	\$1,671,495	\$3,342,989
7,428,865,004 100% increase in current Variable "A"	10% Voting dilution	742,886,500 Ordinary Shares	742,886,500 Ordinary Shares	742,886,500 Ordinary Shares
	Funds raised	\$1,114,330	\$2,228,660	\$4,457,319

The table has been prepared on the following assumptions:

- (i) The current issue price is \$0.003, being the closing price of the Company's Shares on ASX on 20th October 2014.
 - (ii) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
 - (iii) No Options are exercised into Shares before the date of the issue of the Equity Securities.
 - (iv) The 10% dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (v) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (vi) The issue of Equity Securities under the 10% Placement Facility consists only of Ordinary shares. If the issue of Equity Securities includes Listed Options, it is assumed that those Listed Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 11 for the issue of the Equity Securities will cease to be valid in the event that Shareholders approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).
- d) The Company seeks to issue the Equity Securities for the following purposes:
- for cash consideration in which case the Company intends to use the funds raised for working capital purposes mainly to cover for
 - a) marketing and distribution expenses of the Company's products;
 - b) research and development of existing and new product applications;
 - c) maintenance of intellectual property;
 - d) staff and office costs, audit and compliance expenses, and ASX fees;
 - e) for general working capital float to maintain minimum levels of inventories and cash liquidity in the business.
- e) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of the Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the purpose of the issue;
 - (ii) alternative methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
 - (iii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iv) the circumstances of the Company, including ,but not limited to, the financial situation and solvency of the Company; and
 - (v) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing substantial Shareholders and/or new Shareholders who are not related parties or associates of a related party of the Company.

- f) For the purposes of Listing Rule 7.3A.6 the following information is provided.

The Company obtained Shareholder approval for the 10% Placement Capacity at its 2013 Annual General Meeting.

The table below shows the total number of equity securities issued in the past 12 months preceding the date of the Annual General Meeting and the percentages those issues represent of the total number of equity securities on the issue at the commencement of the 12 month period.

Equity securities issued in the prior 12 month period	1,227,874,571 ordinary shares and 339,444,317 options Of the above ordinary shares issued, no ordinary shares were issued under 10% placement capacity.
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	55.82%

The table below along with notes set out specific details for each issue of equity securities that have taken place in the 12 month period preceding the date of the Annual General Meeting.

Note	Date	Number of Equity Securities Issued	Class of Equity Securities Issued	Name of Person to Whom Equity Securities were issued to	Issue Price	Discount	Cash Consideration & Use/Intended Use of Funds
1	14/11/2013	209,534,237	Ordinary Shares	Professional & Sophisticated Investors	0.3 Cents/ Share	NIL	\$628,603 For Working Capital
2	6/3/2014	118,333,333	Ordinary Shares	Professional & Sophisticated Investors	0.3 Cents/ Share	NIL	\$355,00 For Working Capital
3	25/3/2014	7,000	Ordinary Shares	Issue of shares on exercise of options	1.5 Cents/ Share	NIL	\$105 For Working Capital
4	11/4/2014	900,000,001	Ordinary Shares	Various Shareholders	0.3 Cents/ Share	NIL	\$2,700,000 For Working Capital
5	11/4/2014	39,444,444	Options	Professional & Sophisticated Investors	Free of cost	NIL	NIL
6	11/4/2014	299,999,873	Options	Various Shareholders	Free of cost	NIL	NIL

Notes:

- 209,534,237 Ordinary shares were issued to Professional & Sophisticated Investors utilising Company's placement capacity under listing Rule 7.1. Ordinary Shares are fully paid ordinary shares in the capital of the Company with full entitlements to participate in dividends and to vote in meetings.
- The funds were raised via a share placement offered to sophisticated investors pursuant to the Company's placement capability under ASX Listing Rules 7.1. The terms of offer included issue of 118,333,333 fully paid ordinary shares at an issue price of \$0.003 per share with one free new option for every three new shares subscribed. 118,333,333 fully paid ordinary shares were issued on 6 March 2014, utilising the Company's 15% placement capacity. Ordinary Shares are fully paid ordinary shares in the capital of the Company with full entitlements to participate in dividends and to vote in meetings.
- 7,000 Ordinary shares were issued on exercise of similar number of June 2015 Expiry Options.
- 900,000,001 Ordinary shares were issued to various shareholders who participated in the Rights issue Offer announced on 6th March 2014. The Rights Issue Offer entitled shareholders to subscribe for one new share for every three shares held in Cardia at an issue price of \$0.003 (0.3 cents) each with one free attaching option (exercise price of \$0.006 each with an expiry date of 31 December 2014) for every three new shares subscribed for.

5. As part of the placement offer mentioned in Note 2 above, 39,444,444 free attaching new options were issued to investors who participated in the Offer. New Options have an exercise price of \$0.006 and an expiry date of 31 December 2014. New Options issued are listed securities.
6. As part of the Offer mentioned in Note 4 above, 299,999,783 free attaching new options were issued to the shareholders who participated in the Rights Issue Offer. New Options have an exercise price of \$0.006 and an expiry date of 31 December 2014. New Options issued are listed securities.

9.4 Information required by ASX Listing Rule 7.3A.7 (Voting Exclusion)

A voting exclusion statement is included in the Notice. At the date of the Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the Equity Securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

9.5 Directors' Recommendation

The Directors recommend that members vote **in favour** of Resolution 11.

OTHER MATTERS

The Directors are not aware of any other information that:

- (a) is reasonably required by members in order to decide whether or not it is in the Company's interests to pass each of the proposed resolutions; and,
- (b) is known to the Company or to any of its directors;

that has not previously been disclosed either direct to members or generally to the market in accordance with the Company's continuing disclosure obligations under the Listing Rules of ASX.

GLOSSARY

In this Notice and the Explanatory Memorandum:

- (a) **\$** means Australian Dollars
- (b) **10% Placement Facility** has the meaning given in **Section 9.1**
- (c) **10% Placement Period** has the meaning given in **Section 9.2**
- (d) **AEDST** means Australian Eastern Daylight Saving Time, being the time in Melbourne, Victoria, Australia.
- (e) **Annual Report** means the Directors' Report, the Financial Report and the Auditor's Report in respect to the financial year ended 30 June 2014.
- (f) **ASIC** means Australian Securities and Investments Commission.
- (g) **Associate** has the same meaning as in the Corporation Act.
- (h) **ASX** means ASX Limited or the Australian Securities Exchange, as the context requires.
- (i) **ASX Listing Rules** and **Listing Rules** means the listing rules of the ASX.
- (j) **Auditor** means the auditor of the Company.
- (k) **Auditor's Report** means the auditor's report on the Financial Report.
- (l) **Board** means the Directors of the Company as at the date of this Notice of Meeting.
- (m) **Chair** and **Chairman** means the person appointed to chair the Meeting.
- (n) **Cardia** and **Company** means Cardia Bioplastics Limited (ACN 064 755 237).
- (o) **Closely Related Party** has the meaning given in section 9 of the Corporations Act.
- (p) **Constitution** means the constitution of the Company as at the commencement of the Meeting.
- (q) **Corporations Act** means the Corporations Act 2001 (Cth).
- (r) **Director** means a director of the Company.
- (s) **Equity Securities** has the meaning as in the ASX Listing Rules.
- (t) **Explanatory Memorandum** means the explanatory memorandum to the Notice of Meeting.
- (u) **Financial Report** means the annual financial report prepared under chapter 2M of the Corporations Act for the Company and its controlled entities.
- (v) **Key Management Personnel or KMP** means key management personnel as identified in the Remuneration Report for the financial year ended 30 June 2014.
- (w) **Loan Share Plan** means share plan as included in **Section 6**
- (x) **Managing Director** means the Managing Director of the Company.
- (y) **Option** means an option which entitles the holder to subscribe for a Share in the Company.
- (z) **Notice** or **Notice of Meeting** means this notice of Annual General Meeting.
- (aa) **Proxy Form** means the proxy form attached to the Notice of Meeting.
- (bb) **Remuneration Report** means the remuneration report contained in the Company's 2014 Annual Report.
- (cc) **Resolution** means a resolution contained in this Notice of Meeting.
- (dd) **Trading Day** means a day determined by ASX to be a trading day in accordance with the Listing Rules.
- (ee) **Share** means fully paid ordinary share in the capital of the Company.
- (ff) **Shareholder** means a shareholder of the Company.

In this Notice and the Explanatory Memorandum words importing the singular include the plural and vice versa.

CARDIA BIOPLASTICS LIMITED
(ACN 064755237)

Mr Sam Sample
Flat 123
123 Sample Street
Sampleville VIC 3030

All Registry communication to
Advanced Share Registry Ltd
PO Box 1156
Nedlands WA 6909

Telephone: (08) 93898033
Facsimile: (08) 92623723

Sequence No: 1234567890

PROXY FORM

STEP 1- Appointment of Proxy

I/We being a member/s of **Cardia Bioplastics Limited** and entitled to attend and vote hereby appoint

☐

the Chairman of the Meeting
(mark with an "X")

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Security holder) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the meeting, as my/our proxy at the Annual General Meeting of Cardia Bioplastics Limited to be held at Level 11, 409 St Kilda Road, Melbourne 3004 on 28th November 2014 at 10.00 am (AEDST) and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit unless I/We have appointed a Director, or any of the Company's other key management personnel or a closely related party of that person, as our proxy.

☐

The Chairman of the meeting is appointed as your proxy or may be appointed by default, and you do not wish to direct your proxy how to vote, please mark this box. By marking this box you expressly authorise the Chairman of the annual general meeting to exercise your proxy on Resolutions **1, 6, 7, 8, 9 & 10**. By marking this box, you acknowledge that the Chairman of the meeting may vote as your proxy even if he has an interest in the outcome of the resolution and votes cast by the Chairman of the meeting for those resolutions, other than as proxy holder, will be disregarded because of that interest. **The Chairman intends to vote undirected proxies in favour of all the Resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on a resolution if the Chairman has an interest in the outcome of that resolution, and your votes will not be counted in calculating the required majority if a poll is called. Accordingly, if you want your vote to be counted in respect of a resolution, you should direct your proxy how to vote in respect of it.

STEP 2- Voting directions to your Proxy-please mark ☒ to indicate your directions

	For	Against	Abstain *
Resolution 1 To adopt Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director- Mr. Richard Tegoni	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Director- Mr. Gideon Meltzer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Ratification of Issue of shares to Sophisticated and Professional Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Ratification of Issue of shares and options to Sophisticated and Professional Investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval of Share Loan Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Issue of Shares to Mr. Richard Tegoni in lieu of Director Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 Issue of Shares to Mr. Gideon Meltzer in lieu of Director Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 Issue of Shares to Mr. Steven Bendel in lieu of Director Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 Issue of Shares to Dr.Frank Glatz as short term incentive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 Approval of 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

*If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3- PLEASE SIGN HERE this section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security holder 1

Sole Director and Company Secretary

Security holder 2

Director

Security holder 3

Director/Company Secretary

Contact Name -----

Contact Daytime Telephone -----

Date / / 2014

Voting and Instructions for Appointment of Proxy:

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10.00 AM ON 26th NOVEMBER 2014.

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the meeting will be your proxy. A proxy need not be a member of the Company. Do not write the name of the issuer company or the registered member in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must provide evidence of his or her appointment by providing an "Appointment of Corporate Representative" form prior to admission. An Appointment of Corporate Representative form can be obtained from the company's Share Registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Share Registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such directions unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses unless you have appointed a Director, or any of the Company's other key management personnel or a closely related party of that person, as your proxy. If you mark more than one box on an item your vote on that item will be invalid. Where permitted, the Chairman of the meeting will vote undirected proxies in favour of all the items of business. This will be on the basis that the Proxy Form expressly authorises the Chairman to vote all undirected proxies even if the resolution is connected directly or indirectly with the remuneration of a Director.

If you appoint a Director (other than the Chairman of the meeting), or any of the Company's other key management personnel or a closely related party of that person, as your proxy and you do not direct your proxy how to vote on Resolutions 1,6,7,8,9 & 10, the proxy will not be permitted to vote your proxy on those resolutions. Accordingly, if you want your vote to be counted on those resolutions, you should direct your proxy how to vote in respect of it.

STEP 3 Sign the Form

The form must be signed as follows:

Individual: This form is to be signed by the member.

Joint Holding: Where the holding is in more than one name, all the members must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. Please indicate the office held by signing in the appropriate place.

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting at 10.00 a.m (AEDST) on 28th November 2014. Any Proxy Form received after that time will not be valid for the scheduled meeting. Proxies may be lodged with the Company's registry in any one of the following ways:

BY MAIL – Advanced Share Registry Limited

PO Box 1156,

Nedlands,

Western Australia- 6909

BY FAX- +61 (08) 92623723

IN PERSON – Advanced Share Registry Limited

110 Stirling Highway,

Nedlands

Western Australia -6009

Attending the Meeting: If you wish to attend the meeting please bring this form with you to assist registration.



ACN 064 755 237

Cardia Bioplastics Limited and Its Controlled Entities

ANNUAL REPORT 2014



The quality sustainable choice



The quality sustainable choice

2014

CONTENTS

3	CORPORATE DIRECTORY
4	CHAIRMAN'S REPORT
5	DIRECTORS' REPORT
25	AUDITOR'S INDEPENDENCE DECLARATION
26	CORPORATE GOVERNANCE STATEMENT
FINANCIAL REPORT	
29	STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31	STATEMENT OF FINANCIAL POSITION
32	STATEMENT OF CHANGES IN EQUITY
33	STATEMENT OF CASH FLOWS
34	NOTES TO THE FINANCIAL STATEMENTS
64	DIRECTORS' DECLARATION
65	INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS
67	SHAREHOLDERS' INFORMATION

CORPORATE DIRECTORY

The quality sustainable choice

2014

DIRECTORS:	Richard Tegoni (Chairman) Frank Peter Glatz (Managing Director) Steve Bendel Gideon Meltzer
COMPANY SECRETARY:	Rekha Bhambhani
REGISTERED OFFICE:	Unit 18, 35 Dunlop Road, Mulgrave VICTORIA 3170 Telephone (03) 95620122 Facsimile (03) 95620422 Email: info@cardiabiooplastics.com
SHARE REGISTRY:	Advanced Share Registry Limited 110 Stirling Highway, NEDLANDS W.A. 6009 Telephone: +61 8 9389 8033 Facsimile: +61 8 9389 7871
BANKERS:	Bank of Melbourne Level 8, 530 Collins Street, MELBOURNE VIC 3000
AUDITORS:	William Buck Level 20, 181 William Street, MELBOURNE, VIC 3000
LAWYERS:	Mills Oakley Lawyers St James Building Level 4, 121 William St, MELBOURNE, VIC 3000.
STOCK EXCHANGE:	Australian Securities Exchange Exchange Centre 20 Bridge Street, Sydney NSW 2000



The quality sustainable choice

2014

CHAIRMAN'S REPORT

Dear Shareholders,

On behalf of the Board of Cardia Bioplastics Limited ("Cardia" or the Company") I am very pleased to present the Audited Annual Report for the year ending 30 June 2014.

In what has been less than nine months since my appointment as Chairman and the appointment of Gid Meltzer and Steven Bendel as non-executive Directors, the Board of Cardia and management under the leadership of Dr Frank Glatz have been singularly focused on the implementation of its finished products strategy in the two prime markets of China and Brazil. Cardia's resin business remains a strategically critical element for Cardia's growth in the bioplastics market worldwide. Cardia is now positioned to expand organically through the vertical integration of Cardia's finished product capability and/or in step with the growth of the bioplastics market as demand for bioplastics solutions unfolds.

In August 2014 Cardia opened its film and bag manufacturing plant in São Paulo, Brazil with the capacity to produce over half a billion retail carry bags per annum. Initial contracts and orders from key customers have provided a promising start towards achieving sales of full production in our Brazilian plant. In July 2014, Cardia relocated its resin plant to a new state of the art complex in Nanjing, China and expanded its finished product manufacturing facility aimed at growing international bag sales while also taking back in-house the production of existing local government orders. Being less reliant on outsourcing of bag manufacturing, allows Cardia to offer superior service and quality of its sustainable product offering to customers while also improving margins.

The investment into Cardia's finished product strategy was supported by the successful rights issue which raised \$2,700,000 in April 2014. Cardia has announced numerous contracts for finished products in both China and Brazil that underpin this investment. Production from the new facilities and significantly expanded finished products capacity commenced in September 2014 and will drive Cardia's business growth in 2014/15.

The shift towards core bioplastics sales was evident in the 30 June 2014 results with core bioplastics sales growing by 27% to \$4,023,467 providing a pipeline which is expected to utilise Cardia's new finished product manufacturing capacity. Wholesale trading dropped to \$1,000,024 during the same period and overall sales revenues remain similar at \$5,023,491 (FY2013/14) compared to \$5,050,575 (FY2012/13). Wholesale trading is expected to remain relevant as it underpins Cardia's supply chain, however Cardia's focus will remain on core bioplastics sales of finished products and resins during 2014/15.

I wish to thank the Cardia Board and staff who have been fully committed to implementing our strategy and for contributing many hours of their personal time. I would also like to thank our shareholders and key stakeholders for maintaining their support during what has been a challenging transition period for the business.

In the short term Cardia aims to underpin the core operations in China and Brazil to expand sales in these regions and internationally. The Board will continue to consider similar opportunities that exist in other countries and regions that are likely to benefit from the growing need for communities to become more environmentally sustainable and where Cardia can effectively duplicate its existing business operations.



Richard Tegoni
Chairman

DIRECTOR'S REPORT

The quality sustainable choice

2014

The Directors present their report on the consolidated entity consisting of Cardia Bioplastics Limited ("Cardia" or the "Company") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2014.

DIRECTORS

The following persons were Directors of Cardia during the financial year and up to the date of this report:

Richard Tegoni (Chairman)
Frank Peter Glatz (Managing Director)
Steve Bendel (Appointed 7 October 2013)
Gideon Meltzer (Appointed 7 November 2013)
Patrick Volpe (Resigned 22 November 2013)
Chen Yi (Resigned 17 October 2013)

COMPANY SECRETARY

The Company Secretary is Rekha Bhambhani, B.Com, ACIS, ASA, ACA (ICAI), DISA (ICAI) who was appointed to the position on 10 August 2010. Miss Rekha Bhambhani has been Chief Financial Officer of Cardia for last 8 years and has also worked as an assistant with the previous Company Secretary- Mr John Wilson on company secretarial matters. Prior to that, she has worked in accounting and finance positions in India for more than 8 years.

PRINCIPAL ACTIVITIES

During the year the consolidated entity continued to carry its assets and interests under five business activities, namely:

- Biotechnology Agricultural;
- Biotechnology Medical;
- Environmental Technology;
- Natural Pharmaceuticals;
- Mineral Exploration.

The majority of operations during the year were directed towards the development of the Bioplastics business that falls under "Environmental Technology" business activity of the consolidated entity.

OPERATING RESULTS

The consolidated loss for the year attributable to the members of the Group was:

	2014 \$	2013 \$
Loss for the year after income tax	(2,607,729)	(3,060,140)
Loss/(Profit) attributable to non-controlling interests	(76)	2,467
Net Loss attributable to members of the Company	(2,607,805)	(3,057,673)

DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.





The quality sustainable choice

2014

DIRECTOR'S REPORT

REVIEW OF OPERATIONS:

The Company maintained its 5 business activities model with the majority of operational activities directed towards the development of the Bioplastics business.

The Company's equity interest in its biotechnology agricultural business-Bioglobal Limited remained at 3.90% of the issued capital of that Company. During the year, Cardia has sold its equity interest in P-Fuel Limited. P-Fuel Limited is the business focused on converting waste plastics and waste oils to diesel.

The Company's other assets and/or investments held under Natural Pharmaceuticals, Mineral Exploration business activities were immaterial in value and/or were inactive during the year.

The details of the operational activities during the year are below:

SUBSIDIARIES:

Cardia continued to hold 100% ownership in the following subsidiaries during the year and up to the date of this report:

CO₂ Starch Pty Ltd

During the year, CO₂ Starch Pty Ltd (CO₂S) has continued its research in renewable bioplastics derived from carbon dioxide in strategic partnership with the University of Sydney, Australia with approved funding from the Australian Research Council (ARC).

The partnership was formed to design and develop technology for the synthesis and purification of a renewable bioplastics derived from carbon dioxide and its blends with thermoplastic starch. The development of this technology aims to reduce the level of heavy metals, in particular zinc glutarate (ZnGA) used in the production of sustainable polypropylene carbonate polymers, to an acceptable level required to meet international compostability accreditation.

As a partner organization- CO₂ Starch Pty Ltd has agreed to provide financial and in-kind contributions over the three-year term of the agreement. The terms of the funding agreement remain confidential.

Subject to the research achieving milestones, CO₂ Starch Pty Ltd can earn exclusive marketing and distribution rights to the commercial application of the technology after funding any IP patent costs resulting from the research.

Cardia Bioplastics LLC (U.S. subsidiary)

Mr. James Beck, Cardia's Managing Director North America, continued to manage the operations of Cardia's U.S. subsidiary during the year. James joined Cardia in April 2009. Further details on sales and business activities for this geographical segment have been included in the "Operational Review".

Cardia Bioplasticos (Brasil) Ltda (Brazilian subsidiary)

Mr. João Paulo Mignot, Cardia's Managing Director Latin America, continued to manage the business operations in Brazil. João Paulo joined Cardia in November 2011. Cardia Bioplasticos has established itself as a reliable supplier of quality environmentally preferred retail carry bags to the Brazilian market and secured annual supply contracts with high profile Brazilian retailers during the year. In response to strong orders, Cardia Bioplasticos has set up its own film and bag manufacturing plant in São Paulo, Brazil that is expected to deliver a production capacity of 500 million retail carry bags per year. Further details on sales and business activities for this geographical segment have been included in the "Operational Review".

Cardia Bioplastics (Malaysia) Sdn Bhd (Malaysian subsidiary)

Mr. Iqbal Huq, Cardia's Managing Director Malaysia, continued to manage the business operations in Malaysia. Iqbal joined Cardia in May 2010. Further details on sales and business activities for this geographical segment have been included in the "Operational Review".

Cardia Bioplastics (Australia) Pty Ltd

The major operational activities of the company were in its core bioplastics business and the Managing Director Dr. Frank Glatz's review of those activities is as follows:

CARDIA BIOPLASTICS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTOR'S REPORT

The quality sustainable choice

2014

REVIEW OF OPERATIONS (Continued) OPERATIONAL REVIEW

The Financial Year 2013/14 has seen significant progress for Cardia in the implementation of its business strategy to establish a finished products division with own dedicated resources and manufacturing capability. The successful completion of a \$2.7M capital raising provided the financial foundation for the operational restructure. While Cardia's resin business remains a strategically critical element for Cardia's growth in the bioplastics market worldwide, finished products sales provide the strategic benefit of end-user engagement and value capture for Cardia's proprietary bioplastics technology. Cardia now offers proven sustainable product and packaging solutions made from Biohybrid™ or certified compostable resins. Customers of Cardia's finished products embrace sustainable packaging delivered through Cardia's cost effective and dedicated supply chain.

During the year Cardia relocated its resin and finished products manufacturing plant to a new, purpose built facility in Nanjing, China. The film and bag making operation was expanded in response to increasing international film and bag sales while also taking back in-house the production of some of Cardia's China government orders. In order to meet increasing Brazilian orders, Cardia has opened a film and bag manufacturing plant in São Paulo, Brazil in September 2014. The new facility has a capacity to produce over half a billion retail carry bags per annum for the Brazilian market.

In addition to increasing its global bioplastics sales, several sales contracts, product launches and technological developments were delivered and communicated to the market. This highlights the momentum of Cardia's business development and the strengthening global demand for Cardia's proprietary bioplastics solutions in its target market segments of Carrier Bags, Film & Packaging and Waste Management Products.

SALES

Cardia posted sales revenues of \$5,023,491 for the financial year FY2013/14 that were similar to revenues for the FY2012/13 of \$5,050,575. A key achievement was the delivery of 27% revenue growth in its core bioplastics business to \$4,023,467 for FY2013/14. This improvement was delivered under challenging conditions of relocation to a new factory in Nanjing, China, installation of three new production lines, and expansion of and change within its production labour force. Wholesale materials trading dropped to \$1,000,024 during the same period. Wholesale trading is expected to remain relevant as it underpins Cardia's supply chain however the focus will remain on core bioplastics sales of finished products and resins during 2014/15.

Cardia accelerated its traction in global commercialisation during FY2013/14 converting a number of its product developments into global sales. The Company executed several long-term supply agreements with large international customers, City Councils and market-leading brand owners. These agreements are the culmination of a lengthy and rigorous sales development process. This process validates the environmental offering of Cardia products, their cost-competitiveness and that they meet the specific requirements of customers' product applications. With a growing list of long-term customers, the Company is making significant headway towards establishing itself as a global manufacturer and supplier of renewable resins and finished products to the plastics and packaging industries. In addition to growing sales with new customers, the Company maintained material business contracts with established key customers.

Cardia is focused on leveraging its expertise and positioning in its target market segments of Carrier Bags, Films & Packaging, and Waste Management Products. Below is a review of the key sales activities and achievements of FY2013/14.

CARRIER BAGS

Single-use retail carrier bags are usually distributed for free to customers by stores when purchasing goods. These lightweight bags are commonly made from high-density polyethylene plastic.¹ Carrier bag use in USA was estimated to be 250 bags per person per annum in 2009 adding up to a market of 100 billion bags per annum.² Sustainability issues associated with plastic bags include use of non-renewable resources, disposal and environmental impacts. In order to facilitate the change towards sustainability of plastics packaging, various governments around the globe have implemented and/or are in the process of implementing regulatory change. USA, EU, Latin America, Australia, Japan, India, China, Middle-Eastern governments have legislated or supported bans on conventional plastic bags in an effort to reduce their waste levels and carbon footprints.³ Cardia is well positioned to benefit from the trend towards environmentally preferred carrier bags offering customers the choice of Biohybrid™ or compostable products meeting consumer, retailer and/or government requirements.

Cardia's key sales market for its environmentally preferred retail carrier bags was Brazil during FY2013/14 with the expectation of increasing sales going forward.

Cardia has established itself over the last couple of years, as a reliable supplier of quality environmentally preferred retail carrier bags to the Brazilian market, securing orders and supply contracts totalling annualised \$3.7 million over the last six months. These included supply contracts with high profile Brazilian retailers Ricoy Supermercados and Drogaria Araujo. Cardia Bioplastics exhibited its product offering to the Brazilian retail industry at APAS 2014 Fair in São Paulo, Brazil and secured sales orders from medium sized supermarkets. In order to meet increasing Brazilian orders, Cardia has opened a film and bag manufacturing plant in São Paulo, Brazil in September 2014. The new facility has a capacity to produce over half a billion retail carry bags per annum. Momentum in the Brazilian market place has accelerated for Cardia with new customer wins including high profile Mart Minas Supermarkets since the opening of its finished products plant.

With local film and bag production in place, an expanded sales force and its quality sustainable Biohybrid™ and Compostable bags in high demand, Cardia will focus on growing its Brazilian business during FY 2014/15 and beyond.

The following sales contracts and commercial launches in the business segment of Carrier Bags have been delivered and communicated to the market in FY2013/14:

¹ http://www.ecorecycle.sustainability.vic.gov.au/resources/documents/Plastic_Bag_Free_Challenge_-_Factsheet.pdf

² U.S. International Trade Commission (May 2009). "Polyethylene Retail Carrier Bags from Indonesia, Taiwan, and Vietnam". p. IV-7. Retrieved 9 October 2012.

³ http://en.wikipedia.org/wiki/Phase-out_of_lightweight_plastic_bags

The quality sustainable choice

2014

DIRECTOR'S REPORT



Cardia Bioplastics signs supply contract with Ricoy Supermercados in Brazil

Ricoy Supermercados, one of Brazil's largest supermarket chains, awards annual supply contract for retail carry bags to Cardia Bioplastics. Ricoy Supermercados initially trialled \$150,000 of Cardia Bioplastics bags over 4 months and successfully validated Cardia's product quality. Cardia Bioplasticos (Brasil) Ltda. set up resources and infrastructure to supply both resin and finished goods to the large Brazilian plastics and retail market.



High profile Brazilian retailer, Drogaria Araujo orders 1.25 million Cardia Biohybrid™ bags

Cardia Bioplastics wins strategic contract to supply Biohybrid™ bags to 120 Brazilian Drogaria Araujo stores. Initial orders of 1,250,000 bags delivered, with annual orders of 20 million bags/ annum and \$400,000 sales revenue forecast. Cardia Bioplastics Brazil poised for growth as Brazilian supply chain established and Cardia's product performance and quality being recognised within the Brazilian retail market.



Cardia Bioplastics secures Brazilian sales at APAS 2014 Fair in São Paulo

Cardia Bioplastics Brazil increases sales orders in Brazilian retail market by \$1 million annualised. Cardia Bioplastics exhibited at APAS 2014 Fair in São Paulo, Brazil to present its product offering to the Brazilian retail industry. Cardia Bioplastics Brazil poised for growth as Brazilian business established and Cardia's product performance and quality being recognised within the Brazilian retail market.



Cardia Bioplastics Brazil commences retail carry bag production and wins new contracts equalling \$1.5 million worth of annualised business

New facility operational with production capacity of 500 million Cardia Biohybrid™ bags per year. Momentum in Brazilian market place accelerating for Cardia with new customer wins including high profile Mart Minas Supermarkets. Cardia Bioplastics Brazil secures new contracts with initial orders equalling \$1.5 million worth of annualised business.

DIRECTOR'S REPORT

The quality sustainable choice

2014

FILMS & PACKAGING

The global plastics packaging market is estimated to be a \$200 billion market.⁴ Sustainable and renewable Bioplastics packaging is < 1% of the plastics packaging market with exponential growth potential.⁵ Cardia is well positioned to benefit from the trend towards sustainable packaging, offering customers the choice of sustainable Biohybrid™ or compostable resin technology for their packaging or plastic product solutions.

Cardia's key target markets within this sales segment is hygiene, protective and food packaging. The Company acquired several new films and packaging customers and delivered initial sales to them during the FY2013/14. Cardia progressed its strategy to change over market leaders and large packaging users to Cardia's sustainable packaging products. Securing product supply to these companies provides Cardia with the opportunity to grow along with these organisations. In addition, having a track record of supply with a global leader encourages regional companies to follow this trend and convert their packaging to Cardia's sustainable product offering.

During the FY2013/14 Cardia made solid headway in its path to global commercialization of its environmentally preferred films and packaging business. Sealed Air, one of Cardia's key customers, has expanded Cardia's product use over time across geographical regions and now to a second product line, the PakNatural® protective products. Furthermore, a global consumer goods company changed over one of their product lines in the South American market to exclusive Cardia Bioplastics packaging with in-market validation still underway. As these targeted business development activities progress to market launch and ramp-up stage, it is expected that they will contribute to Cardia's business success and deliver resin supply contracts to the Company in the future.

A leading American manufacturer of personal hygiene and diaper products doubled orders of Cardia Biohybrid™ film to \$1M per annum. The manufacturer expanded the use of Cardia Biohybrid™ films across different product lines with further potential to increase its use.

The following sales contracts and commercial launches in the business segment of Films & Packaging have been delivered and communicated to the market in FY2013/14:

Leading American manufacturer of personal hygiene and diaper products doubles orders of Cardia Biohybrid™ film to \$1million per annum forecast

Leading American manufacturer doubles monthly orders for Cardia Biohybrid™ hygiene film raising annualised order forecast to \$1million per annum. Leading American manufacturer expands use of Cardia Biohybrid™ film across different product lines with further potential to increase its use. Cardia Bioplastics and leading American manufacturer further cement two-year development and supply relationship. Orders placed underpin Cardia Bioplastics film and bag making capacity expansion.



Ecoriginals launches eco baby nappy made from Cardia Compostable technology

Australian Ecoriginals and Cardia Bioplastics partnered to produce eco baby nappies for Australian parents. Market launch of environmentally friendly, high quality and affordable baby nappies made using Cardia Compostable technology. New 'Ecoriginals Baby' nappies to capture share of \$500 million Australian nappy market.



Sealed Air uses Cardia Compostable films for new PakNatural® Biodegradable Cushion Bags

Leading global protective packaging manufacturer Sealed Air selects Cardia Compostable films for new PakNatural® Biodegradable Cushion Bags. Validation of Cardia Compostable films in Sealed Air's high performance protective packaging application.



⁴ Packagingtoday.com, Packaging industry overview (2011)

⁵ European Bioplastics Industry Report 2010, www.european-bioplastics.org/market/

The quality sustainable choice

2014

DIRECTOR'S REPORT



Cardia Bioplastics develops innovative Biohybrid™ films technology for bag-in-bag water packaging

Innovative Biohybrid™ bag-in-bag water packaging replaces traditional rigid plastic bulk water bottles. Enables single use bulk water distribution without the handling issues and cost of plastic bottles. Redefines entire bulk water supply chain, delivering benefits to suppliers, distributors, consumers and the environment. BOS Water and Yukon Spring launch their 'Bag-of-Spring Water' offering in the Australian and Canadian markets



Cardia Bioplastics technology used to develop So Delicious® Dairy Free compostable ice cream sticks

So Delicious® Dairy Free launches new ice creams with compostable sticks made from Cardia Compostable resin technology. So Delicious® Dairy Free orders first commercial quantity of Cardia compostable ice cream sticks for market launch. Further demonstration of Cardia compostable food-safe resin in disposable product application.



Cardia Bioplastics wins contract to supply Cardia Compostable resin to USA's EcNow Tech for disposable compostable cutlery application

Cardia Bioplastics wins contract to supply Cardia Compostable resin to EcNow Tech in USA. Initial orders delivered with annual supply projections of \$400,000. EcNow Tech to use Cardia Compostable resin to manufacture disposable compostable cutlery and ice cream sticks. Cardia Compostable BM resin validated as a quality food service product offering.

WASTE MANAGEMENT PRODUCTS

Organic waste is a component of the waste stream from plant or animal sources that is readily biodegradable. It forms a significant proportion of waste generated, and an even more significant portion of waste sent to landfill. Degradation of organics in landfill generates the potent greenhouse gas methane, and also produces potentially polluting leachate. In 2010-11, around 14 million tonnes of organic waste was generated in Australia alone.⁶ Separating organic waste at household level and diverting it from landfill is being implemented by many councils around the world. Biohybrid™ and compostable waste management products can significantly contribute to efficient organic waste management and are expected to benefit from the regulatory changes that are being implemented by many governments around the world.⁷

Cardia's key sales markets for its environmentally preferred waste management products was China, USA, Europe and Australia during FY2013/14 with the expectation of increasing sales going forward.

⁶ http://www.environment.gov.au/system/files/resources/0a517ed7-74cb-418b-9319-7624491e4921/files/overview-organics_0.pdf

⁷ European Commission, DG Environment, <http://ec.europa.eu/environment/waste/compost/index.htm>

DIRECTOR'S REPORT

The quality sustainable choice

2014

Cardia has established itself as a reliable supplier of quality environmentally preferred waste management products to the China Government market, securing orders and supply contracts to Shanghai and Nanjing City Councils totalling annualised \$2.6 million during FY2013/14.

Nanjing Jianye District is the first city district to have moved forward with full commercial roll out of their organic waste diversion programme using Cardia products. Nanjing's other district councils are at various stages of their trial programmes, with several councils expected to progress to full-scale implementation. With a population of over 6 million, Nanjing is actively moving towards organic waste diversion.

In order to extend its global reach in waste management products, Cardia has expanded its own sales resources in Brazil and USA as well as partnered up with waste management product distributors in the UK, USA, Australia and the Maldives. In addition, Cardia launched its new Compostable and Biohybrid™ dog waste bag ranges at Interzoo 2014 in Nuremberg, Germany and is currently in the process of setting up film and bag making equipment to service this particular growth market.

The following sales contracts and commercial launches in the business segment of Waste Management Products have been delivered and communicated to the market in FY2013/14:

Cardia Bioplastics wins waste management supply contract into Nanjing, China

Nanjing Jianye District selects Cardia Bioplastics as preferred supplier of waste management products, awards first quarter orders of A\$250,000 with a forecast of A\$1 million annual supply requirement. Contract represents 5% of Nanjing City households with potential to expand rollout. Significant opportunity to secure additional City Councils in China. Continues momentum of growth for Cardia's China business with focus on organic waste management products.



Cardia Bioplastics organic waste diversion program extends to China's Qixia District

Cardia Bioplastics secures orders for 500,000 Cardia Biohybrid™ organic waste management bags for final validation of Qixia's organic waste diversion project. Annual contract forecast of \$400,000. 65% of Qixia District households will participate in the program on full roll out.



Cardia Bioplastics wins \$350,000 waste management products supply contract in Nanjing, China

Nanjing Jianye District awards Cardia Bioplastics orders of A\$350,000 and extends its supply contract for waste management products. Annual supply requirement forecast for A\$1 million. Contract represents 7% of Nanjing City households with potential to expand rollout. Significant opportunity to secure additional City Councils in China. Continues momentum of growth for Cardia's China business with focus on organic waste management products.



DIRECTOR'S REPORT



Palerang Council rolls out City-to-Soil organic waste diversion program using Cardia Bioplastics organic waste management products

Palerang Council places order of 350,000 Cardia Compostable kitchen tidy bags for commercial roll out of City-to-Soil program. City-to-Soil kitchen waste collection program gains momentum at Palerang Council. First collection diverted almost 13 tonnes of green waste from Council landfills. Cardia Compostable kitchen tidy bags rolled out to 2,000 households. Further validates Cardia Compostable waste management products for organic waste diversion programs.



Cardia Bioplastics launches new Dog waste bags at INTERZOO 2014 the World-Leading Exhibition for the Pet Supplies Industry

Cardia Bioplastics launches fresh new Compostable and Biohybrid™ dog waste bags. Cardia Bioplastics exhibiting at Interzoo 2014 in Nuremberg, Germany to present its Dog Waste bag range. Cardia Bioplastics dog waste bags poised for growth in pet retail sector.



Natureworks Packaging selects Cardia Bioplastics as partner to develop bag and waste management products for the Australian and international markets

Australia's Natureworks Packaging design, market and distribute proprietary bag and waste management products manufactured by Cardia Bioplastics using Cardia Compostable and Biohybrid™ resin technology. \$200,000 of Cardia Bioplastics bag and waste management products ordered by Natureworks Packaging during the last 12 months and sold through their extensive sales force. Natureworks extend Cardia Bioplastics market reach and add a strong distribution channel.



UK's LifeCycle Products selects Cardia Bioplastics as partner to develop its proprietary bag and waste management products for the UK market

UK's LifeCycle Products designs, markets and distributes its proprietary bag and waste management products made by Cardia Bioplastics using Cardia Compostable and Biohybrid™ resin technology. LifeCycle Products and Cardia Bioplastics execute supply contract. Initial compostable product order of \$65,000 placed for mid-2014 market launch. Cardia Bioplastics doubles film and bag making capacity to meet increased demand for its finished products business.



Cardia Biohybrid bags gain EPA approval in the Maldives with initial orders delivered

Cardia Biohybrid bags chosen by Truly Green to supply Maldives resorts, hotels and tourism sector. Maldives Environmental Protection Agency (EPA) approves Cardia Biohybrid bags as environmentally preferred product. Initial orders of 60,000 bags delivered, with annual orders of more than 1,000,000 bags/annum expected in the next 12 months. Establishment of Cardia supply chain into Maldives with further expansion across other product lines.

DIRECTOR'S REPORT

The quality sustainable choice

2014

Pancake Parlour Restaurants lead the way with a "go green strategy"

The Pancake Parlour restaurants in collaboration with Cardia Bioplastics have implemented a "go green strategy" that will reduce the carbon footprint of its Melbourne restaurants and at the same time provide an environmental benefit by using Cardia's compostable and Biohybrid™ bioplastics technology based products.



AWARDS AND RECOGNITION

A high profile achievement during FY2013/14 was that Cardia was awarded the IAIR Green Excellence Award. IAIR Awards is one of the world's leading ranking and prize for excellence in global economy and sustainability. After conducting a global survey of 50,000 readers, the IAIR – Global Economy & Sustainability announced Cardia Bioplastics as the winner in the category of Leadership in Innovation & Sustainability in Packaging for Asia Pacific. Receiving this award cements Cardia's reputation for leadership in innovation and sustainability in packaging. In addition, Cardia released twenty-two press releases during the FY2013/14 that were widely published in print media and on the Internet.

Cardia Bioplastics receives IAIR Green Excellence Award

Cardia Bioplastics received the IAIR Green Excellence Award. IAIR Awards is one of the world's leading ranking and prize for excellence in global economy and sustainability. International Green Excellence Leadership Award for Australian bioplastics company. Recognises commercial appeal and environmental offering of unique proprietary resin and product technology.



Advances in Cardia Bioplastics Technology and Product Certification

During the financial year 2013/14, Cardia Bioplastics made further developments in its bioplastics technology, strengthening its Intellectual Property position. Cardia now owns an intellectual property portfolio of 11 patent families, including 17 granted patents and 43 applications submitted and/or registered for Bioplastics formulations, processes and applications for global packaging products. Intellectual Property underpins the technical differentiation and commercial success of Cardia's Compostable and Biohybrid™ product range. A key achievement during 2013/14 was that the United States Patent and Trademark Office granted U.S. patents for Cardia Compostable resin and process technology. This outcome underpins successful Cardia business development in the North American market as highlighted by the market launches of the new commercial products with Sealed Air, So Delicious® Dairy Free and EcNow Tech.

The following advances in Cardia Bioplastics technology and product certifications were communicated during the FY2013/14:

Cardia Compostable resin and process secures patents in USA

United States Patent and Trademark Office grants patents for Cardia Compostable resin and process. Intellectual Property underpins commercially successful Cardia Compostable product range. Cardia Bioplastics' technical differentiation endorsed with patents. Cardia capitalises on growth of bioplastics in the North American market.



The quality sustainable choice

2014

DIRECTOR'S REPORT

MANUFACTURING

Cardia successfully completed the relocation of its resin production to a new purpose built factory in Nanjing, China. The factory has the capacity to produce 7,200 tonnes of bioplastic resin per annum. The plant operates under strict production and quality processes which have been recognised with ISO9001 Quality Certification and the China Environmental Label. The plant has low operating costs and is highly scalable.

In line with its business strategy to establish a finished products division with own dedicated resources and manufacturing capability, Cardia's China film and bag production was relocated to the new factory and doubled in capacity to 100 million bags per annum. Production has commenced in June 2014. In addition, Cardia has set up its own film and bag manufacturing plant in São Paulo, Brazil with a capacity of 500 million retail carrier bags per annum. Production has commenced in September 2014.

The following manufacturing related activities were communicated to the market in FY2013/14:

Cardia Bioplastics doubling film and bag making capacity to meet increased demand for its finished products business

Cardia is expanding production to meet increasing demand for its film and bag products. Purchase of three new film extrusion and bag making machines with aim to order a further three by end of June quarter. Each production line capable of producing an additional 1.5 million bags per month. Cardia Bioplastics' strategy to expand finished products division having early impact on global sales. Increased finished products capacity will enhance sales margins, as Cardia products will be made in-house. Existing capacity for resin production meets business requirements.



Cardia Bioplastics successfully completes relocation to new purpose built factory and installation of three new production lines

Cardia Bioplastics successfully completes relocation of production to new purpose built factory in China. Three new film extrusion and bag making lines installed and now operating at full capacity. Cardia Board approved purchase of six additional film extrusion and bag making lines to meet Cardia's current order pipeline. In-house production of Cardia's finished product range significantly improves production efficiency, quality and turnaround times of customer orders while also lowering manufacturing costs.



Cardia Bioplastics sets up manufacturing plant in Brazil in response to strong orders

In response to high demand for its environmentally preferred bags, Cardia Bioplastics sets up own film and bag manufacturing plant in São Paulo, Brazil. Production to commence in September 2014. New facility to deliver production capacity of 500 million retail carry bags per year. Production machinery funded using vendor finance over a twelve months period. The vertical integration from Cardia Biohybrid™ resins to Cardia Biohybrid™ films and bags ensures product quality, control of supply, improved margins and enhanced cost structures that underpin Cardia's global growth strategy.



DIRECTOR'S REPORT

The quality sustainable choice

2014

Cardia Bioplastics Brazil commences retail carry bag production and wins new contracts equalling \$1.5 million worth of annualised business

New facility fully operational with production capacity of 500 million Cardia Biohybrid™ bags per year. Momentum in Brazilian market place accelerating for Cardia with new customer wins including high profile Mart Minas Supermarkets. Cardia Bioplastics Brazil secures new contracts with initial orders equalling \$1.5 million worth of annualised business.



EMPLOYEES:

Cardia has a total of 105 employees of which 79 are located in China, 17 in Brazil, 6 in Australia, 2 in USA, 1 in Malaysia.

INVESTMENTS

As at 30 June 2014, the Company held the 18,780,000 ordinary shares in unlisted entity Bioglobal limited, representing 3.90% of the issued capital of that Company.

During the year, Cardia sold its equity interest in P-Fuel Limited for \$35,000 resulting in loss of \$91,753 to its book value. Cardia held 5,250,000 ordinary shares in P-Fuel Limited representing 5.2% of the issued capital of P-Fuel.

The Company held other investments which were immaterial in value and/or were inactive during the year.

PATENTS AND TRADE MARKS:

The Company continued to invest funds into securing and expanding its IP position and now owns a portfolio of 11 patent families with 17 patents granted and an additional 43 applications at various stages of the granting process. The patents cover Bioplastics formulations, processes and applications for global packaging products.

Cardia's bioplastics patent families (10) are held in the name of Tristano Pty Ltd. The CO₂ Starch patents are held in the name of CO₂ Starch Pty Ltd. Both are wholly owned subsidiary company of Cardia Bioplastics Ltd.

Cardia also holds 4 trademarks.

OTHER MATTERS

- Mr. Chen Yi was appointed to the role of Global Director of Sales – Finished Products
- M/s Nadya Krienke-Becker was appointed as Global Head of Marketing
- Effective 1 January 2014, the Company, voluntarily delisted, its American Depositary Receipts ("ADRs") from the OTCQX.

SECURITIES ISSUED

- Following shareholders' approval in the General Meeting that was held on 10 July 2013, 100 million free attaching new options were issued in July 2013 to the investors who had participated in share placement that took place in May 2013. New Options have an exercise price of 0.35 cents and an expiry date of 12 months from date of issue (15 July 2014). New Options issued are unlisted securities.
- On 25 September 2013, the Company has raised further \$200,000 by issue of 80 million ordinary shares at an issue price of 0.25cents (\$0.0025) per share. Ordinary shares were issued to professional and sophisticated investors under the approval given by shareholders at the general meeting held on 10 July 2013.
- In October 2013, the Company raised \$600,000 via share placement offer to professional and sophisticated investors at an issue price of A\$0.0025 per share. Of the total amount raised, \$400,000 was placed under the approval given by shareholders at a general meeting held on 10 July 2013 and balance \$200,000 was placed under the Company's 10% placement capacity pursuant to Listing Rule 7.1A.
- In November 2013, the Company further raised \$629,000 via share placement offer to professional and sophisticated investors at an issue price of A\$0.003 per share under the Company's 15% placement capacity pursuant to Listing Rule 7.1. The placement was managed by Patersons Securities Limited.

DIRECTOR'S REPORT

SECURITIES ISSUED (CONTINUED)

- On 6th March 2014, the Company lodged a Non-Renounceable Rights Issue Offer Prospectus with ASIC to raise up to \$2.7Million. The Rights Issue Offer entitled shareholders to subscribe for one new share for every three shares held in Cardia at an issue price of \$0.003 (0.3 cents) each with one free attaching option (exercise price of \$0.006 each with an expiry date of 31 December 2014) for every three new shares subscribed for. In April 2014, the Company successfully completed capital raising of \$2.7M pursuant to the Rights Issue Offer Prospectus.
- At the same time in March 2014, the Company extended the same offer to professional and sophisticated investors and raised \$355K (before costs) via share placement. The Placement was completed under the Company's 15% placement capacity pursuant to Listing Rule 7.1.
- On 25 March 2014, the Company has issued 7,000 ordinary shares as a result of the exercise of a similar number of options expiring on 30 June 2015.

Ordinary Fully Paid Shares	3,714,432,502
Options expiring 30 June 2015 (Exercise Price 1.5 cents each)	221,278,642
Listed Options expiring 31 December 2014 (Exercise Price \$0.006 each)	339,444,317

The Company had 2,166,557,931 fully paid ordinary shares and 221,285,642 listed options on issue at 30 June 2013.

FINANCIAL POSITION

The net assets of the consolidated entity were \$10,008,244 as at 30 June 2014 compared to \$8,229,085 as at 30 June 2013, an increase of \$1,779,159. This increase has resulted primarily due to the following reasons:

Capital Raising (net of costs) during the year	4,241,929
Valuation of Bioglobal Investments at fair value in accordance with AASB 139. -Refer Note 12(a) to the Financial statements	187,800
Loss from Operating Activities for the year	(2,607,729)
Foreign currency translation differences for foreign operations	(42,841)

The Directors consider the group to be in a stable financial position.

EARNINGS (LOSS) PER SHARE

	2014	2013
Basic Loss Per Share (cents per share)	(0.09)	(0.17)
Diluted Loss Per Share (cents per share)	(0.09)	(0.17)
Weighted average number of ordinary shares used in the calculation of basic loss per share	2,766,615,881	1,794,201,731
Weighted average number of ordinary shares and options used in the calculation of diluted loss per share	2,766,615,881	1,794,201,731

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

Share and Option Issues

Shares and Options Issued during the year have been disclosed in "Securities Issued" under "Review of Operations".

EVENTS AFTER THE REPORTING DATE

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years.

DIRECTOR'S REPORT

The quality sustainable choice

2014

- 100,000,000 unlisted options exercisable at \$0.0035 (0.35 cents) each, expired on 15 July 2014.
- As announced to the market in August 2014, the Company has decided to set up its own film and bag manufacturing plant in São Paulo, Brazil. New purpose-built facilities have been leased and production has commenced from September 2014. The production machinery costing A\$750,000 is funded using vendor finance over a twelve months period. The new factory premises in Brazil has been leased for three years period to 30 June 2017. Monthly rental payable under the lease is approx. \$9,000. The new factory is expected to deliver a production capacity of 500 million retail carry bags per year. This capacity is over four times greater than that of the current Cardia Bioplastics manufacturing plant in Nanjing, China.

FUTURE DEVELOPMENTS

Cardia will continue to focus on its principal business activities and will monitor its performance on its bioplastics business whilst at the same time continue to review any new business opportunities relating to its other business activities.

In respect to its bioplastics business, the Cardia Board significantly progressed with the implementation of its business strategy to establish a finished products division with own dedicated resources and manufacturing capability during the year. The successful completion of a \$2.7M capital raising during the June quarter provided the financial foundation for the operational restructure.

In this direction, the Company has already installed three new production lines in its new Nanjing manufacturing facility and have decided to further purchase six additional film extrusion and bag making lines which are due for delivery by the end of October 2014.

Further as announced to the market in August 2014, the Company has set up its own film and bag manufacturing plant in São Paulo, Brazil. New purpose-built facilities have been leased and production has commenced from September 2014. The production machinery costing A\$750,000 is funded using vendor finance over a twelve months period.

The new factory is expected to deliver a production capacity of 500 million retail carry bags per year. This capacity is over four times greater than that of the current Cardia Bioplastics manufacturing plant in Nanjing, China.

All these measures towards the vertical integration from Cardia Biohybrid™ resins to Cardia Biohybrid™ films and bags are expected to ensure product quality, control of supply, improved margins and enhanced cost structures that underpin Cardia's global growth strategy.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under the law of the Commonwealth or the States.

INFORMATION ON DIRECTORS

Richard Tegoni
MBA (AGSM), Diploma in
Mortgage Broking, Diploma in
Financial Markets (SIA)

Experience

Appointed Non-Executive Director 21 December 2012
Non-Executive Chairman effective 18 October 2013
Executive Chairman effective 16 September 2014
Background in Finance & Banking and Sales & Marketing

Age

46

Special Responsibilities

Executive Chairman
Corporate Strategy and Capital Raisings

Interest in Shares & Options:

263,544,111 Ordinary Shares
11,776,888 Options over Ordinary Shares

Directorships held in Other Listed
Entities:

Has not held a directorship in any other listed entity over the last 3 years

Dr Frank Peter Glatz
Ph. D, M.Sc.MBA

Experience:

Appointed 1 May 2009
Background in the Fast Moving Consumer Goods (FMCG) companies, plastic industry with particular emphasis on development of new technologies and packaging applications.

Age:

50

Special Responsibilities:

As Managing Director is responsible for the general management of the Company and for international marketing.

Interest in Shares & Options:

21,952,917 Ordinary Shares
1,490,583 Options over Ordinary Shares

Directorships held in other Listed
Entities

Has not held a directorship in any other listed entity over the last 3 years.

DIRECTOR'S REPORT

Gideon Meltzer B.Eco,LLB, Graduate Diploma in Taxation Law	Experience	Appointed 7 November 2013 Experienced corporate executive
	Age:	46
	Special Responsibilities:	Non-Executive Director Corporate Governance Chairman of Remuneration Committee
	Interest in Shares & Options:	11,333,333 Ordinary Shares 1,111,111 Options over Ordinary Shares
	Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years
Steven Bendel B.Ed,Graduate Diploma in Business (Accounting), CPA	Experience:	Appointed 7 October 2013 Background in Accounting practice , banking and finance
	Age:	45
	Special Responsibilities:	Non-Executive Director
	Interest in Shares & Options:	46,000,000 Ordinary Shares 2,000,000 Options over Ordinary shares
	Directorships held in other Listed Entities:	Has not held a directorship in any other listed entity over the last 3 years
Patrick John Volpe B.Bus(Acc), P.G.(Tax), CPA	Experience:	Executive Director for 17 years Chairman for 13 years Non-Executive Chairman effective 1 June 2012 Non-executive Director effective 18 October 2013 Resigned 22 November 2013 Background in mining, media, transport, manufacturing, banking and stockbroking with a particular emphasis on corporate, restructuring, business acquisitions, investment advising and capital raisings and international business and management skills
	Age:	56
	Special Responsibilities:	Non-Executive Director
	Interest in Shares & Options:	94,416,649 Ordinary Shares 30,083,315 Options over Ordinary shares
	Directorships held in Other Listed Entities	Botswana Metals Limited (appointed Chairman 19 Jan 2007), Genesis Resources Limited (appointed non-executive director 11 May 2012), Cohiba Minerals Limited (appointed non-executive director 24 July 2013) and was the Chairman of A-Cap Resources Ltd until 12th January 2010
Chen Yi B.Sc (USA), Diploma in International Trading(Beijing)	Experience:	Appointed 1 May 2009 Resigned 17 October 2013
	Age:	34
	Special Responsibilities:	The Chinese operations
	Directorships held in Other Listed Entities	Has not held a directorship in any other listed entity over the last 3 years

DIRECTOR'S REPORT

The quality sustainable choice

2014

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and the Audit and Compliance Committee held during the year ended 30 June 2014 and the number of meetings attended by each Director.

Director	Board Meetings		Audit & Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
R Tegoni	14	14	1	1
F P Glatz	14	13	-	-
G Meltzer	9	8	-	-
S Bendel	10	10	-	-
P J Volpe	5	5	1	1
Chen Yi	4	4	-	-
Rekha Bhambhani (Company Secretary)	-	-	2	2

REMUNERATION REPORT (Audited)

Remuneration Policy

The Group's policy for determining the nature and amount of remuneration of board members and senior executives of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service and particular experience of the individual concerned.
- All key management personnel receive a base salary and superannuation and/or equivalent. Fringe Benefits and performance incentives are negotiated with the employees depending upon their duties and responsibilities and their area of expertise.
- Performance Incentives are generally paid once predetermined key performance indicators have been met. Predetermined key performance indicators include achievement of quarterly revenue targets set by the Board coupled with achievement of gross margin targets.
- Incentives are paid in the form of a bonus as a percentage of base salary.

Key management personnel receive a superannuation guarantee contribution/social security payments when required by the government of the respective region and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Termination payments are generally not payable on resignation or dismissal for serious misconduct. Termination payments cannot exceed more than 1 year's base salary as required by Corporations Act.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board collectively determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, and duties and accountability. Independent external advice is sought when required. No such advice was sought during the year.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The most recent determination was at the General Meeting held on 7 July 2009, where the shareholders approved an aggregate remuneration of \$220,000.

Although no executive options are currently on issue, any options issued in the future and not exercised before or on the date of termination will automatically lapse.

DIRECTOR'S REPORT

PERFORMANCE-BASED REMUNERATION

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of incentive payments based on the achievement of revenue targets return linked with profitability targets. The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTORS' AND EXECUTIVES' REMUNERATION

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. To achieve this aim, performance based bonus incentives based on key performance indicators have been introduced.

With the focus of the company's business activities being to expand the Bioplastics business, the Company believes that this policy is effective. Performance in relation to the KPIs is assessed annually, with bonus incentives being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

Employment details of members of key management personnel and other executives:

Group Key Management Personnel	Position held as at 30 June 2014 and any change during the year	Contract Details (Duration & Termination)	Proportions of remuneration package related to performance	Proportions of remuneration package not related to performance
Richard Tegoni	Non-Executive Chairman effective 18 October 2013 Appointed Non-Executive Director-21 December 2012	No Fixed Term Appointed 21 December 2012	-	100%
Frank Glatz	Managing Director	No Fixed Term	20%	80%
Steven Bendel	Non-Executive Director	No Fixed Term Appointed 7 October 2013	-	100%
Gideon Meltzer	Non-Executive Director	No Fixed Term Appointed 7 November 2013	-	100%
Patrick Volpe	Resigned as Non-Executive Director- 22 November 2013 Resigned as Non -Executive Chairman -18 October 2013 and remained a Director	No Fixed Term Non-Executive Chairman-1 June 2012 Resigned as Non -Executive Chairman -18 October 2013 Resigned as Non-Executive Director- 22 November 2013	-	100%
Chen Yi	General Manager-China Operations Resigned as Non-Executive Director- 17 October 2013	No Fixed Term	30%	70%
Chen Chan Ping	Technical Director ,China Operations	No Fixed Term	-	100%
R Bhambhani	Chief Financial Officer & Company Secretary	No Fixed Term	-	100%

Terms of employment require that the relevant group entity provide the contracted person with a minimum period of notice (one to three months) prior to termination of contract. Similarly a contracted person has to provide minimum period notice (one to three months) prior to the termination of their contract. In the instance of serious misconduct the Company can terminate employment at any time.

CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO YEAR-END

- Effective 16 September 2014, Richard Tegoni has assumed the role of Executive Chairman.
- Effective 16 September 2014, the Company has established Remuneration Committee to ensure that remuneration arrangements support the strategic aims of the business and enable the recruitment, motivation and retention of senior executives. Gideon Meltzer has been appointed as Chairman of Remuneration Committee.

Other than the above, there were no changes in Directors and Executives subsequent to year-end.

DIRECTOR'S REPORT

The quality sustainable choice

2014

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2014

The following table of benefits and payment details, together with the components of remuneration for each member of the key management personnel of the consolidated group for the financial year.

2014

Name	Short term Benefits		Post Employment	Equity-settled share-based payments	Termination Payments	Total
	Salary and Fees	Non-monetary benefits	Superannuation or Equivalent	Shares		
	\$	\$	\$	\$	\$	\$
R Tegoni	20,000	-	-	-	-	20,000
F Glatz	163,044	-	15,082	-	-	178,126
S Bendel	9,155	-	-	-	-	9,155
G Meltzer	8,090	-	-	-	-	8,090
P Volpe	43,208	-	-	-	-	43,208
Chen Yi	75,695	-	32,549	-	-	108,244
R Bhambhani	80,000	-	7,400	-	-	87,400
Chen Chan Ping	55,051	-	-	-	-	55,051
Total	454,243	-	55,031	-	-	509,274

2013

Name	Short term Benefits		Post Employment	Equity-settled share-based payments	Termination Payments	Total
	Salary and Fees	Non-monetary benefits	Superannuation or Equivalent	Shares		
	\$	\$	\$	\$	\$	\$
P J Volpe	54,500	-	-	-	-	54,500
F Glatz	159,021	18,408	14,312	-	-	191,741
J Scheirs	27,500	-	2,475	-	-	29,975
R Tegoni	15,000	-	-	-	-	15,000
Chen Yi	74,128	-	7,519	-	-	81,647
G Ward	2,117	-	1,164	-	10,820	14,101
R Bhambhani	86,668	-	7,800	-	-	94,468
Chen Chan Ping	54,948	-	-	-	-	54,948
Total	473,882	18,408	33,270	-	10,820	536,380

As announced to the market on 16 September 2014, effective 1 October 2014, Directors' remuneration will be amended as follows:

New remuneration arrangements – effective 1 October 2014

Director Name	Title	Cash Component	Shares Component*	Total Remuneration**	At Risk Portion (included in Total Remuneration)
		\$	\$	\$	\$
R Tegoni	Executive Chairman	40,000	60,000	100,000	-
F Glatz	Managing Director	217,400	125,000	342,400	125,000
G Meltzer	Non-Executive Director	24,000	16,000	40,000	-
S Bendel	Non-Executive Director	24,000	16,000	40,000	-

* The Share Component is subject to approval of Shareholders at the upcoming 2014 Annual General Meeting. To the extent that Shareholders do not approve the issue of shares, this component of the remuneration will be paid in cash.

**Total Remuneration do not include staff bonuses, employee share purchase plans or reimbursement of company related expenses, if applicable

DIRECTOR'S
REPORT

REMUNERATION REPORT (CONTINUED)

The remuneration changes strike a balance between the Directors' continued support for and commitment to preserve the Company's cash flow during the current growth phase and the ongoing contribution made by Directors, which to date have provided significant time and services at heavily discounted rates.

Cash Bonuses, Performance-related Bonuses

There was no performance related remuneration paid during the year.

Options Issued as part of remuneration for the year ended 30 June 2014.

No options were issued during the year as part of remuneration. For Shares and Options held by Key Management Personnel, please refer to tables below:

a. Option Holdings**Number of Options Held by Key Management Personnel (Direct and Indirect Interest)****2014**

	Balance 1.7.2013	Granted as Compensation	Options Exercised	Net Change Other ⁽¹⁾	Balance 30.6.2014
Options Expiring 30 June 2015					
P Volpe	30,083,315	-	-	-	30,083,315
F Glatz	1,490,583	-	-	-	1,490,583
Options Expiring 15 July 2014					
S Bendel	-	-	-	10,000,000	10,000,000
Options Expiring 31 December 2014					
R Tegoni	-	-	-	11,776,888	11,776,888
S Bendel	-	-	-	2,000,000	2,000,000
G Meltzer	-	-	-	1,111,111	1,111,111

2013

	Balance 1.7.2012	Granted as Compensation	Options Exercised	Net Change Other ⁽¹⁾	Balance 30.6.2013
Options Expiring 30 June 2015					
P Volpe	-	-	-	30,083,315	30,083,315
F Glatz	-	-	-	1,490,583	1,490,583

(1) Net Change Other in Options refers to options purchased and /or sold during the financial year. These options were purchased on market or subscribed to the entitlement issue offers of the Company during the year. No options were issued as part of any employee option scheme.

c. Share Holdings (Direct and Indirect)**2014**

	Balance 1.7.2013	Received as Compensation	Options Exercised	Net Change Other (1)	Balance 30.6.2014
R.Tegoni	228,231,445	-	-	35,330,666	263,544,111
F Glatz	21,952,917	-	-	-	21,952,917
S Bendel	20,000,000	-	-	26,000,000	46,000,000
G Meltzer	-	-	-	11,333,333	11,333,333
P Volpe	150,416,649	-	-	16,000,000	134,416,649
Chen Yi	18,500,000	-	-	-	18,500,000
R Bhambhani	1,500,000	-	-	-	1,500,000

DIRECTOR'S REPORT

The quality sustainable choice

2014

2013

	Balance 1.7.2012	Received as Compensation	Options Exercised	Net Change Other (I)	Balance 30.6.2013
P Volpe	150,416,649	-	-	-	150,416,649
F Glatz	19,452,917	-	-	2,500,000	21,952,917
J Scheirs	6,592,224	-	-	-	6,592,224
Chen Yi	18,500,000	-	-	-	18,500,000
R Tegoni	1,000,000	-	-	227,231,445	228,231,445
G Ward	7,581,250	-	-	-	7,581,250
R Bhambhani	1,500,000	-	-	-	1,500,000

(I) Net Change Other refers to shares purchased and /or sold during the financial year. These shares were purchased on market or subscribed to the entitlement issue offers of the Company during the year.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

On 10 January 2011, the Company has also entered into sub-lease agreement with Botswana Metals Limited ("BML") in relation to the shared occupation of office premises. BML has invoiced Cardia \$19,250 (incl GST) (2013: \$32,083) for rent of office premises for the 6 months period up to 31 December 2013. Mr. Volpe is Chairman and the major shareholder of BML.

During the year, an amount of \$5,850 (Ex GST) (2013: NIL) was paid to GM Legal and Corporate Advisory, a company controlled by Mr. Gideon Meltzer for providing legal services to the Company.

Cardia has distribution agreement in place with Bio-Mart Pty Ltd, the Company which is controlled by relatives (children) of Mr. Volpe. The distribution agreement is on identical commercial terms that apply to all the distributors. No transactions have occurred with Bio-Mart Pty Ltd during the year.

There have been no other transactions involving equity instruments other than those described in the tables above.

OWNERSHIP INTERESTS IN RELATED PARTIES

Interests held in the following classes of related parties are set out in the following notes:

Controlled Entities Note 20

OPTIONS

A total of 7,000 ordinary shares were issued on the exercise of options during the year and up to date of this report.

The Company has listed 221,278,642 options trading under ASX Code CNNOB. These options are exercisable at 1.5 cents (\$0.015) at any time up to 30 June 2015.

The Company also has 339,444,317 options trading under ASX code CNNO. These options are exercisable at 0.6 cents (\$0.006) at any time up to 31 December 2014.

At the date of this Report there were 560,722,959 unissued ordinary shares of the Company under option.

INDEMNIFICATION AND INSURANCE OF DIRECTORS & OFFICERS

The Company has agreed to indemnify all the current Directors and Officers of the Company and of its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company agrees to meet the full amount of any such liabilities, including costs and expenses.

The Company has paid an annual premium to insure the Directors' and Officers against liabilities incurred in their respective capacities. Under the policy, details of the premium are confidential.

The quality sustainable choice

2014

DIRECTOR'S REPORT

INDEMNITY AND INSURANCE OF AUDITOR

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

During the year the Company did not employ its auditor on assignments additional to their statutory audit duties.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2014 has been received and can be found on page 25.

This report of the Directors incorporating the Remuneration Report is signed in accordance with a Resolution of the Board of Directors.



Richard Tegoni

Director

Dated this 30th day of September 2014

Mulgrave, Victoria

AUDITOR'S INDEPENDENCE DECLARATION

The quality sustainable choice

2014



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

I declare that, to the best of my knowledge and belief during the year ended 30 June 2014, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

J.C. Luckins
J.C. Luckins
Director

Dated in Melbourne on this 30 day of September, 2014

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.



CORPORATE GOVERNANCE STATEMENT

This statement reflects Cardia Bioplastics Limited's corporate governance policies and practices as at 30 June 2014 and which were in place throughout the year.

The Board's philosophy is to adopt practices that are consistent with the best practice recommendations of the ASX Corporate Governance Council and in the best interests of the Company. The governance practices are reviewed regularly.

A description of the Company's main corporate governance practices is set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's role is to govern the Company rather than to manage it. In governing the Company; the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities include:

- Leadership of the organisation
- Strategy formulation
- Overseeing planning activities
- Shareholder liaison
- Monitoring compliance and risk management
- Company finances
- Human resources
- Remuneration policy

The Board has delegated the responsibility for management of the Company to the Managing Director and senior management who implement the Board's strategies and compliance activities. The Board constantly monitors the performance of the Managing Director and senior management in their undertaking of these duties.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties, and being of value to the Company. The Board comprises of 4 directors.

The Constitution requires a minimum number of three Directors. The maximum number of Directors is fixed by the Board but may not be more than 8, unless the members of the Company, in general meeting, resolve otherwise. The names of the Directors, and their qualifications and experience are stated on Pages 17-18 along with the term of office held by each.

There are no Directors on the Board at present that could be classified as 'Independent'. The Board considers, however that given the size and scope of the Company's operations at present, it has the relevant experience in the industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from a both a long-term strategic and an operational perspective. The number of independent Directors on the Board is likely to increase as the Company develops and the Board believes that it can attract appropriate independent directors with the necessary industry experience.

However, where any Director has a material personal interest in a matter, in accordance with the Corporations Act 2001, the Director will not be permitted to be present during discussion of the matter or to vote on it. The enforcement of this requirement aims to ensure that the interest of shareholders, as a whole, is pursued and that neither their interest nor the Director's independence is adversely affected.

The Company does not have a Nomination Committee because the Board considers that selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board.

The Board is responsible for evaluating its performance and that of individual Directors and key executives and in doing so may engage independent external advisors if thought appropriate to do so. The Company has not established a formal process to evaluating the performance of the Board, its committees and individual directors, however the performance of the Board, the directors, officers and employees is monitored on a regular basis by the Board, with appropriate feedback and necessary training given to those parties.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman; to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

CORPORATE GOVERNANCE STATEMENT

The quality sustainable choice

2014

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Due to the size of the Company and the resources available to it, the Board does not consider that a formal Code of Conduct for directors and other key executives is appropriate. Rather, it is agreed by the Board that all officers of the Company will act ethically and in the best interests of the Company.

The Company has a Securities Trading Policy that regulates the dealings by directors, officers and employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that directors, officers, employees and consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

The Board has not formalised a Diversity Policy due to the size of the Company, however the Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefitting from all available talent.

The proportion of women representation in Cardia Bioplastics currently is as follows:

Women represented on the Board – 0%
Women represented in senior executive positions – 2%
Women represented in the whole organisation – 50%

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Managing Director and Chief Financial Officer have provided written declarations to the Board confirming that the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

As the Company is small with a team of 4 Directors, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review, operations and remuneration but has established an Audit and Compliance Committee.

The members of the Committee at the date of this report are Richard Tegoni (Executive Chairman) and Rekha Bhambhani (Company Secretary). The Audit and Compliance Committee was established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements. The members of the Committee meet formally twice a year and on an adhoc basis as required.

The Board selected the members of the Audit and Compliance Committee on the basis that they are considered to have the most expertise in the area and are therefore not necessarily independent or non-executive directors.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the Australian Securities Exchange ("ASX") as well as communicating with the ASX. In accordance with the ASX's 'Listing Rules' the Company immediately notifies the ASX of information concerning the Company:

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company's securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Due to the size of the Company, it achieves compliance with ASX 'Listing Rules' disclosure requirements without the need for formal policies and procedures, however there are specific processes followed by the Board and officers with regard to ensuring the Company complies with its disclosure requirements.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Due to the size of the Company, it does not have a formal policy regarding the promotion of effective communications with shareholders and encouraging their participation at general meetings.

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of these rights, the Company is committed to:

1. Communicating effectively with shareholders through ongoing releases to the market via the ASX and the Company's website, and the general meetings of the Company;
2. Giving shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for shareholders to participate in general meetings of the Company; and providing appropriate notice periods and disclosure for general meetings;
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company has not established formal policies for the oversight and management of material business risks. Due to the size of the Company and the size of the Board, the Board monitors all key areas of the Company's risk management on an ongoing basis and keeps shareholders informed of any changes in the risk profile of the Company.

The Board has delegated the responsibility of designing risk management and internal control systems to the Managing Director and senior management who manage the Company's material business risks and report to the Board on the effectiveness of those systems.

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively however the Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Board seeks assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporation Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks and discloses accordingly.

The declarations have been received by the Board, in accordance with the recommendation of the Corporate Governance Council.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Due to the size of the Company, it has not established a Remuneration Committee and it uses independent external consultants as and when to determine the level and components of remuneration for the directors. The Company has 105 employees. The remuneration paid to executive directors and senior executives is distinguished from that paid to non-executive directors.

Non-Executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior shareholder approval.

Current remuneration details are disclosed on pages 20-22 in the Directors' Report.

FINANCIAL REPORT

The quality sustainable choice

2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Economic Entity	
		2014 \$	2013 \$
Sales from main operations	3	4,023,467	3,172,480
Wholesale material trading sales		1,000,024	1,878,095
		5,023,491	5,050,575
Cost of Sales (main operations)		(3,476,206)	(2,699,846)
Cost of Purchase (Wholesale material)		(993,072)	(1,805,075)
		(4,469,278)	(4,504,921)
Gross Profit		554,213	545,654
Other Income	3	337,393	783,164
Administrative Expenses		(850,234)	(600,783)
Employment Benefits		(1,042,651)	(1,006,032)
Marketing & Distribution Expenses		(416,722)	(312,540)
Research & Development Expenses & Patent Costs		(750,741)	(873,249)
Depreciation & Amortisation		(108,996)	(136,912)
Borrowing Costs		(8,086)	-
Net Foreign Exchange (Losses)/Gains		(23,740)	166,457
Other Expenses		(206,412)	(89,913)
Impairment-Trade Receivables		-	(96,941)
Loss from operating activities		(2,515,976)	(1,621,095)
Loss on sale of Financial Assets		(91,753)	-
Impairment-Intangible Assets		-	(1,439,045)
Loss before income tax	5	(2,607,729)	(3,060,140)
Income Tax Expense		-	-
Loss for the year after tax		(2,607,729)	(3,060,140)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of available for sale financial assets		187,800	131,460
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		(42,841)	(40,071)
Income tax on other comprehensive income		-	-
		144,959	91,389
Total comprehensive income for the year		(2,462,770)	(2,968,751)
(Loss)/Profit attributable to :			
Members of the Company		(2,607,805)	(3,057,673)
Non Controlling Interest		76	(2,467)
Loss for the year after tax		(2,607,729)	(3,060,140)
Total comprehensive income attributable to :			
Members of the Company		(2,462,846)	(2,966,284)
Non-Controlling Interest		76	(2,467)
Total comprehensive income for the year		(2,462,770)	(2,968,751)

The quality sustainable choice

2014

FINANCIAL REPORT

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

Earnings per share

-Basic earnings per share (cents per share)	8	(0.09)	(0.17)
-Diluted earnings per share (cents per share)	8	(0.09)	(0.17)

The accompanying notes form part of these financial Statements.

FINANCIAL REPORT

The quality sustainable choice

2014

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	Notes	Economic Entity	
		2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	9	2,697,515	1,231,477
Trade and other receivables	10	1,749,523	1,169,390
Inventories	11	757,084	1,449,010
Total Current Assets		5,204,122	3,849,877
Non-Current Assets			
Financial Assets	12	563,400	502,353
Plant and Equipment	13	593,230	628,801
Intangible Assets	14	5,126,905	5,126,905
Total Non-Current Assets		6,283,535	6,258,059
Total Assets		11,487,657	10,107,936
Current Liabilities			
Trade and other payables	15	1,370,971	1,788,975
Short term provisions	16	61,586	56,113
Total Current Liabilities		1,432,557	1,845,088
Non Current Liabilities			
Long term provisions	17	46,856	33,763
Total Non Current Liabilities		46,856	33,763
Total Liabilities		1,479,413	1,878,851
Net Assets		10,008,244	8,229,085
Equity			
Issued Capital	18	46,959,841	42,717,912
Reserves	19	(275,121)	(420,080)
Accumulated Losses		(36,714,535)	(34,106,730)
Parent Entity Interest		9,970,185	8,191,102
Non Controlling Interest		38,059	37,983
Total Equity		10,008,244	8,229,085

The accompanying notes form part of these financial Statements.

FINANCIAL REPORT

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

Economic Entity

	Issued Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Financial Assets Reserve	Parent Entity Interest	Non Controlling Interests	Total Equity
	\$	\$	\$	\$	\$	\$	\$
Balance at 1.7.2012	41,468,763	(31,049,057)	(511,469)	-	9,908,237	40,450	9,948,687
(Loss)/Profit for the Year	-	(3,057,673)	-	-	(3,057,673)	(2,467)	(3,060,140)
Other Comprehensive income/(deficit) for the year	-	-	(40,071)	131,460	91,389	-	91,389
Total comprehensive income/(deficit) for the year	-	(3,057,673)	(40,071)	131,460	(2,966,284)	(2,467)	(2,968,751)
Transactions with owners in their capacity as owners							
Shares/Options issued during the year	1,299,000	-	-	-	1,299,000	-	1,299,000
Cost of Capital	(49,851)	-	-	-	(49,851)	-	(49,851)
Balance at 30.06.2013	42,717,912	(34,106,730)	(551,540)	131,460	8,191,102	37,983	8,229,085
Balance at 1.7.2013	42,717,912	(34,106,730)	(551,540)	131,460	8,191,102	37,983	8,229,085
(Loss)/Profit for the Year	-	(2,607,805)	-	-	(2,607,805)	76	(2,607,729)
Other Comprehensive income/(deficit) for the year	-	-	(42,841)	187,800	144,959	-	144,959
Total comprehensive income/(deficit) for the year	-	(2,607,805)	(42,841)	187,800	(2,462,846)	76	2,462,770
Transactions with owners in their capacity as owners							
Shares/Options issued during the year	4,483,708	-	-	-	4,483,708	-	4,483,708
Cost of Capital	(241,779)	-	-	-	(241,779)	-	(241,779)
Balance at 30.06.2014	46,959,841	(36,714,535)	(594,381)	319,260	9,970,185	38,059	10,008,244

The accompanying notes form part of these financial Statements.

FINANCIAL REPORT

The quality sustainable choice

2014

STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	Notes	Economic Entity	
		2014 \$	2013 \$
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		4,797,568	4,699,375
Payments to suppliers and employees (inclusive of goods and services tax)		(7,747,624)	(6,905,106)
Interest received		19,529	10,794
Borrowing Costs		(8,086)	-
Research & Development Tax Credits received		270,277	770,710
Net Cash Outflow from Operating Activities	24	(2,668,336)	(1,424,227)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		(133,845)	(10,981)
Proceeds from sale of financial assets		35,000	-
Net Cash Outflow from Investing Activities		(98,845)	(10,981)
Cash Flows from Financing Activities			
Proceeds from Borrowings		110,075	-
Repayment of Borrowings		(107,013)	-
Proceeds from issues of ordinary shares and options		4,483,708	1,299,002
Payment of share and options issue costs		(241,779)	(49,853)
Net Cash Inflow from Financing Activities		4,244,991	1,249,149
Net Decrease in Cash and Cash Equivalents Held		1,477,810	(186,059)
Cash and Cash Equivalents at the Beginning of the Financial Year		1,231,477	1,362,618
Effect of exchange rates on cash holding in foreign currencies		(11,772)	54,918
Cash and Cash Equivalents at the End of the Financial Year	9	2,697,515	1,231,477

The accompanying notes form part of these financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial statements cover the economic entity of Cardia Bioplastics Limited and its controlled entities.

Cardia Bioplastics Limited is a listed public company, incorporated and domiciled in Australia. The Company is for-profit entity for accounting purposes.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

REPORTING BASIS AND CONVENTIONS

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOING CONCERN ASSUMPTION

As forecasted, the Consolidated Group's revenue from sales was insufficient to cover operational costs of the business and hence the company experienced operating losses during the year ended 30 June 2014. The Company's continuing viability, its ability to continue as a going concern and to meet its debts and commitments as they fall due, are subject to the company being successful in:

- **Accessing additional capital** - The Company has a track record of raising capital; during 12 months to June 2014, the Company has successfully raised approx. \$4.5 million through rights issue and share placements.
- **Continuing to develop profitable cash flows from current activities** - The Group has been working on a number of development projects with global brand owners and international packaging companies. Some of these projects are in commercial negotiations and others have advanced to "in-market trials" stages. Whilst no assurances can be given, it is expected that on successful outcomes, these can significantly contribute positively to the group's cash flows. The Group has already been successful in converting some of these development projects to commercial orders, the details of which have been communicated via the Company's ASX announcements.

Moreover, Cardia's New Board is continuously seeking and have put in measures in place to redirect resources to activities that are cash-flow positive in the short-term.

- **Controlling costs** - The Group will continue to look for avenues to reduce costs as it develops its operations.
- **Ability to divest non-core assets to increase cash position** - The Group may consider divesting some of its non core assets, the proceeds of which would yield a net inflow to future cash flows. The Group managed to sell its equity interest in P-Fuel Limited during the year.

The Directors are seeking to raise funds via capita and/or borrowings and in line with the above matters have prepared the financial report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cardia Bioplastics Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Cardia Bioplastics Limited and its subsidiaries together are referred to in these financial statements as the 'economic entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the economic entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss. A list of controlled entities is contained in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a change in control are accounted for as equity transactions and do not affect the carrying values of goodwill.

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the end of the reporting period.

Deferred tax is accounted for using the 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 income 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 statement of comprehensive income 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 income 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

d. Plant and Equipment

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

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the reporting date.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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 statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Class of Fixed Asset	Depreciation Rate
Plant and Machinery	13% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's 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 statement of comprehensive income.

e. Leases

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.

f. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset. (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
- less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i) Loans and receivables

Loans and receivable 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.

ii) Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. Revaluation increment of \$187,800 recorded relate to changes in fair value of available-for-sale financial assets held as at 30 June 2014 (2013- \$131,460).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

iii) Financial Liabilities

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Impairments of Assets

At the end of each reporting period, the group 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 assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Intangibles

Patents and trademarks

Costs incurred in relation to development, registration and maintenance of patents and trademarks are expensed as and when incurred.

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.

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income; otherwise the exchange difference is recognised in the statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of reporting period.
- Income and expenses are translated at average exchange rates for the period. The average rate is only used where the rate approximates the rate at the date of transaction.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

j. Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

k. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

l. Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

m. Revenue

Revenue from the sale of goods (including wholesale material trading sale) is recognised upon transfer of significant risks and rewards of ownership of goods to customers which normally occurs on the delivery of goods to customers.

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

R&D Tax Credits are recognised as revenue in the year of receipt.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Goods and Services Tax (GST) and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

o. Comparative Figures

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

p. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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 group.

Key Estimates- Impairment

The group assesses impairment at the end of each reporting period by evaluating conditions specific to the group 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. For details- refer to Note 14.

Key Judgments-

The Directors have made certain key judgments in valuation techniques applied for the measurement of Financial Assets. For details-refer to Note 12.

The Directors have made certain key judgments in assessing recoverability of trade receivables and have accordingly, have continued impairment of trade receivables by \$102,343. For details-refer to Note 10.

q. New Accounting Standards for Application in Future Periods

The Australian Accounting Standard Board 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. The new accounting standards and interpretations are expected not to impact the company other than the AASB 9 and IFRS 15 referred below, for which the Company is yet to make the assessment of their impact.

AASB 9: Financial Instruments, AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8), AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C) and AASB 2014-1 Amendments to Australian Accounting Standards (Part E) (applicable for annual reporting periods commencing on or after 1 January 2018)
AASB 9 includes requirements for the classification and measurement of financial assets and the accounting requirements for financial liabilities.

The changes made to accounting requirements by these standards include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value
- simplifying the requirements for embedded derivatives
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- financial assets will need to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows
- amending the rules for financial liabilities that the entity elects to measure at fair value, requiring changes in fair value attributed to the entity's won credit risk to be presented in other comprehensive income
- adding Chapter 6 Hedge Accounting which supersedes the general hedge accounting requirements as they exist in AASB 139 and the addition of new disclosure requirements. The Chapter 6 requirements include a new approach to hedge accounting, intended to more closely align hedge accounting with risk management activities.

Further, in July 2014 the International Accounting Standards Board issued IFRS 9 as a complete standard including the previously issued requirements (as per the above) and additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.

IFRS 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017)

IFRS 15 establishes a single, comprehensive framework for revenue recognition, and replaces the previous revenue Standards IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements..

The Company does not anticipate early adoption of any of the above Australian Accounting Standards or Interpretations.

The Financial statements were authorised for issue on 30 September 2014 by the Board of Directors.

NOTE 2 PARENT ENTITY

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

STATEMENT OF FINANCIAL POSITION

ASSETS

Current assets

Non-current assets

TOTAL ASSETS

LIABILITIES

Current liabilities

Non-current liabilities

TOTAL LIABILITIES

EQUITY

Issued capital

Accumulated losses

Revaluation Reserve

TOTAL EQUITY

STATEMENT OF COMPREHENSIVE INCOME

Loss for the year after tax

Total comprehensive income

	2014 \$	2013 \$
Current assets	1,748,189	677,882
Non-current assets	13,099,371	10,271,371
TOTAL ASSETS	14,847,560	10,949,253
Current liabilities	64,822	86,228
Non-current liabilities	33,239	21,323
TOTAL LIABILITIES	98,061	107,551
Issued capital	46,959,841	42,717,912
Accumulated losses	(32,529,602)	(32,007,670)
Revaluation Reserve	319,260	131,460
TOTAL EQUITY	14,749,499	10,841,702
Loss for the year after tax	(521,932)	(487,594)
Total comprehensive income	(334,132)	(356,134)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2 PARENT ENTITY (Continued)

Guarantees

Cardia Bioplastics Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

Other than the matter disclosed in Note 21, Cardia Bioplastics Limited had no contingent liabilities as at 30 June 2014. (2013: \$36,000).

Contractual commitments

At 30 June 2014, Cardia Bioplastics Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2013: NIL).

NOTE 3 REVENUE

	Economic Entity	
	2014	2013
	\$	\$
Revenue		
Sales		
Sales from main operations	4,023,467	3,172,480
Wholesale material trading sales	1,000,024	1,878,095
Total	5,023,491	5,050,575
Other Income		
Interest	19,529	10,794
Research & Development Tax Credits	270,277	770,710
Other Income	47,587	1,660
Total	337,393	783,164
Total Revenue	5,360,884	5,833,739

NOTE 4 LOSS FOR THE YEAR

	Economic Entity	
	2014	2013
	\$	\$
The Loss before income tax has been arrived at after the following items of expenses		
Expenses		
Depreciation & Amortisation	108,996	136,912
Rental expenses relating to operating leases	242,431	225,391
Research, development, and patent costs	750,741	873,249
Amounts written off as bad debts	13,160	-

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 5 INCOME TAX EXPENSE

a) The prima facie tax credit on loss before income tax is reconciled to the income tax credit as follows :
Prima facie tax credit provided on loss before income tax at 30% (2013: 30%)
- Economic Entity

- Adjustment for foreign tax rate
- Research & Development Tax Offset
- Non-deductible expenses
- Other deductible expenses
- Impairment Provision -Intangible Assets
- Adjustments to prior year losses

Deferred income tax assets not recognised
Income tax expense

b) The Directors estimate that the potential deferred income tax assets at 30 June 2014 in respect of tax losses not brought to account is :

Economic Entity

2014 \$	2013 \$
(782,319)	(918,042)
(782,319)	(918,042)
45,054	44,653
(81,083)	(231,213)
383,316	145,532
(21,873)	(22,358)
-	431,714
106,910	430,252
(349,995)	(119,462)
349,995	119,462
-	-
6,754,164	6,404,168

Deferred tax assets have not been brought to account as it is not currently considered probable that future taxable profits will be available against which such assets could be utilised.

NOTE 6 KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are included in the "REMUNERATION REPORT".

Key management personnel remuneration details have been included in the Remuneration Report section of the Directors Report.

	2014 \$	2013 \$
Short-term employee benefits	454,243	492,290
Post-employment benefits	55,031	33,270
Termination payments	-	10,820
	509,274	536,380

NOTE 7 REMUNERATION OF AUDITORS

Remuneration of the auditor of the parent entity for
- auditing or reviewing the financial statements
Remuneration of other auditors of subsidiaries for :
- auditing or reviewing the financial statements of subsidiaries

Economic Entity

2014 \$	2013 \$
34,500	32,000
10,000	13,046
44,500	45,046

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8 EARNINGS PER SHARE

a) Reconciliation of losses used to calculate earnings per share

Loss for the year
Loss/(Profit) attributable to non controlling interest
Loss used to calculate basic and diluted EPS

b) Weighted average number of ordinary shares used in the calculation of basic loss per share

c) Weighted average number of ordinary shares and options used in the calculation of diluted loss per share

Economic Entity

2014 \$	2013 \$
(2,607,729)	(3,060,140)
(76)	2,467
(2,607,805)	(3,057,673)
Number	Number
2,766,615,881	1,794,201,731
2,766,615,881	1,794,201,731

560,722,959 (2013: 221,285,646) options have been excluded from the calculation of diluted earnings per share, as the Economy Entity has incurred a loss and their effect is anti dilutive.

NOTE 9 CASH AND CASH EQUIVALENTS

Cash at bank and on hand
Balances per statement of cash flows

Economic Entity

2014 \$	2013 \$
2,697,515	1,231,477
2,697,515	1,231,477

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents

2,697,515	1,231,477
-----------	-----------

NOTE 10 TRADE AND OTHER RECEIVABLES

Current

Trade Receivables
Less : provision for impairment

Prepayments
Other receivables

Economic Entity

2014 \$	2013 \$
1,353,136	1,127,213
(102,343)	(115,503)
1,250,793	1,011,710
71,720	91,425
427,010	66,255
1,749,523	1,169,390

Provision for Impairment of Receivables

Current trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been disclosed as a separate line item in Statement of comprehensive income. Receivables that are impaired aged more than 365 days.

On the above basis, the Directors have made key judgement in impairing trade receivables by NIL (2013- \$109,794) at the reporting date. Break up of impaired receivable, on geographical basis, is provided below:

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 10 TRADE AND OTHER RECEIVABLES (Continued)

	2014 \$	2013 \$
Australia	-	1,409
Americas	-	-
Asia	-	105,367
Others	-	3,018
	-	109,794

Movement in the provision for impairment of receivables is as follows:

2014	Opening Balance 1.7.2013 \$	Charge for the Year \$	Amounts Written Off \$	Closing Balance 30.06.2014 \$
Economic Entity				
Current Trade & Other Receivables	115,503	-	13,160	102,343
	115,503	-	13,160	102,343

2013	Opening Balance 1.7.2012 \$	Charge for the Year \$	Amounts Written Off \$	Closing Balance 30.06.2013 \$
Economic Entity				
Current Trade & Other Receivables	5,709	109,794	-	115,503
	5,709	109,794	-	115,503

Credit Risk- Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than receivables specifically provided for and mentioned within this Note. The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia, Americas and Asia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of reporting period in those regions is as follows:

	Economic Entity	
	2014 \$	2013 \$
Australia	111,909	122,691
Americas	674,943	413,597
Asia	890,684	541,677
Others	268	-
	1,677,803	1,077,965

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial terms (as detailed in the table) are considered to be of high credit quality.

The carrying amount of receivables is considered a reasonable approximation to fair values.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 10 TRADE AND OTHER RECEIVABLES (Continued)

Economic Entity

	Gross Amount	Past due and Impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2014							
Trade Receivables	1,353,136	102,343	193,782	53,451	2,228	373,796	627,537
Other Receivables	427,010	-	-	-	-	9,658	417,352
Total	1,780,146	102,343	193,872	53,451	2,228	383,454	1,044,889
2013							
Trade Receivables	1,127,213	115,503	7,912	2,123	-	377,865	623,810
Other Receivables	66,255	-	8,489	6,660	-	10,580	40,526
Total	1,193,468	115,503	16,401	8,783	-	388,445	664,336

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

NOTE 11 INVENTORIES

	Economic Entity	
	2014 \$	2013 \$
Current		
Raw materials and stores	70,193	284,697
Work in progress	31,436	18,516
Finished goods	655,455	1,145,797
	757,084	1,449,010

NOTE 12 FINANCIAL ASSETS

	Economic Entity	
	2014 \$	2013 \$
Non-Current		
Available -for-sale financial assets		
Unlisted Investments, at fair value	(a) 563,400	502,353
	563,400	502,353
Reconciliation		
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:		
Opening fair value	502,353	370,893
Additions	-	-
Disposals	(b) (126,753)	-
Revaluation increments	187,800	131,460
Closing fair value	563,400	502,353

(a) Non-current- Available for sale financial assets consist of 18,780,000 ordinary shares in Bioglobal Limited ("Bioglobal"). As at 30 June 2014, these assets have been valued at 3 cents per share based on the offer price for the last capital raising by Bioglobal that occurred in December 2013.

(b) This financial asset consisted of 5,250,000 ordinary shares in P-Fuel Limited. In November 2013, Cardia sold all of its equity interest in P-Fuel Limited for \$35,000 resulting in a realised loss of \$91,753 to its book value.

(c) Refer to note 28 for further information on fair value measurement.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 13 PLANT AND EQUIPMENT

	Economic Entity	
	2014 \$	2013 \$
Plant & Machinery		
At cost	941,631	757,843
Accumulated depreciation	(471,296)	(414,733)
	470,335	343,110
Office Equipments		
At cost	118,833	112,313
Accumulated depreciation	(103,727)	(104,956)
	15,106	7,357
Motor Vehicles		
At cost	82,262	84,693
Accumulated depreciation	(66,487)	(59,983)
	15,775	24,710
Furniture & Fixtures		
At cost	52,306	39,880
Accumulated depreciation	(36,836)	(26,921)
	15,470	12,959
Leasehold Improvements		
At cost	310,659	305,479
Accumulated depreciation	(234,116)	(170,102)
	76,543	135,377
Capital Work in Progress		
At Cost	-	105,288
	-	105,288
	593,230	628,801

Movement in Carrying Amounts

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below.

Economic Entity

2013	Plant & Machinery	Office Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Capital Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	362,563	20,663	29,019	15,039	167,120	92,563	686,967
Additions during the year	24,249	1,574	-	-	-	-	25,823
Disposals during the year	-	-	-	-	-	-	-
Foreign Exchange Rate Variations	33,951	622	3,091	-	8,851	12,725	59,240
Depreciation Expenses	(71,336)	(15,502)	(7,400)	(2,080)	(40,594)	-	(136,912)
Depreciation included in Cost of goods sold	(6,317)	-	-	-	-	-	(6,317)
Balance at 30 June 2013	343,110	7,357	24,710	12,959	135,377	105,288	628,801

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTE 13 PLANT AND EQUIPMENT (Continued)

2014	Plant & Machinery	Office Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Capital Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2013	343,110	7,357	24,710	12,959	135,377	105,288	628,801
Additions during the year	97,737	11,898	-	12,426	11,784	-	133,845
Transfers during the year	102,266	-	-	-	-	(102,266)	-
Disposals during the year	-	(257)	-	-	-	-	(257)
Foreign Exchange Rate Variations	(6,254)	(149)	(460)	232	50	(3,022)	(9,603)
Depreciation Expenses	(15,963)	(3,743)	(8,475)	(10,147)	(70,668)	-	(108,996)
Depreciation included in Cost of goods sold	(50,560)	-	-	-	-	-	(50,560)
Balance at 30 June 2014	470,336	15,106	15,775	15,470	76,543	-	593,230

NOTE 14 INTANGIBLE ASSETS

	Economic Entity	
	2014	2013
	\$	\$
Goodwill		
Cost	8,112,783	8,112,783
Accumulated impaired losses	(2,985,878)	(2,985,878)
Net carrying value	5,126,905	5,126,905

Impairment Disclosures

All Goodwill is allocated to the Group's distribution division, being a cash generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of base cash flow projections. The cash flows are discounted using an estimated discount rate based on Capital Asset Pricing Model adjusted to incorporate risks associated with a particular segment.

Management has based the value-in-use calculations on three year budget forecasts of Bioplastics business. Revenue has been projected on the below mentioned assumptions. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are pre-tax and reflect risks associated with the distribution division.

The following assumptions were used in the value-in-use-calculations:

- Revenue is premised on a "zero based budget" approach whereby each customer, or potential customer, has been specifically assessed having regard to current indications of demand, customer contacts or as assessed by the relevant sales manager.

Long term contracts typically include expenditure "rise and fall" clauses. Accordingly, Revenue is forecast to alter in linewith relevant changes to the Group's direct manufacturing costs.

- Projected cash flows have been discounted using discount rate of 15%. (2013: 16.6%)
- Gross profit margins are forecast to be in a range of 20%-45% dependent upon each geographic region. (2013: 20%-45%)
- Expansion committed for China manufacturing plant and set up of Brazilian manufacturing plant have been taken into the account.
- Manufacturing capacity constraints both in China and Brazil have been taken into the account in forecasting revenues.
- The annual growth rate of 2% has been estimated in the calculation of terminal value.

Based on the above assumptions, the recoverable amount of the cash generating unit has been determined to exceed its carrying amount as at 30 June 2014 and accordingly; no impairment loss has been recognised.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 14 INTANGIBLE ASSETS (Continued)

Sensitivity to changes in assumptions

Gross Profit Margin Assumption: Management has considered the possibility of lower gross margins of up to 18% than those budgeted, on the assumption that should raw material prices increases beyond the budgeted raw material price inflation and the Group be not able to pass on additional costs to the customers or absorb through efficiency improvements or other cost cutting measures, then in that case , recoverable amount of the cash-generating unit will exceed its carrying amount by \$4.8Million.

Discount Rate Assumption: If the estimated cost of capital used in determining the pre-tax discount for the CGU had been 1% higher than management's estimates (16% instead of 15%), then in that case , recoverable amount of the cash-generating unit will exceed its carrying amount.

Revenue Forecasts Assumption: Management has considered the possibility of not achieving revenue forecasts than those budgeted and have instead assumed 75% of forecasted revenue growth per year for the budgeted period of 3 years, then in that case, recoverable amount of the cash-generating unit will exceed its carrying amount.

NOTE 15 TRADE AND OTHER PAYABLES

	Economic Entity	
	2014 \$	2013 \$
Current		
Unsecured Liabilities		
Trade Payables	890,070	1,266,791
Deposits from customers	99,228	54,155
Sundry payables and accrued expenses	370,184	448,627
Withholding tax payable	11,489	19,402
	1,370,971	1,788,975

NOTE 16 SHORT TERM PROVISIONS

	Economic Entity	
	2014 \$	2013 \$
Employee benefits	61,586	56,113
	61,586	56,113

NOTE 17 LONG TERM PROVISIONS

	Economic Entity	
	2014 \$	2013 \$
Employee benefits	46,856	33,783
	46,856	33,783

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTE 18 ISSUED CAPITAL

(A) Share Capital

	Economic Entity	
	2014	2013
	\$	\$
Ordinary - fully paid shares	46,959,841	42,717,912

(B) Movements in Ordinary Share Capital

Date		Number of Shares	Issue Price \$	Amount \$
30 June 2012	Balance	1,567,057,824		41,468,763
20 July 2012	Exercise of Options- June 2015 Expiry	72	0.015	1
21 December 2012	Shareplacement	200,000,000	0.002	400,000
	Cost of Capital Raising			(2,775)
27 December 2012	Share Purchase Plan	199,500,000	0.002	399,000
	Cost of Capital Raising			(23,877)
22 May 2013	Shareplacement	200,000,000	0.0025	500,000
	Cost of Capital Raising			(23,201)
24 May 2013	Exercise of Options- June 2013 Expiry	35	0.02	1
30 June 2013	Balance	2,166,557,931		42,717,912
25 September 2013	Shareplacement	80,000,000	0.0025	200,000
9 October 2013	Shareplacement	160,000,000	0.0025	400,000
10 October 2013	Shareplacement	80,000,000	0.0025	200,000
14 November 2013	Shareplacement	209,534,237	0.0030	628,603
	Cost of Capital			(40,334)
6 March 2014	Shareplacement	118,333,333	0.0030	355,000
	Cost of Capital			(24,012)
25 March 2014	Exercise of Options	7,000	0.015	105
11 April 2014	Rights Issue	900,000,001	0.0030	2,700,000
	Cost of Capital			(177,433)
30 June 2014		3,714,432,502		46,959,841

(C) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary Shares have no par value, and the company does not have a limited amount of authorised share capital.

(D) Movements in options

Options Expiring 30 June 2015 @ \$0.015 (Listed)

Date		Number of Options
21 March 2012	Options issued free pursuant to Entitlement Issue on the basis of 1 new option (exercisable at \$0.015 expiring 30 June 2015) for every 1 new share subscribed for in Cardia	214,285,714
31 May 2012	Options issued free on placement of shortfall of Entitlement Issue	7,000,000
30 June 2012	Balance	221,285,714
20 July 2012	Options Exercised	(72)
30 June 2013	Balance	221,285,642
25 March 2014	Options Exercised	(7,000)
30 June 2014	Balance	221,278,642

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 18 ISSUED CAPITAL (Continued)

Options Expiring 15 July 2014 @ \$0.0035 (Unlisted)

Date		Number of Options
16 July 2013	Options issued free pursuant to May'13 Shareplacement on the basis of 1 new option for every 2 new shares subscribed for in Cardia	100,000,000
30 June 2014	Balance	100,000,000

Options Expiring 15 December 2014 @ \$0.006 (Listed)

Date		Number of Options
11 April 2014	Options issued free pursuant to Shareplacement (25 March 2014) and Rights Issue (April 2014) on the basis of 1 new option for every 3 new shares subscribed for in Cardia	339,444,317
30 June 2014	Balance	339,444,317

(E) Capital Management

Management controls the capital of the group in order to maintain sufficient liquidity to cover the group's working capital requirements, to meet any new investment opportunities as they arise and to safeguard the company's ability to continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by regularly monitoring its current and expected liquidity requirements and by assessing the group's financial risks, rather than using debt/equity ratio analyses. The group's capital structure is adjusted in response to the changes in liquidity requirements and financial risks. 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 group since the prior year.

NOTE 19 RESERVES

Nature and Purpose of Reserves

a. Financial Assets Reserve

The reserve is used to recognise increments and decrements in the fair value of available-for-sale financial assets.

b. Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(j)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 20 CONTROLLED ENTITIES

Controlled Entities Consolidated

Name	Country of Incorporation	Equity Holding (%) ⁽¹⁾	
		2014	2013
Cardia Bioplastics (Australia) Pty Ltd	Australia	100.00	100.00
Tristano Pty Ltd (100% owned by Cardia Bioplastics (Australia) Pty Ltd)	Australia	100.00	100.00
Biograde (Nanjing) Pty Ltd (100% owned by Biograde (Hong Kong) Pty Ltd)	China	100.00	100.00
Biograde (Hong Kong) Pty Ltd (100% owned by Cardia Bioplastics (Australia) Pty Ltd)	Hong Kong	100.00	100.00
Cardia Bioplastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
Cardia Bioplasticos (Brasil) Ltda	Brazil	100.00	100.00
CO2Starch Pty Ltd	Australia	100.00	100.00
Cardia Bioplastics LLC	USA	100.00	100.00
Mine Remediation Services Pty Ltd	Australia	69.36	69.36
Natural Pharmacy Pty Ltd	Australia	66.00	66.00
Herbworx International Pty Ltd (60% owned by Natural Pharmacy Pty Ltd)	Australia	39.60	39.60

1. Percentage of voting power is in proportion to ownership.

NOTE 21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2014 (2013: \$36,000 Ex GST).

NOTE 22 COMMITMENTS

Operating Lease Commitments

Commitments in relation to operating leases contracted for at the end of the reporting period but not recognised as liabilities, payable:

	Economic Entity	
	2014 \$	2013 \$
Operating Lease Commitments		
Not later than 12 months	169,163	87,818
between 12 months and 5 years	275,248	-
	444,411	87,818

The consolidated entity leases property under operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right of renewal from nil years to three years.

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS

Segment Information

The consolidated entity continued to carry five business activities namely:

- Environmental Technology
- Biotechnology Medical
- Biotechnology Agricultural
- Natural Pharmaceuticals
- Mineral Exploration

Cardia Bioplastics (Australia) Pty Ltd (formerly Biograde Limited) was acquired by Cardia on 6th March 2009. That Company's operations are in Bioplastics and is classified under "Environmental Technology" business activity of the Group. Bioplastics is the current focus of business, and the Group has identified its operating segments to accord with that business.

Assets and Investments held or acquired under the remaining four business activities of the Group are classified under "Corporate Division" operating segment of the entity.

Operating segments are premised on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold and/or services provided by the segment;
- the manufacturing process;
- the distribution method; and
- any external regulatory requirements.

The following operating segments have been identified:

- (i) Manufacturing Division
- (ii) Distribution Division
- (iii) Corporate Division

Types of products and services by segment.

(i) Manufacturing Division

The manufacturing segment develops and manufactures sustainable resins derived from renewable resources for the global packaging and plastic products industries.

The Manufacturing segment, that includes the manufacturing unit in China, is responsible for distribution and sales of products to the Chinese market, thus leveraging their local logistics management and business relationship.

The manufacturing segment also sells products to the distribution segment.

(ii) Distribution Division

The distribution segment includes the Group's distributors in Australia, Americas, Europe, and Asia, led by the Company's Business Development Managers in each of those regions. The distribution segment distributes the Company's manufactured stock items both domestically in the respective region and internationally.

(iii) Corporate Division

Corporate Division serves manufacturing and distribution divisions on financial, administrative and legal matters and also holds and manages portfolio of investments and interests held or acquired under the remaining business activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS (Continued)

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

- Non-recurring items of revenue or expense
- Depreciation & Amortisation

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS (Continued)

Segment Performance

	Manufacturing Division	Distribution Division	Corporate	Total
Year ended 30.06.2014	\$	\$	\$	\$
Revenue				
External Sales	2,442,178	2,581,313	-	5,023,491
Inter-segment sales	1,075,776	-	-	1,075,776
Interest revenue	1,594	1,859	16,076	19,529
Other Income	1,016	304,202	12,646	317,864
Total Segment Revenue	3,520,564	2,887,374	28,722	6,436,660
<i>Reconciliation of segment revenue to group revenue</i>				
Inter-segment elimination	(1,075,776)	-	-	(1,075,776)
Total Group Revenue	2,444,788	2,887,374	28,722	5,360,884
Segment Net Loss before Tax	(1,081,335)	(887,875)	(529,523)	(2,498,733)
<i>Reconciliation of segment result to group net loss before tax</i>				
Inter-segment elimination	-	-	-	-
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(33,288)	(74,098)	(1,610)	(108,996)
Net Loss for the Period	(1,114,623)	(961,973)	(531,133)	(2,607,729)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 23 OPERATING SEGMENTS (Continued)

Segment Performance

	Manufacturing Division	Distribution Division	Corporate	Total
Year ended 30.06.2013	\$	\$	\$	\$
Revenue				
External Sales	2,031,552	3,019,023	-	5,050,575
Inter -segment sales	710,723	182	-	710,905
Interest revenue	122	5,230	5,442	10,794
Other Income	-	770,710	1,660	772,370
Total Segment Revenue	2,742,397	3,795,145	7,102	6,544,644
<i>Reconciliation of segment revenue to group revenue</i>				
Inter-segment elimination	(710,723)	(182)	-	(710,905)
Total Group Revenue	2,031,674	3,794,963	7,102	5,833,739
Segment Net Loss before Tax	(692,046)	(265,633)	(491,571)	(1,449,250)
<i>Reconciliation of segment result to group net loss before tax</i>				
Inter-segment elimination	-	(34,933)	-	(34,933)
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(104,099)	(31,636)	(1,177)	(136,912)
- Impairment – Intangible Assets	-	(1,439,045)	-	(1,439,045)
Net Loss for the Period	(796,145)	(1,771,247)	(492,748)	(3,060,140)

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS (Continued)

Segment Assets

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2014	\$	\$	\$	\$
Segment Assets	1,778,506	15,327,350	14,847,735	31,953,591
<i>Reconciliation of segment assets to group assets</i>				
Inter-segment eliminations	-	(7,967,268)	(12,498,666)	(20,465,934)
<i>Segment Assets after inter-segment eliminations</i>	1,778,506	7,360,082	2,349,069	11,487,657
Segment asset increases for the period				
- Capital expenditure	121,947	11,898	-	133,845
Included in segment assets are				
Goodwill	-	5,126,905	-	5,126,905

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2013	\$	\$	\$	\$
Segment Assets	2,082,442	14,331,302	11,027,735	27,441,479
<i>Reconciliation of segment assets to group assets</i>				
Inter-segment eliminations	-	(7,525,278)	(9,808,265)	(17,333,543)
<i>Segment Assets after inter-segment eliminations</i>	2,082,442	6,806,024	1,219,470	10,107,936
Segment asset increases for the period				
Capital expenditure	19,823	6,000	-	25,823
Included in segment assets are				
Goodwill	-	5,126,905	-	5,126,905

FINANCIAL REPORT

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS (Continued)

Segment Liabilities

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2014	\$	\$	\$	\$
Segment Liabilities	4,023,530	17,574,089	166,811	21,764,430
<i>Reconciliation of segment liabilities to group liabilities</i>				
Inter-segment eliminations	(3,432,547)	(16,852,470)	-	(20,285,017)
Total Group Liabilities	590,983	721,619	166,811	1,479,413

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2013	\$	\$	\$	\$
Segment Liabilities	4,144,229	14,749,019	186,917	19,080,165
<i>Reconciliation of segment liabilities to group liabilities</i>				
Inter-segment eliminations	(3,092,602)	(14,108,712)	-	(17,201,314)
Total Group Liabilities	1,051,627	640,307	186,917	1,878,851

Revenue by geographical region

	2014	2013
	\$	\$
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	623,748	376,776
Asia	3,238,283	3,909,647
Americas	1,123,817	739,865
Others	37,643	24,287
Total Revenue	5,023,491	5,050,575

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 23 OPERATING SEGMENTS (Continued)

Assets by geographical region

The location of segment assets (non current) by geographical location of assets is disclosed below:

	2014 \$	2013 \$
Australia	5,833,648	5,588,749
Asia	449,887	669,310
Total Assets	6,283,535	6,258,059

Major customers

The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for **21.75%** (2013: 18.61%) of external revenue. The next two significant customers accounted for **9.70%** (2013: 11.16%) and **5.54%** (2013: 4.21%) of external revenue respectively.

NOTE 24 CASH FLOW INFORMATION

	Economic Entity	
	2014 \$	2013 \$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Operating Loss after income tax	(2,607,729)	(3,060,140)
Depreciation & Amortisation	108,996	136,912
Depreciation included in Costs of goods sold	50,562	6,317
Foreign Currency translation differences	(24,273)	(44,393)
Loss on Sale of Financial Assets	91,753	-
Impairment -Intangible Assets	-	1,439,045
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	(580,133)	(335,298)
(Increase)/decrease in other operating assets	691,926	(129,584)
Increase/(decrease) in creditors	(435,125)	573,090
Increase/(decrease) in provisions and payables	35,687	(10,176)
Net cash outflow from operating activities	(2,668,336)	(1,424,227)

NOTE 25 AFTER BALANCE DATE EVENTS

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years

- 100,000,000 unlisted options exercisable at \$0.0035 (0.35 cents) each, expired on 15 July 2014.
- As announced to the market in August 2014, the Company has decided to set up its own film and bag manufacturing plant in São Paulo, Brazil. New purpose-built facilities have been leased and production has commenced from September 2014. The production machinery costing A\$750,000 is funded using vendor finance over a twelve months period.

The new factory is expected to deliver a production capacity of 500 million retail carry bags per year. This capacity is over four times greater than that of the current Cardia Bioplastics manufacturing plant in Nanjing, China.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 26 RELATED PARTIES

A. Key Management Personnel

The names of persons who were Key Management Personnel of Cardia Bioplastics Limited at any time during the year are as follows:

Mr R Tegoni	Director (Appointed 21 December 2012)
Dr F P Glatz	Managing Director
Mr S Bendel	Non-Executive Director (Appointed 7 October 2013)
Mr G Meltzer	Non-Executive Director (Appointed 7 November 2013)
Mr P J Volpe	Non-Executive Director (Resigned 22 November 2013)
Mr Chen Yi	Director (Resigned 17 October 2013) and General Manager (China Operations)
Mr Chen Chang Ping	Technical Director, China Operations
Miss R Bhambhani	Chief Financial Officer & Company Secretary

Remuneration

Information on remuneration of Key Management Personnel is disclosed in the Note 6.

Other Transactions with Directors and Director-Related Entities

On 10 January 2011, the Company has also entered into sub-lease agreement with Botswana Metals Limited ("BML") in relation to the shared occupation of office premises. BML has invoiced Cardia \$19,250 (incl GST) (2013: \$32,083) for rent of office premises for the 6 months period up to 31 December 2014. Mr. Volpe is Chairman and the major shareholder of BML.

During the year, an amount of \$5,850 (Ex GST) (2013: NIL) was paid to GM Legal and Corporate Advisory, a company controlled by Mr. Gideon Meltzer for providing legal services to the Company.

Cardia has distribution agreement in place with Bio-Mart Pty Ltd, the Company which is controlled by relatives (children) of Mr. Volpe. The distribution agreement is on identical commercial terms that apply to all the distributors. No transactions have occurred with Bio-Mart Pty Ltd during the year.

Ownership Interests in Related Parties

Interests held in the following classes of related parties are set out in the following notes:

Controlled Entities Note 20

NOTE 27 FINANCIAL INSTRUMENTS

a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks and short term investments, accounts receivable and payable and available financial assets.

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	Economic Entity	
		2014 \$	2013 \$
Financial Assets			
Cash and cash equivalents	9	2,697,515	1,231,477
Loans and receivables	10	1,677,803	1,077,965
Available -for- Sale Financial Assets	12	563,400	502,353
Total Financial Assets		4,938,718	2,811,795
Financial Liabilities			
Trade and other payables	15	1,370,971	1,788,975
Total Financial Liabilities		1,370,971	1,788,975

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 27 FINANCIAL INSTRUMENTS (Continued)

Financial Risk Management.

The Group has not established formal policies for the oversight and management of material business risks. Due to the size of the Group and the size of the Board, the Board monitors all key areas of the Group's risk management on an ongoing basis.

The Board has delegated the responsibility of designing risk management and internal control systems to the Managing Director and senior management who manage the Group's material business risks and report to the Board on the effectiveness of those systems. The overall risk management strategy of the Group is to ensure that the consolidated group meets its financial targets and at the same time minimizes potential adverse effects on financial performance. The risk management functions include a review of the credit risks policies, future cash flow requirements and use of natural hedges.

Specific Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

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 Group.

Credit risk is managed through the negotiation of payment terms with customers such as advance payment on order or payments through letter of credits, title retention clauses over goods, keeping credit terms to maximum of 30 days from the invoice date, ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and monitoring the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Americas and Asia, given the substantial transactions from those regions. Details with respect to credit risk of Trade and Other Receivables are provided in Note 10

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregate of such amounts are as detailed in Note 10.

Credit risk arising on cash balances is not material.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or meeting its obligations related to financial liabilities. The group manages liquidity risk by maintaining a reputable credit profile, managing credit risk related to financial assets, monitoring forecasted cash flows and ensuring that new funding facilities are in place either in the form of the issuing of new securities or establishing borrowing facilities.

Market risks

Interest rate risk

Any future change in interest rate will affect future cash flows of the Group as the cash holdings are on a variable rate basis. However the Group has established that its interest rate risk exposure is not material at this stage.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the payment of employment costs, sale and purchase of goods and services in currencies other than AUD functional currency of the Group.

As the Group's significant purchase and sales transactions are in US Dollars, any fluctuations in US Dollars may impact on the Group's financial results unless this exposure is appropriately hedged. The group has minimised its currency risk exposure for payments in US Dollars through natural hedge, by applying US Dollars payments from its receivables in that currency.

For payments in all other foreign currencies, the Group has established that its exposure to foreign currency risk is not material at this stage.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 27 FINANCIAL INSTRUMENTS (Continued)

Sensitivity Analysis

Foreign Currency Risk

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of reporting period. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Foreign Currency Risk Sensitivity Analysis

At 30 June 2014, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar with all other variables remaining constant is as follows:

	Economic Entity	
	2014	2013
	\$	\$
Change in Profit and Equity		
- Improvement in AUD to USD by 5%	47,427	-
- Decline in AUD to USD by 5%	(47,427)	-

For last year, the Company was able to manage its USD payments by applying them from the funds receipts in the same currency during the year.

The Directors assess that 5% variance in AUD to USD can have material impact on the Company's operations in the event the Company's receipts in USD are not sufficient to manage its USD payments through a natural hedge.

NOTE 28 FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the economic entity's assets measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 3	Total
	\$	\$
Economic Entity - 2014		
Assets		
Available for sale financial assets		
Unlisted Investments , at fair value	563,400	563,400
Total Assets	563,400	563,400
Economic Entity - 2013		
Assets		
Available for sale financial assets		
Unlisted Investments , at fair value	502,353	502,353
Total Assets	502,353	502,353

FINANCIAL REPORT

The quality sustainable choice

2014

NOTES TO THE FINANCIAL STATEMENTS (Continued) NOTE 28 FAIR VALUE MEASUREMENT (Continued)

Assets and liabilities held for sale are measured at fair value on a non-recurring basis.

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 3

Available for sale financial assets consist of 18,780,000 ordinary shares in Bioglobal Limited ("Bioglobal"). As at 30 June 2014, these assets have been valued at 3 cents per share based on the offer price for the last capital raising by Bioglobal that occurred in December 2013. There was no change in valuation technique applied as at 30 June 2014.

Level 3 assets

Movements in level 3 assets during the current and previous financial year are set out below:

	Available- for sale financial assets	Total
Economic Entity	\$	\$
Balance at 1 July 2012	370,893	370,893
Gains recognised in other comprehensive income	131,460	131,460
Balance at 30 June 2013	502,353	502,353
Gains/(losses) recognised in other comprehensive income	187,800	187,800
Additions	-	-
Disposals	(126,753)	(126,753)
Balance at 30 June 2014	563,400	563,400

Any reasonable change to unobservable inputs would not be material to these financial statements.

NOTE 29 COMPANY DETAILS

The principal place of business and registered office is:

Unit 18, 35 Dunlop Road, Mulgrave, Victoria, Australia 3170.

The quality sustainable choice

2014

DIRECTOR'S REPORT

1. The Directors declare that the financial statements and notes, as set out on pages 29 to 63 and remuneration disclosures that are detailed within the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards, the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and economic entity.
 - c. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
2. The Chairman and Company Secretary have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. 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 Directors.



Richard Tegoni
Director

Mulgrave
Dated this 30th day of September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

The quality sustainable choice

2014



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIA BIOPLASTICS LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Cardia Bioplastics Limited (the "company") and the entities it controlled at year's end or from time to time during the financial year (the "consolidated entity"). The consolidated financial report comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility 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 Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives 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 Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

CHARTERED ACCOUNTANTS & ADVISORS

Melbourne Office
Level 20, 181 William Street
Melbourne VIC 3000

Hawthorn Office
Level 1, 465 Auburn Road
Hawthorn East VIC 3123

PO Box 185, Toorak VIC 3142
Telephone: +61 3 9824 8555
williambuck.com

William Buck is an association of independent firms, each trading under the name of William Buck across Australia and New Zealand with affiliated offices worldwide. Liability limited by a scheme approved under Professional Standards Legislation other than for acts or omissions of financial services licensees.



The quality sustainable choice

2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIA BIOPLASTICS LIMITED AND CONTROLLED ENTITIES (CONTINUED)

Auditor's Opinion

In our opinion:

- a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which indicates that the consolidated entity incurred a loss of \$2,462,770 and had net operating cash outflows of \$2,668,336 for the year ended 30 June 2014. These conditions along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Cardia Bioplastics Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

A handwritten signature in blue ink that reads "William Buck".

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A handwritten signature in blue ink that reads "J. C. Luckins".

J. C. Luckins
Director

Dated this **30** day of September, 2014

SHAREHOLDERS' INFORMATION

The quality sustainable choice

2014

The shareholder information set out below was applicable as at 19 September 2014.

(A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

			Ordinary Shares	Options 30 June 2015 (Listed)	Options 31 December 2014 (Listed)
1	-	1,000	123	8	20
1,001	-	5,000	314	32	57
5,001	-	10,000	309	17	23
10,001	-	100,000	924	105	114
100,001	and	over	1,129	147	176
			2,799	309	390

There were 1,790 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

Fully Paid Ordinary Shares	Number Held	Percentage of Issued Shares
MR RICHARD ROGER TEGONI + MRS DEBRA MARISA TEGONI <TEGONI SUPER FUND A/C>	203,877,445	5.49%
POLARITY B PTY LTD	184,218,896	4.96%
DENTOST PTY LTD	167,02,1042	4.50%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	130674046	3.52%
CHIMAERA CAPITAL LIMITED	126,975,824	3.42%
COLONEL WEST PTY LTD <COLONEL WEST FAMILY A/C>	80,000,000	2.15%
RED VAULT INVESTMENTS PTY LTD	66,666,667	1.79%
MRS JANET LOUISE COLMAN <JL COLMAN SUPER FUND A/C>	63,000,000	1.70%
G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	60,000,000	1.62%
VERMAR PTY LTD	52,749,982	1.42%
ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C>	51,440,941	1.38%
KIRZY PTY LTD <SPRINGDALE NO 2 A/C>	47,000,000	1.27%
REDCLIFF PTY LTD <MCGHEE SUPER FUND A/C>	45,000,000	1.21%
SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	41,999,999	1.13%
GROWTH TECH INTERNATIONAL PTY LTD	41,666,667	1.12%
INSYNC INVESTMENTS PTY LTD <WEEKLEY SUPER FUND NO 1 A/C>	40,000,000	1.08%
INVIA CUSTODIAN PTY LIMITED <PARITY INVEST DISC EQF A/C>	40,000,000	1.08%
MRS JACLYN STOJANOVSKI + MR CHRIS RETZOS + MRS SUSIE RETZOS <RETZOS EXECUTIVE S/F A/C>	35,999,999	0.97%
MR RICHARD TEGONI	34,666,666	0.93%
WV & RA GORDON PTY LTD <WV & RA GORDON FAM S/F A/C>	33,333,333	0.90%
	1,546,291,507	41.63%

SHAREHOLDERS' INFORMATION

B) EQUITY SECURITY HOLDERS (continued)

Options-30 June 2015	Number Held	Percentage of Issued Options
POLARITY B PTY LTD	38,942,222	17.60%
VERMAR PTY LTD	21,749,982	9.83%
SIMPOL PTY LTD <SIMEON PAPAZIS FAMILY A/C>	10,250,075	4.63%
GROWTH TECH INTERNATIONAL PTY LTD	8,333,333	3.77%
GOFFACAN PTY LTD	7,270,142	3.29%
BBY NOMINEES LIMITED	7,204,703	3.26%
HOWARD TRADING CO PTY LTD	6,500,000	2.94%
LINDEN-O OSTRICHES PTY LTD	5,200,000	2.35%
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	5,129,749	2.32%
WILLIAM GEOFFREY KROON	4,516,250	2.04%
MS MARY WESTON	4,150,000	1.88%
CLARIC 182 PTY LTD <THE CLARIC SUPERFUND A/C>	3,937,500	1.78%
RIOTEK PTY LTD	3,825,000	1.73%
KIRZY PTY LTD <SPRINGDALE NO 2 A/C>	3,571,428	1.61%
MR CAMPBELL ROBB MACFARLANE <ZEPHYR SUPER FUND A/C>	3,301,703	1.49%
MR BRUCE ALLAN HEAD + MRS BETH ALISON HEAD	3,000,000	1.36%
INSYNC INVESTMENTS PTY LTD <WEEKLEY SUPER FUND NO 1 A/C>	3,000,000	1.36%
NIMOSH HOLDINGS PTY LTD	3,000,000	1.36%
JIMINY PTY LIMITED <SUPER FUND A/C>	2,750,000	1.24%
SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	2,402,753	1.09%
	148,034,840	66.90%

Options-31 December 2014	Number Held	Percentage of Issued Options
CHIMAERA CAPITAL LIMITED	21,666,666	6.38%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,811,110	4.95%
DENTOST PTY LTD	13,918,419	4.10%
TEMPO CAPITAL PTY LTD <TEMPO GROWTH FUND A/C>	12,587,677	3.71%
REDCLIFF PTY LTD <MCGHEE SUPER FUND A/C>	11,333,333	3.34%
WV & RA GORDON PTY LTD <WV&RA GORDON FAM S/F A/C>	11,111,111	3.27%
MR ANDREW LENOX HEWITT	9,000,000	2.65%
MR RICHARD ROGER TEGONI + MRS DEBRA MARISA TEGONI <TEGONI SUPER FUND A/C>	8,888,000	2.62%
GUSKICH TRADING & INVESTMENT PTY LTD <GUSKICH SUPER FUND A/C>	8,333,333	2.45%
SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	8,199,082	2.42%

SHAREHOLDERS' INFORMATION

The quality sustainable choice

2014

KIRZY PTY LTD <SPRINGDALE A/C>	8,000,000	2.36%
ADVANCE PUBLICITY PTY LTD <THE IZMAR FAMILY A/C>	6,666,666	1.96%
COLONEL WEST PTY LTD <COLONEL WEST FAMILY A/C>	6,666,666	1.96%
MRS MARGARET NOEL GRIFFITHS + MR PAUL ROBERT GRIFFITHS <GRIFFITHS SUPER FUND A/C>	6,666,666	1.96%
MRS PETREA KRISTINE MCGHEE	6,000,000	1.77%
CONSOLIDATED SECURITIES PTY LTD	5,852,117	1.72%
MR RUSSELL THOMAS HOWARD + MR IAN DAVID MACDOUGALL <RUSSELL HOWARD SUPER A/C>	5,666,666	1.67%
INSYNC INVESTMENTS PTY LTD <WEEKLEY SUPER FUND NO 1 A/C>	5,666,666	1.67%
J MOODY NOMINEES PTY LTD <THE MOODY SUPER FUND A/C>	5,200,000	1.53%
G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	5,160,894	1.52%
	183,395,072	54.03%

(C) SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 19 September 2014 are:

	Number of Ordinary Shares Held	Percentage of Issued Shares
MR RICHARD ROGER TEGONI + MRS DEBRA MARISA TEGONI <TEGONI SUPER FUND A/C>	203,877,445	5.49%

(D) VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.

The quality sustainable choice

2014

NOTES



**Australia**

Unit 18/35 Dunlop Road
Mulgrave
Victoria 3170
Australia
T: +61 3 9562 0122

North America

PMB 122, 1124 Fir Avenue
Blaine
Washington 98230
U.S.A.
T: +1 888 605 1488

China

Room 1402-1403
66 Qinhuai, Jiangning
Nanjing, Jiangsu
China 21100
T: +86 25 5272 8473

South America

261 Rua Napoleão de Barros
Vila Clementino,
Sao Paulo
Brazil
T: +55 11 5904 9220

South East Asia

Level 17, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
T: +60 12 210 0024

Cardia
bioplastics™

The quality sustainable choice

cardiabiplastics.com
cardiabiproducts.com
info@cardiabiplastics.com