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TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **28 February 2015**

HALF –YEAR REPORT 31st DECEMBER 2014

Attached is the Appendix 4D Half-Year Report for Cardia Bioplastics Ltd and its controlled entities lodged under Listing Rule 4.2A.

Rekha Bhambhani
Company Secretary

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CARDIA BIOPLASTICS LTD
AND ITS CONTROLLED ENTITIES
ACN 064 755 237

HALF-YEAR REPORT AND APPENDIX 4D
31 DECEMBER 2014

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2014 Annual Report.

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Comparative figures being the half year ended 31 December 2013)

				$
Revenue from ordinary activities	Up	**76.56%**	to	**3,781,635**
Loss from ordinary activities after tax attributable to members	Up	**63.51%**	to	**(2,190,744)**
Net loss for the half year attributable to members	Up	**63.51%**	to	**(2,190,744)**

Dividends

It is not proposed to pay dividends.

NTA Backing

	Consolidated Entity	
	2014 $	2013 $
Net tangible asset backing per ordinary share	0.0009	0.0012

Associated Company

Name of entity	N/A
Percentage holding	N/A
Share of profit / (loss) of the entity	N/A

Brief Explanation of the above figures

Revenue

Revenue for the 6 months period to December 2014 ("current period') has increased by **76.56%** to **$3,781,635** as compared to the revenue of **$2,141,790** for 6 months period to December 2013 ("previous period" or "corresponding previous period").

The primary reason for this increase in revenue is overall sales growth from all the geographical market segments of the Group. Revenue from sales for the current period **($3,715,695)** has improved by **73.74%** as compared to the sales revenue of the corresponding previous period **($2,138,595).**

The improved sales were predominantly result of increased uptake of Cardia's Biohybrid™ film by its North American customers ($344,000 or 151.60% growth compared to previous period), increased sales of the organic waste management products in China to Government Councils ($498,000 Or 48.60% growth compared to previous period) and increased bag sales in Brazil ($243,000 or 167.40% growth compared to previous period).

Moreover, the Group has also recorded increased wholesale raw material trading sales during the period. ($553,000 or 125.92% growth compared to previous period).

Loss Position

The Company's loss from its bioplastics operating business for the current period was (**$2,190,764)**, an increase of **75.52% or $942,627** over the previous period **($1,248,137).**

Current period's increase in loss was primarily due to increased overheads for Brazilian Film and Bag making manufacturing set up (Operating loss of $477,566). Further on 26 February 2015, the Group has announced to discontinue its Brazilian Film and Bag making operations and accordingly, as at 31 December 2014, impairment losses have been recognised on inventories ($220,722) and non-current assets ($211,770) in relation to Brazilian Film and Bag making operations.

Excluding Brazil's operating losses and impairments of **($910,058)**, the Group's loss for the period was **($1,280,706),** an increase of **2.60% or $32,569** over the previous period **($1,248,137).**

Further, the Company's consolidated loss position from ordinary activities for the current period (**$2,190,764)** has increased by **63.51%** as compared to a loss of **($1,339,890)** for the corresponding previous period.

The increase in the Consolidated Net Loss is attributable to

- loss position of bioplastics business as explained above,
- loss of $91,753 on sale of Company's equity investment in P-Fuel Limited recorded in the previous period, no such loss is recorded during the current period.

Directors:	Richard Tegoni (Chairman) Frank Peter Glatz (Managing Director) Steve Bendel Gideon Meltzer
Company Secretary:	Rekha Arjandas Bhambhani
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Bankers:	Bank of Melbourne Level 8, 530 Collins Street, Melbourne, VIC 3000.
Auditors:	William Buck Level 20, 181 William Street, MELBOURNE,VIC 3000
Lawyers:	CBW Partners Level 1, 159 Dorcas Street, South Melbourne, VIC 3205
Stock Exchange:	Australian Securities Exchange Exchange Centre 20 Bridge Street Sydney NSW 2000

Your Directors submit the financial report of the economic entity compromising Cardia Bioplastics Limited ("Cardia" or "the Company") and the entities it controlled at the end of or during the half-year ended 31 December 2014.

DIRECTORS

The following persons were Directors of Cardia during or since the end of the half-year. The Directors were in office for the entire period unless otherwise noted.

Richard Tegoni
Frank Peter Glatz
Steve Bendel
Gideon Meltzer

REVIEW OF OPERATIONS

In the half year to 31 December 2014 Cardia Bioplastics operations delivered revenues from sales of Cardia Bioplastics resins and finished products to its global carrier bag, films & packaging and waste management business market segments. In addition, a number of advances in commercialisation and technology were achieved during the period.

Cardia Bioplastics progressed with implementing its business growth strategy in its films and packaging, waste management products and carrier bag target markets during the half year to 31 December 2014. The business delivered sales of $3,715,695 for the six months period to December 2014 and growing the sales by 73.74% compared to sales revenues of $2,138,595 during the half year to 31 December 2013.

Cardia announced the proposed merger with Stellar Films Group to create a leader in sustainable packaging. It conducted due diligence and executed the Share and Unit Sale Deed for the merger with Stellar Films Group on 20 January 2015. Since then the Cardia Board has conducted a strategic review of its manufacturing operations in preparation of the proposed merger with Stellar Films Group.

Access to Stellar Films additional production capacity is a key strategic benefit of the merger, enabling Cardia to deliver on the growing demand for its Biohybrid™ hygiene films without extensive investment into new capital equipment. Cardia has the opportunity to further increase its blown film extrusion and bag making capacity through limited capital investment into Cardia's Chinese and Stellar's Malaysian production plants.

The integration of the group's operations will deliver innovative, cost effective and environmentally preferred packaging solutions to its global customers. The group benefits from the pull-through of Cardia Compostable and Biohybrid™ resins for the manufacture of cast films at Stellar's manufacturing plants. These environmentally friendly, high quality and cost competitive films are tailored for the global personal care, hygiene products, pet care and medical packaging industries.

Further value is added through Stellar's Akronn Joint Venture. Akronn's Malaysian operation will silicone coat Biohybrid™ cast films and convert to film release liners for the personal care and hygiene industries. Biohybrid™ film release liners deliver innovative, soft touch, non-noisy and discreet environmentally friendly feminine hygiene pouch packaging that integrates non-stick functionality into the product packaging and therefore renders the requirement of additional paper release liners obsolete.

The merged group will benefit from the complimentary geographic presence of both Cardia and Stellar operations. With its three manufacturing plants located in Australia, China and Malaysia the group is well positioned to supply the growing demand of its expanding Asia Pacific customers. Asia Pacific is the fastest growing market of the $72 billion absorbent hygiene products industry.

To increase Asia Pacific market share, the group will prioritise its financial resources to ensure production output is optimised in this growth region. The established nature of the existing Stellar Films operations will ensure supply of high quality Bioplastics film products with product approval processes already commenced with key target customers. Cardia's ability to deliver the highest quality product in a timely manner will underpin the continued growth of sales to these strategic global customers.

The need to act quickly and implement the realignment of the group's production assets and resources is a key priority. The merged business will prioritise its resources to its strategic higher value growth opportunities for sustainable resins and finished products. Cardia has therefore taken the strategic decision to discontinue funding of its Brazilian film and bag making operations. The Brazilian operation requires significant investment into equipment and working capital to deliver on existing sales opportunities for finished products such as retail carrier bags.

Despite the closure of its film and bag making operations, Cardia will remain committed to the Brazilian market place. The company will maintain its Brazilian market presence and continue its focus on the supply and distribution of its proprietary compostable and Biohybrid™ resins.

Governmental regulation will be the key to ensuring market success of bioplastics in Brazil. In this context, the City of São Paulo has taken first steps and issued the inter-secretarial city ordinance 01/2015 on 5 February 2015 that prohibits the distribution or sale of plastic bags to consumers in all shops in São Paulo. Only reusable bioplastic bags will have to be used by traders after a 60 day transition period. Exact bag specifications are currently being finalised by São Paulo's Municipal Urban Cleaning Authority.

Pending the enforcement of this ordinance by the City of São Paulo, mandating the use of renewable and lower carbon footprint plastics, Cardia expects Brazilian bag makers to place resin orders as the Cardia resins, technology and specifications deliver on this mandate.

Detailed review of sales and sales developments by sales segment during the period follows:

Films & Packaging

- Cardia Bioplastics and Stellar Films launched sustainable personal care films made from Cardia Biohybrid™ technology at Outlook Asia 2014, the world's premier non-woven personal care products conference in Singapore. The Biohybrid™ film produced on Stellar Films proprietary cast film process exhibits a high performance property profile. It is differentiated through its unique soft touch and warm feel that is ideal for personal care product applications like baby nappies, feminine hygiene and adult incontinence products.
- The Biohybrid™ film range is an environmentally friendly extension of Stellar's product range of high quality cast films for the personal care, hygiene and medical product industries. The Biohybrid™ films will also be silicone coated at Stellar's Akronn joint venture and offered as a unique, renewable resource based release liner to the industry.
- The new Biohybrid™ hygiene product films and release liners are in line with the absorbent products industry's 'sustainable growth requires environmental sustainability' initiative. The Biohybrid™ products will be aimed at capturing a share of the $72 billion absorbent products industry growing 5.5% a year.[1]
- Following four years of rigorous quality and performance testing, a leading German Consumer Goods Company chose Cardia Biohybrid™ technology for their product packaging. The German major placed initial container orders. Cardia Biohybrid™ technology was validated in a stringent approval process for high performance rigid packaging applications including – quality, performance, price, environmental claims, intellectual property position and freedom to operate. The Cardia Biohybrid™ technology had to satisfy full food safety compliance as well as deliver superior packaging performance through the product life cycle.
- Following on from its successful market launch of its new PakNatural® Biodegradable Cushion Bags, Sealed Air, the leading global protective packaging manufacturer, placed first container orders of Cardia Compostable film to ramp up supply to its customers. Securing product supply to such a major company like Sealed Air provides Cardia with the opportunity to grow along with this very large organisation.
- Cardia Bioplastics developed innovative Biohybrid™ films technology for bag-in-bag water packaging and secured initial sales orders of $80K for its customer- BIB packaging films to a large European water distribution business. This major water distribution company has committed to installing several bag-in-bag water packaging production lines and expects that their Biohybrid™ film demand will significantly grow.
- During the half year Cardia increased Biohybrid™ film sales to $1 million per annum level to its long-term hygiene products customer in North America. The customer expanded the application of Biohybrid™ films across different product lines with further potential to increase their use.
- A leading multi-national consumer goods company completed its 'in-market validation' of their personal care products packaging, which is made from Cardia's renewable Biohybrid™ resin technology. As Cardia products have successfully

[1] *Edana Outlook Asia 2014 Conference, P&G presentation*

met their performance requirements, the company will progress further along its path towards global commercialization with large scale production validation trials scheduled in Europe for March 2015.

Waste Management Products

- Cardia Bioplastics has established itself as a provider of organic waste management products and solutions to the government and council sector, commercial and industrial, as well as the retail market. Diversion of organic waste from landfill to composting is promoting the use of certified compostable waste bags. Reducing the carbon footprint of waste management products encourages the use of Biohybrid™ technology.
- Cardia achieved closure of its strategic development project and signed a two-year contract with Transpacific Cleanaway for the annual supply of 7.8 million compostable kitchen tidy bags and 50,000 kitchen tidy bins for the rollout of an organics kerbside collection program in Albury, Wodonga and the major towns of Corowa and Indigo.
- Globally diverting organic waste from landfills represents a large business opportunity for Cardia. Landfills are filling up, landfilling costs are constantly increasing, and organic material can be utilised to create quality compost. Diversion programs like the Cleanaway one in Albury, Wodonga and the major towns of Corowa and Indigo make both good environmental and business sense. Cardia offers certified compostable products through its organic waste management business, which is involved in a multitude of organic waste diversion programs and already delivers sales in China, Australia, New Zealand, Malaysia, Canada, USA, Brazil and the UK.
- Cardia received initial $150,000 orders of its sustainable dog waste bags from US and European Retailers. The dog waste bags are being produced in Cardia's expanded film extrusion and bag making operations. These initial orders have been placed by the major US and European Retailers to validate Cardia's manufacturing capability and capacity to supply large quantity of its proprietary Biohybrid™ dog waste bags. If Cardia passes this validation process and a comprehensive supply chain and quality assurance review, these retailers are expected to place regular orders and fully utilise Cardia's current small bag making capacity of over 250 million bags per year.
- Sales of the organic waste management products in China tracked in line with revenue expectations of $2 million per annum. Shanghai-Pudong and Nanjing City Councils were supplied under contract with Cardia kitchen tidy bags that are being used by households for separating their waste at source.

Carrier Bags

- Cardia set up its own film and bag manufacturing plant in São Paulo, Brazil with a capacity of 500 million retail carrier bags per annum. Start up production was delivered during the half year with large orders received for its carrier bag products. However, the Brazilian operation requires significant investment into equipment and working capital to deliver on existing sales opportunities for finished products such as retail carrier bags. Brazilian bank funding for working capital and equipment has been delayed and has not been secured to date. On 26 February 2015, the Group has announced to discontinue its Brazilian Bag and film making operations
- Cardia has taken the strategic decision to discontinue funding of its Brazilian film and bag making operations. The business will continue to supply its proprietary compostable and Biohybrid™ resins into the Brazilian market. Pending the enforcement of the ordinance by the City of São Paulo, mandating the use of renewable and lower carbon footprint plastics, Cardia expects Brazilian bag makers to place resin orders as Cardia resins, technology and specifications deliver on this mandate.
- Cardia partnered up with Malaysia's BiotechCorp and set up their BioShoppe as distributor of both Cardia Compostable and Biohybrid™ products to the Malaysian Government and market. BiotechCorp placed initial orders for Cardia products and will market them through its BioShoppe programme. BioShoppe is a key approach taken by BiotechCorp to enhance market access for local biotech products. BioShoppe's goal is to put together high quality products produced by BioNexus companies and market them under strategic marketing programmes. Cardia Bioplastics is the only bioplastics company registered with the Malaysian BiotechCorp and bestowed the BioNexus Status. The Cardia Biohybrid™ and Compostable bags will be listed in the MyHijau Green Directory as environmentally preferred products after undergoing extensive product validation.

Wholesale materials trading business

- Cardia delivered sales of $992,252 from its wholesale raw material trading business during the half year.

Manufacturing and Technology Summary

- Cardia operated its resin production, film extrusion and bag making at its new purpose built factory in Nanjing, China during the half year. 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.
- In line with Cardia's business strategy to establish a finished products division with own dedicated resources and manufacturing capability, Cardia's China film and bag production was doubled in capacity to over 250 million Biohybrid™ and Compostable bags per year, to meet further increased orders from major USA and European retailers for organic waste management bags. With increasing number of Councils around the globe using Cardia compostable waste management products the new factory has been running to full capacity from the start.
- Cardia set up its own film and bag manufacturing plant in São Paulo, Brazil with a capacity of 500 million retail carrier bags per annum. Start up production was delivered during the half year with large orders received for its carrier bag products. Please refer to 'Carrier Bags' sales review.
- Cardia secured patent protection for its Cardia Compostable, Biohybrid™ and PPC-starch resin and finished products from Japan, Australia, New Zealand and China Patent and Trademark Offices. Seven new patents were granted during 2014 for Cardia's unique and innovative bioplastics resin formulations and production processes. These new patents expand Cardia Bioplastics growing intellectual property portfolio of 11 patent families, with 19 patents so far granted in USA, Australia, China, Japan, New Zealand and South Africa. The patents protect the composition formulation and manufacturing process invented by Cardia's R&D team.
- The continual expansion of Cardia's patent portfolio validates Cardia's technical capabilities and unique formulation. With rapid global growth of bioplastics use in diverse product applications, Cardia's patent portfolio capitalizes on the demand of leading brand owners where strong intellectual property position is a key requirement.

Corporate Events

- 100,000,000 unlisted options exercisable at $0.035 (3.5 cents) each expired on 15 July 2014.
- As announced to the market in August 2014, the Company had 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 was 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. However, the Brazilian operation requires significant investment into equipment and working capital to deliver on existing sales opportunities for finished products such as retail carrier bags. Brazilian bank funding for working capital and equipment has been delayed and has not been secured to date. On 26 February 2015, the Group has announced to discontinue its Brazilian Bag and film making operations
- Cardia was successful in raising $1.05M during the period. The Company raised $100,000 via share placement offer to professional and sophisticated investors at an issue price of A$0.002 per share under the Company's 15% placement capacity pursuant to Listing Rule 7.1.Balance funds of $950,500 were raised via share purchase plan offer to shareholders. A total of 525,250,000 new ordinary shares were issued for the funds raised. Funds raised are being used for general working capital requirements of the Company and to meet transaction costs in respect of the merger with Stellar Films Group.
- During the period, an amount of $6,729 was raised via exercise of 1,121,485 - Cardia Options (expiry December 2014 and exercise price of $0.006) by the option holders and balance 338,322,832 unexercised options lapsed, on the expiry date of 31 December 2014.

  The total numbers of securities on issue as at date of this report.

  - Ordinary Fully Paid Shares 4,240,803,987
  - Listed Options expiring 30 June 2015 221,278,642
    (Exercise Price 1.5 cents each)

Investment Portfolio

No funds were applied to any investments during the half year and no funds are budgeted to be invested for the remainder of the 2015 financial year.

As at 31 December 2014, the Company held the following material Investments:

Bioglobal Limited: 18,780,000 ordinary shares in unlisted entity Bioglobal Ltd, the ownership interest diluted from 3.47% to 3.09% of the issued capital of that Company following issue of 67.27 million ordinary shares during the period. As at 31 December 2014, Cardia's investment in Bioglobal Ltd is carried at a fair value of $563,400.

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

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters discussed below, in the interval between the end of the half year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Cardia 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.

- On 6 January 2015, 11,500,000 fully paid ordinary shares were issued under Loan Share Plan to three of its directors in lieu of the part payment of their respective remuneration for the quarter ending 31 December 2014.The issue of these shares to Directors was approved by shareholders at the Annual General Meeting held on 28 November 2014 (Resolutions 7, 8 & 9).The shares are issued at an issue price of $0.002/share. The share issue price has been determined based on volume weighted average sale price of Cardia shares for 2014 December Quarter.
- On 20 January 2015, the Company has signed merger agreement with Stellar Films Group ("Stellar")

  A summary of the key terms of the Share and Unit Sale Deed were as follows:

– in consideration for 100% of the issued shares and units in Stellar Films Group, the stakeholders of Stellar Films Group will be issued an aggregate of 55% of shares in the Company (which is revised from the previously agreed 58% as announced by the Company on 25 November 2014);
– the completion of the Merger is subject to certain conditions precedent, including the following:
– the Company obtains the approval of its shareholders in respect of the Merger for the purposes of ASX Listing Rule 11.1.2, and any other purpose as required under the ASX Listing Rules and the Corporations Act 2001 (Cth);
– the Company obtaining an independent expert's report which advises that the Merger is fair and reasonable;
– no material adverse change prior to completion;
– each third party consent has been obtained (such as the consent of financiers and lessors);
– Stellar Films Group delivers to the Company such documents reasonably required by the Company to effect an escrow over the shares and units in Stellar Films Group for a period of 12 months; and
– certain key executives of Stellar Films Group must have agreed and entered into an executive service agreement with the Company;
– As the Merger is subject to the approval of the Company's shareholders, the Company intends to dispatch a notice of meeting by 2 March 2015 and hold the extraordinary general meeting (EGM) to approve the Merger on 7 April 2015. Subject to the Merger being approved at the EGM, the Merger will be completed on or about 10 April 2015.
– Further, the Company intends to take the opportunity of the EGM to conduct a consolidation of its shares. The proposed share consolidation will reduce the number of shares on issue to create a more efficient capital structure. The Company's notice of meeting in respect of the EGM will contain further details about the proposed share consolidation. Subject to the approval of the Company's shareholders, shares will be consolidated at a ratio of 1 share for every 100 existing shares held.

- On 17 February 2015, the Company has entered into Raw Material Funding Deed with Stellar. As a result of the execution of the Share and Unit Sale Agreement, Cardia and Stellar have become "related parties" for the purposes of section 228 of the Corporations Act.

Under the terms of Deed, Cardia has agreed to fund the purchase of raw materials required by Stellar to manufacture the Products for its Customers up to a maximum of $300,000 per month, between the date of deed and the completion of merger. Cardia in return will be repaid its actual funded amount for raw material purchases including foreign exchange rate fees, a reasonable and appropriate allocation of overhead charges and a fee equal to 10% of the cost of the raw materials funded. Stellar will assign customer invoices to Cardia as assigned debt upon the issue of each invoice to customer for which Stellar has used Cardia's raw material funding.

As at date of this report, Cardia has funded $118,349 (excl GST) to Stellar via purchase of raw materials required by Stellar.

- On 26 February 2015, the Group has announced to discontinue its Brazilian Bag and film making operations. As at 31 December 2014, the Group has impaired plant and equipment and other non-current assets of its Brazilian Operations to their recoverable amount.

AUDITOR'S DECLARATION

The auditors' independence declaration under section 307C of the Corporations Act 2001 is set out on page 11.

This report is signed in accordance with a resolution of the Directors made on 27 February 2015.

Richard Tegoni
Director
27 February 2015
Mulgrave, Victoria

William Buck

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 half-year ended 31 December 2014 there have been:

— no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

— no contraventions of any applicable code of professional conduct in relation to the review.

William Buck

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

J.C. Luckins
Director

Dated this 27th day of February, 2015

CHARTERED ACCOUNTANTS & ADVISORS

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014.

	Economic Entity	
	31/12/2014	31/12/2013
	$	$
Sales from Main Operations	**2,723,443**	1,699,386
Wholesale Raw Materials Trading Sales	**992,252**	439,209
Total Sales	**3,715,695**	2,138,595
Cost of Sales (Main Operations)	**(2,530,243)**	(1,485,710)
Cost of Purchase (Wholesale Raw Materials)	**(978,981)**	(432,261)
Total Cost of Sales	**(3,509,224)**	(1,917,971)
Gross Profit	**206,471**	220,624
Other Income	**65,940**	3,195
Administrative Expenses	**(422,415)**	(327,097)
Employment Benefits	**(887,091)**	(457,943)
Marketing & Distribution Expenses	**(307,591)**	(218,679)
Research & Development Expenses	**(405,414)**	(410,038)
Depreciation & Amortisation	**(86,906)**	(69,206)
Other Expenses	**(111,757)**	(132,901)
Borrowing Costs	**-**	(8,086)
Impairment- Inventories	**(220,722)**	-
Impairment- Non Current Assets	**(211,770)**	-
Foreign Exchange Gains	**190,491**	151,994
Results from operating activities	**(2,190,764)**	(1,248,137)
Loss on sale of Financial Assets	**-**	(91,753)
Loss before income tax from ordinary activities	**(2,190,764)**	(1,339,890)
Income Tax Expense	**-**	-
Loss for the period after tax from ordinary activities	**(2,190,764)**	(1,339,890)
Other comprehensive income, net of income tax		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of available for sale financial assets	-	187,800
Foreign currency translation differences for foreign operations	**(33,483)**	(114,816)
Other comprehensive income, net of income tax	**(33,483)**	72,984
Total comprehensive loss for the period	**(2,224,247)**	(1,266,906)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2014 (CONTINUED)

	Economic Entity	
	31/12/2014	31/12/2013
	$	$
Loss attributable to:		
Members of the Company	**(2,190,744)**	(1,339,857)
Non controlling Interest	**(20)**	(33)
Loss for the period after tax	**(2,190,764)**	(1,339,890)
Total comprehensive loss attributable to :		
Members of the Company	**(2,224,227)**	(1,266,873)
Non controlling Interest	**(20)**	(33)
Total comprehensive loss for the period	**(2,224,247)**	(1,266,906)

Loss per share		
-Basic and diluted loss per share (cents per share)	**(0.06)**	(0.06)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Economic Entity	
	31/12/2014	30/06/2014
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**1,796,694**	2,697,515
Trade and other receivables	**1,068,301**	1,749,523
Inventories	**719,714**	757,084
TOTAL CURRENT ASSETS	**3,584,709**	5,204,122
NON-CURRENT ASSETS		
Plant and equipment	**1,493,494**	593,230
Financial assets	**563,400**	563,400
Intangible assets	**5,126,905**	5,126,905
TOTAL NON-CURRENT ASSETS	**7,183,799**	6,283,535
TOTAL ASSETS	**10,768,508**	11,487,657
CURRENT LIABILITIES		
Trade and other payables	**1,139,012**	1,370,971
Equipment Finance Loans	**634,029**	-
Borrowings	**25,000**	-
Short-term provisions	**66,602**	61,586
TOTAL CURRENT LIABILITIES	**1,864,463**	1,432,557
NON CURRENT LIABILITIES		
Equipment Finance Loans	**29,274**	-
Long term provisions	**50,881**	46,856
TOTAL NON CURRENT LIABILITIES	**80,155**	46,856
TOTAL LIABILITIES	**1,944,798**	1,479,413
NET ASSETS	**8,823,710**	10,008,244
EQUITY		
Issued capital	**47,999,554**	46,959,841
Accumulated losses	**(38,905,279)**	(36,714,535)
Reserves	**(308,604)**	(275,121)
Parent entity interest	**8,785,671**	9,970,185
Non controlling interest	**38,039**	38,059
TOTAL EQUITY	**8,823,710**	10,008,244

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Revaluation Reserve	Parent Entity Interest	Non Controlling Interests	Total Equity
	$	$	$	$	$	$	$
Balance at *1.7.2013*	42,717,912	(34,106,730)	(551,540)	131,460	8,191,102	37,983	8,229,085
Loss for the period	-	(1,339,857)	-	-	(1,339,857)	(33)	(1,339,890)
Other comprehensive income/(loss) for the period	-	-	(114,816)	187,800	72,984	-	72,984
Total comprehensive income/(loss) for the period	-	(1,339,857)	(114,816)	187,800	(1,266,873)	(33)	(1,266,906)
Transactions with owners in their capacity as owners							
Shares issued during the period	1,428,603	-	-	-	1,428,603	-	1,428,603
Transaction costs on share issue	(40,334)				(40,334)	-	(40,334)
Balance at *31.12.2013*	44,106,181	(35,446,587)	(666,356)	319,260	8,312,498	37,950	8,350,448
Balance at *1.7.2014*	**46,959,841**	**(36,714,535)**	**(594,381)**	**319,260**	**9,970,185**	**38,059**	**10,008,244**
Loss for the period	-	**(2,190,744)**	-	-	**(2,190,744)**	**(20)**	**(2,190,764)**
Other comprehensive loss for the period	**-**	**-**	**(33,483)**	**-**	**(33,483)**	**-**	**(33,483)**
Total comprehensive income/(loss) for the period	**-**	**(2,190,744)**	**(33,483)**	**-**	**(2,224,227)**	**(20)**	**(2,224,247)**
Transactions with owners in their capacity as owners							
Shares issued during the period	**1,057,231**	**-**	**-**	**-**	**1,057,231**	**-**	**1,057,231**
Transaction costs on share issue	**(17,518)**	**-**	**-**	**-**	**(17,518)**	**-**	**(17,518)**
Balance at *31.12.2014*	**47,999,554**	**(38,905,279)**	**(627,864)**	**319,260**	**8,785,671**	**38,039**	**8,823,710**

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2014

	Economic Entity	
	31/12/2014	31/12/2013
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and service tax)	**4,429,695**	1,988,037
Payments to suppliers and employees (inclusive of goods and service tax)	**(5,962,986)**	(3,253,277)
Interest received	**12,771**	2,988
Net cash used in operating activities	**(1,520,520)**	(1,262,252)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	**(420,343)**	(660)
Sale of Fixed Assets	**21,413**	-
Proceeds from sale of financial assets	**-**	35,000
Net cash used in investing activities	**(398,930)**	34,340
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Borrowings	**25,000**	-
Repayment of Borrowings	**(117,859)**	-
Proceeds from issue of shares and options	**1,057,231**	1,428,603
Share issue transactions costs	**(17,518)**	-
Net cash provided by financing activities	**946,854**	1,428,603
Net increase /(decrease) in cash and cash equivalents held	**(972,596)**	200,691
Cash and cash equivalents at 1 July	**2,697,515**	1,231,477
Effect of exchange rates on cash holdings in foreign currencies	**71,775**	(41,295)
Cash and cash equivalents at 31 December	**1,796,694**	1,390,873

The accompanying notes form part of these financial statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, it is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Cardia Bioplastics Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001 and the ASX Listing Rules*.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Consolidated Group has adopted all the new and revised accounting standards and interpretation effective for annual reporting periods beginning 1 July 2014. The adoption of these requirements had no significant impact on the consolidated group's reported position or performance.

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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 period ended 31 December 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 the financial year 2014, the Company has successfully raised approx. $4.5 million through rights issue and share placements and has raised further approximately $1.05 million during the period.

- **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.

  The Company has also announced proposed merger with Stellar Films Group, and it is expected that the proposed merged Group will benefit from the complimentary geographic presence of both Cardia and Stellar operations. With its three manufacturing plants located in Australia, China and Malaysia, the Group will be well positioned to supply the growing demand of its expanding Asia Pacific customers and will thereby improve group's cash flows.

- **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 capital 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.

NOTE 2: OPERATING SEGMENTS

During the period, Cardia Bioplastics (Australia) Pty Ltd's operations were predominantly in Bioplastics and accordingly, the Group has identified its operating segments to accord with that business but the Group continued to operate under a five business activities model namely:

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

Segment Information
Operating segments are premised on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) 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.

The Company's portfolio of investments and interests held or acquired under five activities business model of the Group are classified under "Corporate Division"operating segment of the entity.

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

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

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 relationships.
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 Group's Business Development Managers in each of those regions. The distribution segment distributes the Group'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 the portfolio of investments and interests held or acquired by the Group.

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

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

SEGMENT PERFORMANCE

Six months ended 31.12.2013	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Revenue				
External Sales	1,264,982	873,613	-	2,138,595
Inter –segment sales	425,410	-	-	425,410
Interest revenue	-	571	2,417	2,988
Other Income	-	207	-	207
Total Segment Revenue	**1,690,392**	**874,391**	**2,417**	**2,567,200**
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(425,410)	-	-	(425,410)
Total Group Revenue	**1,264,982**	**874,391**	**2,417**	**2,141,790**
Segment Net Profit/(Loss) before Tax	**(523,109)**	**(435,769)**	**(311,806)**	**(1,270,684)**
Reconciliation of segment result to group net profit/(loss) before tax				
Inter-segment elimination	-	-	-	-
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(51,902)	(15,694)	(1,610)	(69,206)
Net Profit/ (Loss) for the Period	**(575,011)**	**(451,463)**	**(313,416)**	**(1,339,890)**

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

SEGMENT PERFORMANCE

	Manufacturing Division	Distribution Division	Corporate	Total
Six months ended 31.12.2014	**$**	**$**	**$**	**$**
Revenue				
External Sales	**2,230,307**	**1,485,388**	**-**	**3,715,695**
Inter –segment sales	**574,884**	**-**	**-**	**574,884**
Interest revenue	**-**	**77**	**12,694**	**12,771**
Other Income	**42,823**	**475**	**9,871**	**53,169**
Total Segment Revenue	**2,848,014**	**1,485,940**	**22,565**	**4,356,519**
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	**(574,884)**	**-**	**-**	**(574,884)**
Total Group Revenue	**2,273,130**	**1,485,940**	**22,565**	**3,781,635**
Segment Net Profit/(Loss) before Tax	**(580,879)**	**(1,207,087)**	**(315,892)**	**(2,103,858)**
Reconciliation of segment result to group net profit/(loss) before tax				
Inter-segment elimination	-	-	-	-
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(30,252)	(17,075)	(39,579)	(86,906)
Net Profit/ (Loss) for the Period	**(611,131)**	**(1,224,162)**	**(315,892)**	**(2,190,764)**

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

SEGMENT ASSETS

AS AT 31.12.2014	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	**1,990,202**	**15,911,139**	**15,610,768**	**33,512,109**
Reconciliation of segment assets to group assets				
Inter-segment eliminations	**-**	**(9,030,653)**	**(13,712,948)**	**(22,743,601)**
Segment Assets after inter-segment eliminations	**1,990,202**	**6,880,486**	**1,897,820**	**10,768,508**
Segment asset increases for the period				
- Acquisition of Fixed Assets	**286,853**	**873,490**	**-**	**1,160,343**
Included in segment assets are				
-Goodwill	-	**5,126,905**	**-**	**5,126,905**

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

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

SEGMENT LIABILITIES

AS AT 31.12.2014	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Liabilities	**5,252,965**	**19,480,256**	**221,149**	**24,954,370**
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	**(4,921,958)**	**(18,087,616)**	**-**	**(23,009,574)**
Segment Liabilities after inter segment eliminations	**331,007**	**1,392,640**	**221,149**	**1,944,796**

AS AT 30.06.2014	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Liabilities	4,023,530	17,574,089	166,811	21,764,430
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(3,432,547)	(16,852,470)	-	(20,285,017)
Segment Liabilities after inter segment eliminations	590,983	721,619	168,911	1,479,413

NOTE 2: OPEARTING SEGMENTS (CONTINUED)

SALES REVENUE BY GEOGRAPHICAL REGION	31 DECEMBER 2014	31 DECEMBER 2013
	$	$
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	**243,750**	265,858
Asia	**2,514,003**	1,463,266
Americas	**957,942**	371,667
Others	**-**	37,804
Total Revenue from sales to external customers	**3,715,695**	2,138,595

NON CURRENT ASSETS BY GEOGRAPHICAL REGION	31 DECEMBER 2014	30 JUNE 2014
	$	$
The location of segment assets by geographical location of assets is disclosed below:		
Australia	**5,816,572**	5,634,863
Asia	**703,924**	634,509
Americas	**663,303**	-
Total Non-Current Assets	**7,183,799**	6,269,372

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 14.69% (2013: 37.89%) of external revenue. The next two significant customers accounted for 11.84% (2013:8.71%) and 11.66% (2013:1.01%) of external revenue respectively.

NOTE 3 FINANCIAL ASSETS

		31 DECEMBER 2014	30 JUNE 2014
		$	$
Non Current			
Available-for-sale financial assets	(a)	**563,400**	563,400
		563,400	563,400
Reconciliation			
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:			
Opening fair value		**563,400**	502,353
(Disposals)	(b)	**-**	(126,753)
Revaluation increments		**-**	187,800
Closing fair value		**563,400**	563,400

(a) Non current- Available for sale financial assets consist of 18,780,000 ordinary shares in Bioglobal Limited ("Bioglobal"). As at 31 December 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) All of the group's financial assets are classified as Tier 3 assets. This assessment has remained unchanged for the six months ended 31 December 2014.

NOTE 4 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

Economic Entity - 31 DECEMBER 2014	Level 3 $	Total $
Assets		
Available for sale financial assets		
Unlisted Investments , at fair value	**563,400**	**563,400**
Total Assets	**563,400**	**563,400**

Economic Entity - 30 JUNE 2014	**Level 3** **$**	**Total** **$**
Assets		
Available for sale financial assets		
Unlisted Investments , at fair value	563,400	563,400
Total Assets	563,400	563,400

Assets and liabilities classified as available for sale are measured at fair value on a 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 31 December 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 January 2015.There was no change in valuation technique applied as at 31 December 2014.

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

NOTE 5: SECURITIES ISSUED

- Cardia was successful in raising $1.05M during the period. The Company raised $100,000 via share placement offer to professional and sophisticated investors at an issue price of A$0.002 per share under the Company's 15% placement capacity pursuant to Listing Rule 7.1. Balance funds of $950,500 were raised via share purchase plan offer to shareholders. A total of 525,250,000 new ordinary shares were issued for the funds raised. Funds raised are being used for general working capital requirements of the Company and to meet transaction costs in respect of the merger with Stellar Films Group.
- During the period, an amount of $6,729 was raised via exercise of 1,121,485 - Cardia Options (expiry December 2014 and exercise price of $0.006) by the option holders and balance 338,322,832 unexercised options lapsed, on the expiry date of 31 December 2014.

The total numbers of securities on issue as at 31 December 2014 are:

Ordinary Fully Paid Shares	4,240,803,987
Options expiring 30 June 2015 (Exercise Price 1.5 cents each)	221,278,642

NOTE 6: DIVIDENDS

No dividends were paid or provided for the period. (December 2013- NIL)

NOTE 7: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of any contingent liabilities or contingent assets existing at the date of this report. The Group is not involved in any material, legal or arbitration proceedings and, so far as directors are aware, no such proceedings are pending or threatened against the group.

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters discussed below, in the interval between the end of the half year and the date of this report, there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of Cardia 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.

- On 6 January 2015,11,500,000 fully paid ordinary shares were issued under Loan Share Plan to three of its directors in lieu of the part payment of their respective remuneration for the quarter ending 31 December 2014.

  The issue of these shares to Directors was approved by shareholders at the Annual General Meeting held on 28 November 2014 (Resolutions 7, 8 & 9).The shares are issued at an issue price of $0.002/share. The share issue price has been determined based on volume weighted average sale price of Cardia shares for 2014 December Quarter.

- On 20 January 2015, the Company has signed merger agreement with Stellar Films Group ("Stellar")

  A summary of the key terms of the Share and Unit Sale Deed were as follows:

  – in consideration for 100% of the issued shares and units in Stellar Films Group, the stakeholders of Stellar Films Group will be issued an aggregate of 55% of shares in the Company (which is revised from the previously agreed 58% as announced by the Company on 25 November 2014);

- the completion of the Merger is subject to certain conditions precedent, including the following:
- the Company obtains the approval of its shareholders in respect of the Merger for the purposes of ASX Listing Rule 11.1.2, and any other purpose as required under the ASX Listing Rules and the Corporations Act 2001 (Cth);
- the Company obtaining an independent expert's report which advises that the Merger is fair and reasonable;
- no material adverse change prior to completion;
- each third party consent has been obtained (such as the consent of financiers and lessors);
- Stellar Films Group delivers to the Company such documents reasonably required by the Company to effect an escrow over the shares and units in Stellar Films Group for a period of 12 months; and
- certain key executives of Stellar Films Group must have agreed and entered into an executive service agreement with the Company;
- As the Merger is subject to the approval of the Company's shareholders, the Company intends to dispatch a notice of meeting by 3 March 2015 and hold the extraordinary general meeting (EGM) to approve the Merger on 7 April 2015. Subject to the Merger being approved at the EGM, the Merger will be completed on or about 10 April 2015.
- Further, the Company intends to take the opportunity of the EGM to conduct a consolidation of its shares. The proposed share consolidation will reduce the number of shares on issue to create a more efficient capital structure. The Company's notice of meeting in respect of the EGM will contain further details about the proposed share consolidation. Subject to the approval of the Company's shareholders, shares will be consolidated at a ratio of 1 share for every 100 existing shares held.

- On 17 February 2015, the Company has entered into Raw Material Funding Deed with Stellar. As a result of the execution of the Share and Unit Sale Agreement, Cardia and Stellar have become "Related Parties" for the purposes of section 228 of the Corporations Act.

  Under the terms of Deed, Cardia has agreed to fund the purchase of raw materials required by Stellar to manufacture the Products for its Customers up to a maximum of $300,000 per month, between the date of deed and the completion of merger. Cardia in return will be repaid its actual funded amount for raw material purchases including foreign exchange rate fees, a reasonable and appropriate allocation of overhead charges and a fee equal to 10% of the cost of the raw materials funded. Stellar will assign customer invoices to Cardia as assigned debt upon the issue of each invoice to customer for which Stellar has used Cardia's raw material funding.

  As at date of this report, Cardia has funded $118,349 (excl GST) to Stellar via purchase of raw materials required by Stellar.

- On 26 February 2015, the Group has announced to discontinue its Brazilian Bag and film making operations. As at 31 December 2014, the Group has impaired plant and equipment and other non-current assets of its Brazilian Operations to their recoverable amount.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 12 to 27 are in accordance with the Corporations Act 2001, including

a) complying with Accounting Standard, AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Cardia Bioplastics Ltd 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 made on 27 February 2015.

Richard Tegoni
Director
27 February 2015.
Mulgrave, Victoria

William Buck

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cardia Bioplastics Limited (the company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including:

— giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and

— complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001

As the auditor of Cardia Bioplastics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

CHARTERED ACCOUNTANTS & ADVISORS

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

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cardia Bioplastics Limited is not in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
b) complying with Australian Accounting Standard 134 Interim Financial Reporting and the Corporations Regulations 2001.

Emphasis of Matter
Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss of $2,190,764 during the half year ended 31 December 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.

Matters Relating to the Electronic Presentation of the Reviewed Half Year Financial Report
This auditor's review report relates to the half year financial report of Cardia Bioplastics Limited for the half year ended 31 December 2014 included on Cardia Bioplastics Limited's web site. The company's directors are responsible for the integrity of the Cardia Bioplastics Limited's web site. We have not been engaged to report on the integrity of the Cardia Bioplastics Limited's web site. The auditor's review report refers only to the half year financial report. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed half year financial report to confirm the information included in the reviewed financial report presented on this web site.

William Buck

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

J. C. Luckins
Director

Dated this 27th day of February, 2015