FOR IMMEDIATE RELEASE

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TO: **COMPANY ANNOUNCEMENTS OFFICE**

ASX LIMITED

DATE: **6 March 2015**

NOTICE OF GENERAL MEETING

The Notice of General Meeting of Cardia Bioplastics Limited (**Company**) to be held on Tuesday, 7 April 2015 together with accompanying documents will be dispatched to shareholders today.

The Notice of Meeting and accompanying documents are attached.

The Company is seeking shareholder approval in the Notice of Meeting to:

(a) change the Company's nature and scale of activities as a result of the acquisition (**Acquisition**) of shares in Stellar Films Group Pty Ltd and Stellar Films (Malaysia) Sdn Bhn (**Stellar**);

(b) issue 51,972,604 Shares on a post-consolidation basis (which is the equivalent of 55% of issued shares) to the vendors in consideration for the acquisition of their Stellar shares;

(c) issue up to that number of shares (on a post-consolidation basis), when multiplied by an issue price of at least 80% of the volume weighted average market price for shares calculated over the last 5 days on which sales in Shares are recorded before the day on which the issue is made to professional and sophisticated investors, will raise up to $2,500,000;

(d) consolidate the issued capital of the Company on the basis that every 100 shares be consolidated into 1 share and all options on issue be adjusted in accordance with ASX Listing Rule 7.22;

(e) ratify the prior allotment and issue of 50 million shares under the placement announced on 3 December 2014;

(f) change the name of the Company to SECOS Group Limited; and

(g) renew proportional takeover provisions in the constitution of the Company.

Capital Raising Initiatives

Further to the Company's announcement on 20 January 2015, the Company also wishes to update the market in respect of the capital raising initiatives of the Company. Following completion of the Acquisition, the Company intends to raise approximately $3,500,000 by way of:

(a) a private placement of up to that number of shares, when multiplied by an issue price of at least 80% of the volume weighted average market price for shares calculated over the last 5 days on which sales in shares are recorded before the day on which the issue is made to professional and sophisticated investors, will raise up to $2,500,000 (**Placement**); and

(b) a non-renounceable rights issue to all eligible shareholders of up to that number of shares, when multiplied by an issue price of at least 80% of the volume weighted average market price for shares calculated over the last 5 days on which sales in shares are recorded before the day on which the issue is made to professional and sophisticated investors, will raise up to $1,000,000 (**Rights Issue**).

The Company will provide further details in respect of the Placement and Rights Issue once the timetable is finalised.

Richard Tegoni
Chairman
Cardia Bioplastics Limited

CHAIRMAN LETTER
6 MARCH 2015

Dear Shareholder,

As previously notified, the Board of Cardia Bioplastics Limited (**Cardia**) announced a proposed all scrip merger with Stellar Films Group (**Stellar**). Following the completion of due diligence reviews the parties signed a Share Sale Deed on 19 January 2015. Under the Share Sale Deed, it is proposed that Cardia will acquire 100% of the shares in Stellar and, in consideration, the vendors of Stellar will be issued 55% of the issued shares in Cardia on a post-consolidation basis.

Attached are the Notice of Meeting and Explanatory Memorandum for the General Meeting of Shareholders of Cardia to be held on Tuesday, 7 April 2015 at 10.00 am (AEST).

The Cardia Board unanimously supports the proposed merger and is now recommending that shareholders vote in favour of it.

Background to Merger

Merger discussions commenced in October 2014, following successful production trials. Biohybrid™ cast films were produced from Cardia's renewable resource based resins on Stellar's large-scale cast film production lines.

These environmentally friendly, low carbon, high quality and cost-competitive films are tailored for the global personal care, hygiene products, pet care and medical packaging industries. Based on their attractive performance, price and environmental profile, the films have already attracted the attention of leading manufacturers of hygiene products around the world.

The Benefits to Cardia

During the first half of the current financial year, Cardia's sales grew by 75% compared to the same period last year. The growing demand for Cardia's products has created an enviable challenge for the company to expand manufacturing capabilities to meet current and future sales order commitments.

As evidenced by its high profile customer list, Cardia holds some of the most advanced Bioplastics technologies, resins and patents. The market's uptake of environmentally preferred products has proven to be a challenging journey and one that has taken longer than expected. However, with many products now in market, Cardia's propriety technology has established a proven track record, and as key markets begin the shift to more sustainable plastics with less oil, the demand for Cardia's resin and finished products is growing rapidly.

The unique circumstances of Cardia and Stellar have brought the companies together with the aim to create a leading developer and manufacturer of sustainable packaging. The strategic fit of the two businesses and the major benefits of the merger include scale and geographic footprint of combined operations, market access and reach, production and operational savings, complementary intellectual property positions, resources to deliver business strategy and high quality management teams.

To demonstrate the benefits of scale that can be realised through the merger, Stellar's Deer Park cast film plant can produce as much hygiene film in three weeks as Cardia's hygiene film extrusion lines can currently produce in one year.

The group's complimentary fit and potential synergies are particularly evident in the Malaysian market. Stellar is a well-established manufacturer with its own production plant in Port Klang. Cardia is the only bioplastics company registered with the Malaysian BiotechCorp and bestowed the prestigious BioNexus Status. Cardia appointed BioShoppe as distributor of both Cardia Compostable and Biohybrid™ products to the Malaysian

Government and market. Cardia Biohybrid™ and Compostable bags meet the Malaysian MyHijau Green Label as environmentally preferred products.

In order to fully benefit from its preferred BioNexus status, Cardia will have to set up production in Malaysia. Under the proposed merger, Cardia can establish a finished product plant within Stellar's existing facilities saving both set up and running costs. In addition, this operation can be fully operational within months and will benefit from Stellar's proven manufacturing skills and resources in Malaysia. Stellar’s expertise will also be applied to Cardia’s Nanjing production with the aim of fast tracking manufacturing efficiency improvements.

Conclusion
Both companies are placed to meet the growing shift in the market towards sustainable packaging. The Board believes that the merger will position the new group, to be known as SECOS Group Limited, to be the leader in Sustainable ECO Solutions with the resources and competitive advantage that will set it apart from other packaging manufacturers.

The Board greatly values the support provided by our shareholders throughout what has been a challenging but exciting period for Cardia, and, with your continued support and vote, we look forward to executing our growth strategy for the benefit of all shareholders.

Yours faithfully,

Richard Tegoni

Chairman
Cardia Bioplastics Limited

cardiabioplastics.com
info@cardiabioplastics.com

CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

NOTICE OF GENERAL MEETING

INCLUDING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting
Tuesday, 7 April 2015

Time of Meeting
10.00 am (AEST)

Place of Meeting
Patersons Securities
Level 15, Board Room, 333 Collins Street, Melbourne VIC 3000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

All Shareholders should refer to the Independent Expert's Report enclosed with this Notice of Meeting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Rekha Bhambhani on +61 3 9562 0122.

CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE GENERAL MEETING OF SHAREHOLDERS OF CARDIA BIOPLASTICS LIMITED (ACN 064 755 237) ("**CARDIA**" OR "**COMPANY**") WILL BE HELD AT PATERSONS SECURITIES, LEVEL 15, BOARD ROOM, 333 COLLINS STREET, MELBOURNE VIC 3000 ON TUESDAY, 7 APRIL 2015 AT 10.00AM (AEST) FOR THE PURPOSES OF TRANSACTING THE FOLLOWING BUSINESS.

The Explanatory Memorandum, Proxy Form and Independent Expert's Report accompanying this Notice of Meeting are hereby incorporated in and comprise part of this Notice of Meeting.

ORDINARY RESOLUTIONS

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

Resolution 1: Change to Nature and Scale of Activities

"That, subject to the passing of the Acquisition Resolutions (other than this Resolution), for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change in the nature and scale of its activities as described in the Explanatory Memorandum accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, 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 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 2: Issue of Consideration Securities to Vendors

"That, subject to the passing of the Acquisition Resolutions (other than this Resolution), for the purposes of section 611 (Item 7) of the Corporations Act and for all other purposes, approval be given for the issue of 51,972,604 Shares (on a post-Consolidation basis) including the approval for the Vendors and their respective associates thereby acquiring a combined voting power in the Company of up to approximately 55% on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of Meeting."

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

Expert's Report: Shareholders should carefully consider the report prepared by the Independent Expert for the purposes of the Shareholder approval required under section 611 (item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transactions the subject of Resolution 2 to the non-associated Shareholders in the Company.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by the Vendors and their respective associates and any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, 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 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 3: Issue of Shares to Sophisticated and Professional Investors

"That, subject to the passing of the Acquisition Resolutions (other than this Resolution), for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue of up to that number of Shares, when multiplied by an issue price not lower than 80% of the volume weighted average price of the Company's listed ordinary shares calculated over the last 5 days on which sales of ordinary

shares were recorded on ASX before the issue is made, will raise up to $2.5 million, for the purposes and otherwise on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any associates of those persons. However, 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 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 4: Consolidation of Capital

"That, pursuant to section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 100 Shares be consolidated into 1 Share and all Options on issue be adjusted in accordance with ASX Listing Rule 7.22, and where this Consolidation results in a fraction of a Share or Option being held, the Company be authorised to round that fraction up to the nearest whole Share or Option (as the case may be)."

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

"That for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 50 million Shares under the placement announced on 3 December 2014 and on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice be ratified."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who participated in the issue and any associates of those persons. However, 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 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.

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

Resolution 6: Change of Company Name

"That, for the purposes of section 157(1)(a) of the Corporations Act and for all other purposes, the name of the Company be changed from Cardia Bioplastics Limited to SECOS Group Limited on and from the date of completion of the Acquisition."

Resolution 7: Renewal of Proportional Takeover Provisions

"That the Company renew the proportional takeover provisions contained in rule 2.11 of the Constitution with effect from the date of this meeting for a period of three years."

PROXIES

Appointing a proxy

Members are entitled to appoint up to two proxies to act generally at the 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 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 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 5.00pm on 5 April 2015.

- 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 General Meeting will vote undirected proxies in favour of all the resolutions. 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.

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 General Meeting. The appointment must comply with section 250D of the Corporation Act. The representative should bring to the 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 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 GENERAL MEETING

All members may attend the 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 5.00 pm (AEST) on 5 April 2015.

By Order of the Board of
Cardia Bioplastics Limited

Rekha Bhambhani
Company Secretary
Dated: 6 March 2015

The accompanying Explanatory Memorandum and Proxy Form including voting instructions form part of this Notice of Meeting.

EXPLANATORY MEMORANDUM TO NOTICE OF GENERAL MEETING

This Explanatory Memorandum accompanies and forms part of the Cardia Bioplastics Limited ("**Cardia**" or "**Company**") Notice of Meeting for the General Meeting to be held on 7 April 2015 at 10.00 am (AEST). The Notice of Meeting should be read together with this Explanatory Memorandum.

Resolutions 1 to 3 (inclusive) are inter-conditional on all of those Resolutions being approved. If any of the resolutions 1 to 3 (inclusive) are not passed, then all of Resolutions 1 to 3 (inclusive) will be taken to have been rejected by Shareholders.

For the avoidance of doubt the Resolutions 1 to 3 (inclusive) are referred to as **Acquisition Resolutions** throughout this Notice.

If Shareholders do not approve all of the Acquisition Resolutions, the Acquisition will not proceed and the Company will seek to be re-instated to trading on the ASX on the basis of its existing business. In accordance with the guidelines published by ASX, Cardia intends to request a trading halt under ASX Listing Rule 17.1 to apply from the start of trading on the date of the General Meeting. The trading halt will end after Cardia has made an announcement to the market confirming the result of the Meeting and whether or not Cardia will be proceeding with the Acquisition.

1. Background on proposed acquisition of Stellar

As announced on 20 January 2015, the Company entered into a conditional Share and Unit Sale Deed, which was subsequently amended and restated as the Share Sale Deed (**Share Sale Deed**) with the Vendors to acquire Stellar (**Acquisition**). A summary of the material terms of the Share Sale Deed is set out in section 1.5 of the Explanatory Memorandum.

Under the Share Sale Deed, Cardia is acquiring 100% of the shares in Stellar and, in consideration, the Vendors will be issued 55% of the issued shares in Cardia on a post-Consolidation basis.

1.1 About Stellar

1.1.1 General

Stellar develops, manufactures and markets its high quality cast films to the personal care, hygiene, pet care and medical product industries. Products include embossed barrier, laminated, multi-layer, printed or general packaging films. Stellar manufactures its films at its production facilities in Deer Park, Australia and Port Klang, Malaysia. Stellar's customers are manufacturers of personal care, hygiene, pet care and medical products in North America, Asia, Africa, the Middle East and Australia/New Zealand. In addition, it sells cast films to its Akronn joint venture that silicone coats the films and markets them as film release liners to the personal care, hygiene, photo voltaic and graphic arts industries.

1.1.2 Background on the Business

Stellar was formed through a management buy-out of the former Orica Cast Films Business in 2000. Its heritage in manufacturing quality cast embossed films spans over 25 years with manufacturing facilities in Deer Park, Australia and Port Klang, Malaysia. Over the last 15 years, Stellar has developed partnerships with customers in over 27 countries throughout North America, Asia, Africa, the Middle East and Australia/New Zealand. The business' average sales revenues over the last three years were approximately $21 million per annum.

Stellar comprises Stellar Films Group and Stellar Malaysia. Further, in order to extend its product offering and market reach, Stellar Films Group (50.8%) joint-ventured with Akronn Holding (49.2%) to form Akronn Industries Sdn Bhd (**Akronn**). Akronn manufactures silicone-coated paper and film products at its Nilai, Malaysia operation supplying the global hygiene and medical packaging markets as well as the sustainable energy sector.

1.1.3 Corporate vision

Stellar's corporate vision is to be the best supplier of personal care and packaging films in its chosen markets.

1.1.4 Key personnel

The key personnel behind Stellar include the following people:

- **Stephen Walters - Managing Director**
  Stephen maintains overall management responsibility for all aspects of Stellar's operations. Additionally, Stephen has management responsibility for Stellar's commercial operations and strategic planning and has directed a number of merger and acquisition negotiations. Prior to buying out Stellar Films Group from Orica, Stephen worked for 20 years in the plastics and packaging industries in general management, commercial and sales roles with Borden Chemical, ICI Australia and Orica.

- **Trevor Haines - Finance and IT Director**

  Trevor's responsibilities include Stellar's treasury and finance functions as well as IT systems development and maintenance. In his role as director of treasury operations, Trevor has been involved in a number of special projects including international trade and business mergers and acquisitions. Prior to buying out Stellar Films Group from Orica, Trevor worked for 20 years in senior accounting and financial management roles in various divisions of ICI Australia, AVC and Orica.

- **Robert Morgan - Director of Manufacturing**

  Robert is responsible for the development, direction and implementation of the operations and maintenance strategy for Stellar, ensuring it is competitive in targeted markets, achieves benchmark performance against industry best practice and meets budgeted operational targets. Robert possesses extensive knowledge in extrusion machinery and polymer and film technology. Prior to buying out Stellar Films Group from Orica, Robert worked for 25 years in the plastics and packaging industries in South Africa, Europe and Australia with ICI Plc, ICI Australia and Orica.

- **Ong Kean Hwa – Executive Director of Stellar Films Malaysia**

  Ong is responsible for the overall business operations of Stellar Films Malaysia including its financial management, commercial leadership, profitability and strategic planning. Prior to joining Stellar, Ong fulfilled a number of senior finance roles with major Malaysian businesses.

- **Peter Symons – Director for Product Development and Technical Service:**

  Peter is responsible for new and existing product developments and providing technical advice to customers. Prior to buying out Stellar Films Group from Orica, Peter worked more than 25 years in the plastics and packaging industry with companies including ICI Australia and Orica.

1.1.5 Key assets

Stellar operates four cast film production lines to manufacture its high quality cast films for the personal care, hygiene, pet care and medical product industries. The Stellar business has a film production capacity of 13,000te per annum. The operation is well equipped to manufacture embossed barrier, laminated, multi-layer, printed or general packaging films. It has in-house printing, lamination and slitting capability to meet the product and quality demand of its global customers. The business is ISO9001 quality certified.

Akronn operates a specialised silicone coating operation in Nilai, Malaysia to manufacture its paper and film release liners supplying the global hygiene and medical packaging markets as well as the sustainable energy sector. The operation uses a purpose built, large scale, high speed coating line employing state-of-the-art silicone coating technology. The factory is well set up with printing, slitting and rewinding capability to meet its customers' product and quality requirements. The factory has sufficient space to set up a second coating line and double production.

1.1.6 Key contracts

Stellar supplies a broad range of customers in the personal care, hygiene, pet care and medical product industries throughout North America, Asia, Africa, the Middle East and Australia/New Zealand. Customers include leading global brands and regional manufacturers of absorbent hygiene products.

Akronn commenced commercial production in 2014 and supplies its initial customers with paper and film release liners. Several customers are well advanced in their product validation with commercialisation expected in 2015.

The Stellar business' average sales revenues over the last three years were over $21 million per annum.

1.2 About Cardia

Cardia develops, manufactures and markets its patented renewable resource-based materials and finished products derived from Cardia's proprietary technology for the global packaging and plastic products industries. The company holds a strong patent portfolio and its growth is fuelled by the global trend towards sustainable packaging. Cardia focuses its sales development on its films & packaging, waste management products and carrier bag application segments. Cardia's customers comprise both global and regional companies in the personal care, hygiene, pet care, protective packaging, waste management and retail markets. In addition, Cardia sells its Biohybrid™ and certified compostable waste management products to regional government and the council sector.

Established in Australia in 2002, the company Headquarters and Global Application Development Centre is in Melbourne, Australia. Cardia Bioplastics' Product Development Centre and manufacturing plant for resins, films and bag products is in Nanjing, China with further offices in Australia, China, USA, Brazil and Malaysia, and a network of leading distributors across the Americas, Asia and Europe.

1.3 The Merged Group

The merged Cardia and Stellar group, which is to be renamed SECOS Group Limited upon the Acquisition (**Merged Group**) will create a leader in sustainable packaging with sales revenues estimated of approximately $27 million per annum (based on the financial performance of Cardia and Stellar in the financial year 2013/14) and much expanded production capacity for the Company's proprietary Biohybrid™ and compostable film products. A particular focus will be to maintain the Company's first to market position and to exploit its comprehensive patent portfolio. The Merged Group will offer a broad range of sustainable product solutions and is expected to benefit from the growth and trend towards more sustainability, particularly in the personal care and hygiene products market which is currently worth over $72 billion and growing at 5.5% per annum.[1]

Access to Stellar's additional production capacity is a key strategic benefit of the merger, enabling the Merged Group to deliver on the growing demand for its Biohybrid™ hygiene films without extensive investment into new capital equipment. The Merged Group 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 Merged Group's operations will deliver innovative, cost-effective and environmentally preferred packaging solutions to its global customers. The Merged 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 the 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 Merged 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.[2]

The Merged Group's complimentary fit and potential synergies are evident in the Malaysian market. In particular, Stellar is a well-established manufacturer with its own production plant in Port Klang, while Cardia is the only bioplastics company registered with the Malaysian BiotechCorp with the prestigious BioNexus status. In addition, Cardia appointed BioShoppe as distributor of both Cardia Compostable and Biohybrid™ products to the Malaysian government and market. Cardia Biohybrid™ and compostable bags meet the Malaysian MyHijau Green Label as environmentally preferred products.

In order to fully benefit from its preferred BioNexus status, Cardia will have to set up production in Malaysia. Further to the Acquisition, Cardia can establish a finished product plant with Stellar's existing facilities that saves both set up and running costs. In addition, this operation can be fully operational within a short period of time and will benefit from Stellar's manufacturing skills and resources in Malaysia. Stellar's expertise will also be applied to Cardia's Nanjing production with the aim of fast-tracking manufacturing efficiency improvements.

To increase its Asia Pacific market share, the Merged Group will prioritise its financial resources to ensure production output is optimised in this growth region. The established nature of the existing Stellar operations will ensure supply of high quality Bioplastics film products with product approval processes already commenced at 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.

1.3.1 Synergies of the Merged Group

The key synergies of the Merged Group are the following:

- market access and reach in absorbent hygiene products market - $72 billion industry growing 5.5% per annum, and emerging, high growth bioplastics industry with focus on packaging, waste management products and carrier bag target market segments;
- unique global product offering to absorbent hygiene products market – environmentally preferred, made from renewable resources, lower carbon foot print, heavy metal free, silicone coated hygiene products;
- enhanced competitiveness through integrated production from resins to films to coated products;
- geographic footprint of combined operations, focus on high growth Asian market;

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

- Stellar's underutilised production assets – Stellar's Deer Park cast film plant can produce as much hygiene film in three weeks as Cardia's hygiene film extrusion lines can currently produce in one year ;
- production and supply chain efficiency;
- operational savings;
- cost-effective expansion options;
- complementary intellectual property positions and customer reach;
- highly focused management teams with internationally recognised industry experts in sustainable packaging; and
- scale and resources to deliver the successful implementation of growth strategy in hygiene films and bioplastics products.

1.3.2 Strategic review of manufacturing operations

The need to act quickly and implement the realignment of the Merged Group's production assets and resources is a key priority. The Merged Group 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 discontinuation of its film and bag making operations, the Merged Group will remain committed to the Brazilian market place. The Merged Group 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.

1.3.3 Capital Raising

Subject to the Acquisition Resolutions being passed, the Company intends to raise approximately $3,500,000 by way of:

a) a private placement of up to that number of Shares (on a post-Consolidation basis), when multiplied by an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made to professional and sophisticated investors, will raise up to $2,500,000 (**Placement**) (please refer to section 4 for more detail); and

b) a non-renounceable rights issue to all eligible Shareholders of up to that number of Shares (on a post-Consolidation basis), when multiplied by an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made, will raise up to $1,000,000 (**Rights Issue**),

(together, **Capital Raising**). The Company has entered into a mandate with a broker to act as lead manager of the Placement and underwriter of the Rights Issue subject to, amongst other things, entering into formal binding agreements once the underwriting arrangements are determined, at which point Cardia will announce further details.

It is intended that the proceeds of the Capital Raising be utilised as follows:

Intended use	Amount
Working capital to purchase raw materials to deliver business growth	$1.5 million
Technology development and patent cost	$0.3 million

Intended use	Amount
Operating expenses	$1.0 million
Capital expenditure for expansion of film extrusion and bag making	$0.7 million
Total	**$3.5 million**

1.3.4 New Board of Directors

The Company has agreed, with effect from the completion of the Acquisition, to appoint two nominees of Stellar to the Board of Cardia (**Proposed Directors**). The Proposed Directors are Stephen Walters and Trevor Haines. Summaries of the background and experience of each of the Proposed Directors are set out in section 1.1.4 above. Existing Director Mr Steven Bendel intends to resign from the Board, while Mr Richard Tegoni, Mr Frank Glatz and Mr Gideon Meltzer will remain as Directors.

The Company will appoint the Proposed Directors in accordance with clause 4.2(a) of the Constitution, and as such, the Proposed Directors will retire from office at the conclusion of, and will be eligible for re-election at, the next annual general meeting of the Company.

Subject to the Completion of the Acquisition, the Board of Cardia will comprise of:

Richard Tegoni	Non-Executive Chairman
Stephen Walters	Managing Director
Frank Glatz	Chief Executive Officer – Bioplastics / Executive Director
Trevor Haines	Chief Financial Officer / Executive Director
Gideon Meltzer	Non-Executive Director

1.3.5 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of potential advantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

The Merged Group will offer:

a) enhanced market access and reach in absorbent hygiene products market and the emerging Bioplastics industry;

b) well positioned to globally expand sales and marketing with unique environmentally friendly hygiene products that meet customer demands;

c) highly focused management team with internationally recognised industry experts in sustainable packaging;

d) strong IP and patent position on technology and comprehensive range of high performance sustainable packaging products;

e) sales to high profile brand owners, retailers, packaging companies and councils;

f) joint development with leading consumer goods and global packaging companies;

g) established global operations and distributor network;

h) cost-effective manufacturing in Nanjing, China, Port Klang, Malaysia and Deer Park, Australia, with low cost expansion options; and

i) only ASX-listed stock focused on sustainable packaging.

1.3.6 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of potential disadvantages may be relevant to a Shareholder's decision on how to vote on each Resolution:

The Merged Group will:

a) be a new business with its own strategy, which may be different to the former Cardia growth strategy on bioplastics;

b) determine its business priorities and strategy implementation in the context of the Merged Group's priorities, its strategy, opportunities and resources available, which may change compared to the former Cardia business;

c) have the absorbent hygiene disposable product market as its major target market and will therefore be more dependent on this market to deliver its overall business success; and

d) operate a much larger customer base with customers more spread around the world. Due to the competitive nature of the industry, lower margin and/or longer trading term customers will be part of the new customer portfolio.

1.3.7 Pro-forma balance sheet

A pro-forma balance sheet is set out in Schedule 2 showing the effect of the Acquisition of the Company. It assumes that all of the Acquisition Resolutions are passed and the Acquisition, Capital Raising, Consolidation and other events the subject of the Acquisition Resolutions have occurred.

1.3.8 Plans for the Company if the Acquisition Resolutions are not passed

If the Acquisition Resolutions are not passed, Cardia will continue implementing its business growth strategy in its films & packaging, waste management products and carrier bag target markets. However, in order to deliver this strategy Cardia would have to raise additional funds to expand the business and production.

1.4 Risk factors

Shareholders should be aware that if the Acquisition is approved and completed, the Company will be changing the nature and scale of its activities and will be subject to additional or increased risks arising from Stellar, parties contracted or associated with Stellar and the Share Sale Deed and other agreements, including, but not limited to, those summarised in this Explanatory Memorandum.

The risks and uncertainties described below are not intended to be exhaustive. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company, Stellar and their related entities.

Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to acquire all Stellar's Shares are as follows.

1.4.1 Company and industry specific

a) Reliance on foreign markets

Due to the Merged Group's reliance on the Asian market (in particular, Malaysia and China), it is exposed to potential disruption or volatility. For example, the Merged Group is exposed to risks relating to labour practices, environmental matters, costs associated with enforcing contracts, changes to and uncertainty in the relevant legal and regulatory regime (including in relation to taxation and foreign investment and practices of government and regulatory authorities) and other issues in those markets.

b) Currency risk

Revenue and expenditures in overseas jurisdictions are subject to the risk of fluctuations in foreign exchange markets. Any payment obligations of the Company in foreign currencies may exceed the budgeted expenditure if there are adverse currency fluctuations against the Australian dollar. The Merged Group has sought to reduce this risk by entering into certain foreign currency hedging agreements.

c) Bribery and corruption in respect of foreign operations

The Company may incur fines or penalties, damage to its reputation or suffer other adverse consequences if its Directors, officers, employees, consultants, agents, service providers or business partners violate, or are alleged to have violated, anti-bribery and corruption laws in any of the jurisdictions in which it operates.

The Company cannot guarantee that its internal policies and controls will be effective in each case to ensure that the Company is protected from reckless or criminal acts committed by its Directors, officers, employees, consultants, agents, service providers or business partners that would violate Australian laws or the laws of any other country in which the Company operates. Any such improper actions could subject the Company to civil or criminal investigations in Australia or overseas, lead to substantial civil or criminal monetary or non-monetary penalties against the Company and damage the Company's reputation. Even the allegation or appearance of improper or illegal actions could damage the Company's reputation and result in significant expenditures in investigating and responding to such actions and in turn have an adverse effect on the Company's future financial performance and position.

d) Operating risks

The operations of the Merged Group may be affected by various factors, including (without limitation) contractual disputes, disruptions, supply shortages and labour conditions where the Merged Group provides services.

e) Reliance on key personnel

Cardia and Stellar currently employ a number of key management personnel, and the Merged Group's future depends on retaining and attracting suitably qualified personnel. The loss of key personnel could adversely affect the Merged Group and its activities.

The Company has, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, however, there is no guarantee that the Merged Group will be able to attract and retain suitably qualified personnel.

f) Reliance on third parties

The Company may pursue a strategy that forms strategic business relationships with other organisations in relation to potential products and services. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations or that any potential agreements with such organisations will be complied with.

g) Competition

The bioplastics and hygiene films market is competitive, and include companies with greater financial, technical, human, research and development and marketing resources than the Merged Group. As a result, the Merged Group's current and future technologies and products may become obsolete or uncompetitive, resulting in adverse effects on revenue, margins and profitability.

h) Additional capital

As described in section 1.3.3, the Company intends to raise funds by way of a Placement and a Rights Issue subsequent to the completion of the Acquisition. The Capital Raising proposal is based on the Company and Stellar's best estimation of cash flow projections and estimated expenditures for a 24 months period, depending on the funding scenario. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and the share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, or at all.

i) Forecasts

The Directors consider that it is not possible to accurately predict the future revenues or profitability of the Company or Stellar's business or whether any revenues or profitability will eventuate. The business of the Company and Stellar are dependent upon a number of factors and many of these factors are outside the control of the Company. Consequently the Company, the Directors and the Proposed Directors do not make any forecast or representation in relation to the Merged Group's future financial position or performance.

j) Unforeseen expenditure

The Merged Group may need to incur unforeseen expenditure. Although the Company is not currently aware of any additional expenditure required as a result of the Merged Group, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company and the Merged Group's proposed business.

k) Litigation risk

Legal proceedings may arise from time to time in the course of the Company's business and the Company cannot preclude the possibility that litigation may be brought against it, or that the Company may be impelled to initiate litigation against other parties in order to protect its legal rights. Litigation involves considerable cost, uncertain outcomes and possibly adverse publicity which negatively impact on the trading price and liquidity of Shares.

l) Force majeure

Force Majeure describes events including acts of God, fire, flood, earthquakes, war and strikes beyond the control of a party claiming the occurrence of any such event. To the extent that a Force Majeure event occurs, it may have a detrimental effect on the ability of the Company to operate, its financial performance and the value and price of Shares.

m) Environmental risk

The Company's business model is based on the development and manufacture of environmental products. The Company may be subject to the market's appetite and uptake of environmental products and other unforeseen events, such as changes in methodology and regulations, which may have adverse financial implications on the Company's business model.

1.4.2 General risks

a) Market conditions

A number of factors affect the performance of share market investments that could also affect the price at which the Shares trade on the ASX. The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general such as acts of terrorism, currency fluctuations and interest rate movements. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.

b) Economic risk

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's and Stellar's business activities and potential development programmes, as well as their ability to fund those activities.

c) Government factors

The introduction of new legislation or amendments to existing legislation by governments, and the decisions of courts and tribunals, can impact adversely on the assets, operations and, ultimately, the financial performance of the Company.

Any adverse developments in political and regulatory conditions in the countries in which the Company conducts business could materially affect the Company's prospects. Political and environmental policy changes, such as changes in both monetary and fiscal policies, expropriation, methods and rates of taxation and currency exchange controls may impact the performance of the Company as a whole.

1.5 Share Sale Deed

The Share Sale Deed contains a number of standard terms and conditions, including representations and warranties, and negative covenants considered standard for an agreement of this nature.

The material terms of the Share Sale Deed are as follows.

1.5.1 Condition Precedent

Completion of the Acquisition is conditional on the satisfaction or waiver of the following conditions precedent (together, **Conditions Precedent**):

No.	Condition Precedent	End Date
1)	Cardia obtains Shareholder approval of the Acquisition Resolutions	15 April 2015
2)	any relevant third party consent has been obtained	15 April 2015
3)	all applicable regulatory or governmental authorisations remain in full force and effect	15 April 2015
4)	Vendors deliver to Cardia such documents reasonably required by Cardia to effect an escrow over the Consideration Shares for a period of 12 months	15 April 2015
5)	if Vendors have delivered a Disclosure Letter, Cardia is satisfied with its contents in its absolute discretion	15 April 2015
6)	each of Cardia, the Vendors and each Group Entity not being or having been subject to a material adverse event between the Effective Date and Completion	15 April 2015
7)	arrangements are in place, to the reasonable satisfaction of Cardia, for the release of certain Stellar encumbrances with effect from Completion	15 April 2015
8)	documentation or confirmation in a form that is reasonably acceptable to Cardia that facility agreements between Stellar Malaysia and CIMB Bank Berhad are repayable no earlier than 1 July 2016, or such other arrangement that is mutually agreed by the parties	7 April 2015

If the Conditions Precedent are not satisfied or waived by the party whose benefit it is expressed to be for by the relevant end date (**End Date**), then a party may terminate the Share Sale Deed by written notice to the other party.

1.5.2 Consideration Shares

If the Share Sale Deed is completed, in consideration for the Company acquiring 100% of the issued shares in Stellar, the Company will issue (on a post-Consolidation basis) 51,972,604 of Shares (which equates to 55% of the issued Shares) on the basis as set out below (**Consideration Shares**):

Helpless Pty Ltd	7,795,891
Ganspruse Pty Ltd	7,795,891
Female Pty Ltd	7,795,891
Gobble Pty Ltd	7,795,891
Stellar Developments	20,789,040

Each Vendor will enter into restriction agreements in accordance with the ASX Listing Rules to effect an escrow over the Consideration Shares for a period of 12 months.

1.5.3 Directors' interest in the Share Sale Deed

None of the Company's existing Directors have any interest in the proposed acquisition of the issued shares of Stellar pursuant to the Share Sale Deed.

1.6 Proposed timetable

Indicative timing*	
6 March 2015	Dispatch Notice of Meeting in respect of the Acquisition
5 April 2015	Last day for proxies
7 April 2015	• Cardia Shareholder Meeting to approve the Acquisition and Consolidation • Trading halt prior to the commencement of trading • Announcement if shareholders approve proposed Acquisition and Consolidation, resume trading

8 April 2015	Last day for trading of Shares on a pre-Consolidated basis
9 April 2015	Trading in Consolidated Shares on a deferred settlement basis
10 April 2015	Completion of Acquisition and issue of Consideration Shares
13 April 2015	Last day to register transfers on a pre-Consolidation basis
14 April 2015	• First day for dispatch of notice to each Shareholder • First day for issue of new certificates (from now on, the Company rejects transfers accompanied by a certificate that was issued before the Consolidation)
20 April 2015	• Issue Date. Deferred settlement market ends • Last day for dispatch of notice to each Shareholder • Last day for issue of new certificates • Last day for Shares to be entered into the holders' shareholdings to reflect the effect of the Consolidation
21 April 2015	Normal (T+3) trading starts

*The Directors reserve the right to change the above indicative timetable without requiring any disclosure to Shareholders.

1.7 Conditional Acquisition Resolutions

In order to complete the Acquisition, the Company is seeking Shareholder approval in this Notice of Meeting to:

a) change the Company's nature and scale of activities as a result of the Acquisition (Resolution 1);

b) issue 51,972,604 Shares on a post-Consolidation basis (which is the equivalent of 55% of issued Shares) to the Vendors as set out in section 1.5.2, in consideration for the acquisition of their Stellar shares (Resolution 2); and

c) issue up to that number of Shares (on a post-Consolidation basis), when multiplied by an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made to professional and sophisticated investors, will raise up to $2,500,000 (Resolution 3).

All Acquisition Resolutions are inter-conditional, meaning that each of them will only take effect if all of them are approved by the requisite majority of Shareholders' votes at the Meeting. If any one of Resolutions 1 to 3 (inclusive) is not approved at the Meeting, none of them will take effect and the Share Sale Deed and other matters contemplated by those Resolutions will not be completed pursuant to this Notice of Meeting.

On completion of the Acquisition, the Company's main undertaking will comprise the existing Cardia business and an increased scale as a result of the Acquisition of Stellar. This will constitute a material change in the nature and scale of the Company's activities that requires Shareholder approval under ASX Listing Rule 11.1.2 (and which approval is being sought in Resolution 1).

If Shareholders do not approve all of the Acquisition Resolutions, the Acquisition will not proceed and the Company will seek to be re-instated to trading on the ASX on the basis of its existing business.

1.8 Directors' recommendation

The Directors of the Company unanimously recommend the Company's proposed acquisition of Stellar the subject of the Share Sale Deed, and that Shareholders vote in favour of all of the Acquisition Resolutions.

1.9 Independent Expert's Report

The Independent Expert has provided the Independent Expert's Report with respect to the proposed issue of Consideration Shares to the Vendors as consideration for the Acquisition.

The Independent Expert has concluded and believes that the proposal as outlined in Resolution 2 is, on balance, not fair but reasonable to the Shareholders.

The Independent Expert's Report also contains an assessment of the advantages and disadvantages of those proposals. This assessment is designed to assist Shareholders in reaching their voting decision.

The Independent Expert's Report is enclosed with this Notice of Meeting in Schedule 1. It is recommended that all Shareholders read the Independent Expert's Report in its entirety before deciding whether or not to vote in favour of Resolution 2.

2. Resolution 1 – Change to nature and scale of activities

2.1 General

Resolution 1 seeks approval from Shareholders for a change in the nature and scale of the activities of the Company as described in section 1.3.

A detailed description of Stellar and its business is also outlined in section 1.1.

As outlined in section 1.5 of this Explanatory Memorandum, the Company has entered into the Share Sale Deed whereby the Company proposes to acquire all of the issued capital in Stellar.

The Share Sale Deed is subject to the Conditions Precedent as summarised in section 1.5 above.

Resolution 1 is subject to all Acquisition Resolutions being approved by Shareholders.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable (and before making the change) and comply with the following:

a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;

b) if ASX requires, obtain the approval of holders of its shares and comply with any requirements of ASX in relation to the notice of meeting; and

c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the entity were applying for admission to the official list of ASX.

ASX has indicated to the Company that the change in the nature and scale of the Company's activities as a result of proposed Acquisition and Capital Raising requires the Company in accordance with ASX Listing Rule 11.1.2 to obtain Shareholder approval and the Company must comply with any requirements of ASX in relation to the Notice of Meeting.

3. Resolution 2 – Issue of Consideration Shares to Vendors

3.1 General

Resolution 2 seeks Shareholder approval pursuant to item 7 section 611 in order to issue (on a post-Consolidation basis) 51,972,604 Shares (being the **Consideration Shares**).

Resolution 2 is subject to all Acquisition Resolutions being approved by Shareholders.

3.2 Item 7 section 611 of the Corporations Act

The result of the above proposed issue of Consideration Shares is that the voting power of the individual Vendors in the Company will increase to more than 20%. On this basis, the Company seeks Shareholder approval for the proposed issues under Resolution 2 in accordance with item 7 section 611 of the Corporations Act, to enable the Vendors to acquire voting power in the Company in excess of the threshold limit prescribed by the Corporations Act.

Approval pursuant to Listing Rule 7.1 for the issue of Consideration Shares is not required because the approval for those issues under item 7 section 611 of the Corporations Act is an exception to Listing Rule 7.1 (the exception being in Listing Rule 7.2 exception 16).

A summary of the requirements of item 7 section 611 of the Corporations Act is set out in section 3.5.

3.3 Section 606 of the Corporations Act

Section 606 of the Corporations Act prohibits the acquisition of voting shares or a 'Relevant Interest' in voting shares of a listed company if that acquisition results in a person's voting power increasing from:

a) below 20% to more than 20%; or

b) from a starting point that is above 20% and below 90%,

(**Prohibition**).

3.3.1 Voting power

The voting power of a person in a body corporate is determined in accordance with section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

3.3.2 Associates

For the purposes of determining voting power under the Corporations Act, a person (**second person**) is an 'associate' of the other person (**first person**) if:

a) (pursuant to section 12(2) of the Corporations Act) the first person is a body corporate and the second person is:

   (i) a body corporate the first person controls;

   (ii) a body corporate that controls the first person; or

   (iii) a body corporate that is controlled by an entity that controls the first person;

b) the second person has entered or proposes to enter into a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; or

c) the second person is a person with whom the first person is acting or proposes to act, in concert in relation to the company's affairs.

Associates are, therefore, determined as a matter of fact. For example where a person controls or influences the board or the conduct of a company's business affairs, or acts in concert with a person in relation to the entity's business affairs.

Each Vendor other than Stellar Developments is an associate of Stellar Developments, each holding 25% of shares in Stellar Developments and 25% of units in Stellar Unit Trust.

3.3.3 Relevant Interests

Section 608(1) of the Corporations Act provides that a person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

In addition, section 608(3) of the Corporations Act provides that a person has a relevant interest in securities that any of the following has:

(a) a body corporate in which the person's voting power is above 20%;

(b) a body corporate that the person controls.

The Vendors do not currently have a relevant interest in the Company's issued share capital.

3.4 Reasons why section 611 approval required

Item 7 section 611 of the Corporations Act provides an exception to the Prohibition described in section 3.3 above, whereby a person and their associates may acquire a relevant interest in a company's voting shares with shareholder approval.

The Vendors are associates and therefore in determining their voting power, their relevant interests will be aggregated. Accordingly, the relevant interests of each Vendor and its associates in the Company after implementation of all the Acquisition Resolutions will increase to more than 20%.

On this basis, the Company seeks Shareholder approval for the proposed issues under Resolution 2 in accordance with item 7 section 611 of the Corporations Act to enable each Vendor and its associates to increase their voting power in the Company in excess of the threshold limit prescribed by the Corporations Act.

The Company is seeking the approval of Shareholders under item 7 of section 611 of the Corporations Act in respect of the proposed issues of Consideration Shares contemplated by Resolution 2.

3.5 Specific information required under section 611 item 7 of the Corporations Act

The following information is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining approval for item 7 section 611 of the Corporations Act. Shareholders are also referred to other information provided in this Notice of Meeting and the Independent Expert's Report. For ease of reference, the table below sets out the location of the required information:

(a)	*Identity of the persons proposing to make the Acquisition and their associates*	Please refer to section 3.5.1.
(b)	*Maximum number of securities to be issued*	Please refer to section 3.1.
(c)	*Maximum extent of increase in voting power in the Company resulting from the Acquisition*	Please refer to sections 3.5.1 and 3.5.2.
(d)	*Identity, associations and qualifications of directors*	Please refer to sections 1.1.4 and 1.3.4.
(e)	*Intentions regarding the future of the Company*	Please refer to section 3.5.3.
(f)	*The issue price and terms of the proposed Acquisition*	Please refer to section 1.5.
(g)	*Timing of the proposed Acquisition*	Please refer to section 1.6.
(h)	*Reasons for the Acquisition and intended use of funds*	Please refer to section 1.3.
(i)	*Directors' interests and recommendations*	Please refer to sections 3.5.7 and 3.5.8.
(j)	*Independent Expert's Report as to whether the issue of Consideration Shares is fair and reasonable*	Please refer to Schedule 1.
(k)	*Impact on the Company if Shareholders do not approve the issue of Consideration Shares*	Please refer to section 1.3.8.
(l)	*Voting exclusion statement*	Please refer to the voting exclusion statement in relation to Resolution 2 on page 2.

3.5.1 Identity of persons proposing to participate in the issue and their associates

If Resolution 2 is passed and on completion of the Acquisition and Capital Raising, the persons who will hold a relevant interest in the Shares, along with their associates, are the Vendors.

Each of Helpless, Ganspruse, Female and Gobble are an associate of Stellar Developments by virtue of each holding 25% of shares in Stellar Developments and 25% of units in Stellar Unit Trust. Accordingly, the Vendors and their respective interests in the share capital of the Company are set out in Schedule 3.

3.5.2 The voting power and maximum extent of the increase in the relevant interests and voting power

As at the date of the Notice of Meeting, none of the Vendors or their associates has a relevant interest in any existing Shares. Please see table in Schedule 3 for Voting Power and the maximum increase in Voting Power of each Vendor if the Acquisition Resolutions are approved.

3.5.3 Other relevant agreements

The Company has entered into the Subscription Agreement with the Vendors to effect the issue and subscription of the Consideration Shares subject to, among other things, the completion of the Acquisition.

3.5.4 Intentions as to the future of the Company

Other than as disclosed elsewhere in this Explanatory Memorandum and change pursuant to the Acquisition and the Resolutions, the Company understands that each Vendor and their associates:

a) have no intention of making any significant changes to the business of the Company;

b) have no intention to inject further capital into the Company;

c) have no intention of making changes regarding the future employment of the present employees of the Company;

d) do not intend to redeploy any fixed assets of the Company;

e) do not intend to transfer any property between the Company and the Vendors or any entity associated with any one of them, other than as contemplated under the Acquisition and set out in this Explanatory Memorandum;

f) do not intend to significantly change the financial policy of the Company, however may choose to implement a dividend policy but make no forecast as to whether any dividend will be payable; and

g) have no intention to change the composition of the Board other than the proposal as described in this Notice of Meeting.

These intentions are based on the Company's understanding of the Vendors' and their associates' intentions as at the date of this Notice of Meeting and on information concerning the Company, Stellar, their businesses and the business environment which is known to the Vendors and their associates at the date of this document. Accordingly, the statements set out above are statements of current intention only, which may change as new information becomes available or as circumstances change.

3.5.5 Proposed Directors

The Proposed Directors are Stephen Walters and Trevor Haines, the details of which are set out in sections 1.1.4 and 1.3.4 above. In addition:

a) Stephen Walters is a director of Helpless and Stellar Developments, and a unitholder of Stellar Unit Trust; and

b) Trevor Haines is the sole director of Ganspruse, a director of Stellar Developments, and a unitholder of Stellar Unit Trust.

3.5.6 Reason for the proposed issue

The Consideration Shares will be issued to the Vendors in consideration for the Acquisition pursuant to the Share Sale Deed. A summary of the material terms of the Share Sale Deed is set out in section 1.5 above.

3.5.7 Directors' interests

No Directors are related parties of a Vendor or their associates, nor do the Directors have any interest in any shares in the Vendors or their respective associates.

3.5.8 Directors' recommendations

The Directors of the Company recommend that Shareholders vote in favour of Resolution 2, on the basis that the Directors consider the Acquisition is in the best interests of the Company.

3.6 Chapter 2E of the Corporations Act and Listing Rule 10.11 approval

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and

b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue pursuant to Resolution 2 to the Vendors of Consideration Shares may constitute giving a financial benefit and a related party of the Company by virtue of the fact that the Vendor have reasonable grounds to believe that they will control Cardia following completion of the Acquisition.

The Directors consider that Shareholders' approval pursuant to Chapter 2E of the Corporations Act and Listing Rule 10.11 is not required in respect of the issue of Consideration Shares to the Vendors for the following reasons:

a) **Chapter 2E**: the Share Sale Deed was negotiated on an arm's length basis and the Directors consider that Shareholders' approval pursuant to Chapter 2E of the Corporations Act is consequently not required for those proposed issues, which are reasonable in the circumstances of being issued on arm's length terms; and

b) **Listing Rule 10.11**: Each Vendor is a related party of the Company only by reason of the Acquisition, which is the reason for the issue of the Consideration Shares, which will be issued prior to any control of the Company is acquired.

4. Resolution 3 – Issue of Shares to Sophisticated and Professional Investors

4.1 General

Resolution 3 seeks Shareholder approval for the Company to issue new Shares at an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made (**Placement**). This will raise up to $2.5 million by way of a private placement to professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the Corporations Act).

Resolution 3 is subject to all Acquisition Resolutions being approved by Shareholders.

4.2 ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the Consideration Securities during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed issue of Shares:

a) the maximum number of Shares to be issued will be calculated by dividing $2.5 million by the issue price, which will be at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made;

b) the Shares will be issued no later than 3 months after the date of the Shareholder Meeting (or such later date to the extent permitted by any ASX waiver or modification to ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

c) the Shares will be issued at an issue price not lower than 80% of the volume weighted average price of the Company's listed ordinary shares calculated over the last 5 days on which sales of ordinary shares were recorded on ASX before the issue is made;

d) the Shares will be issued to professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the Corporations Act) (none of which are related parties of the Company, other than as a result of the Acquisition);

e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares on issue;

f) the Shares will be issued to raise up to $2.5 million, and if the Acquisition is completed, the Company intends to apply the funds raised as described in section 1.3.3; and

g) a voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum.

5. Resolution 4 – Consolidation of Capital

5.1 Background

Resolution 4 seeks Shareholder approval to consolidate the number of Shares and Options on issue on a 1 for 100 basis (**Consolidation**).

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company going forward.

The Directors intend to implement the Consolidation prior to completion of the Share Sale Deed and prior to the proposed issues of Shares pursuant to the Acquisition Resolutions.

5.2 Legal requirements

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

The ASX Listing Rules also require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

5.3 Fractional entitlements

Not all Shareholders will hold that number of Shares or Options which can be evenly divided by 100. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Share or Option.

5.4 Taxation

It is not considered that any taxation implications will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders and Optionholders are advised to seek their own tax advice on the effect of the Consolidation and the Company, the Directors and the Proposed Directors and their advisers do not accept any responsibility for the individual taxation implications arising from the Consolidation or the Acquisition Resolutions.

5.5 Holding statements

From the date of the Consolidation all holding statements for previously quoted Shares will cease to have any effect, except as evidence of entitlement to a certain number of securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares proposed to be quoted to be issued to holders of those Shares.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares or Options (as applicable) held prior to disposal.

5.6 Effect on capital structure

If this Resolution is approved, every 100 Shares on issue will be consolidated into 1 Share. Overall, this will result in the number of Shares on issue reducing from 4,252,303,987 to 42,523,040. Every 100 Options on issue will be consolidated into 1 Option. Overall, this will result in the number of Options on issue reducing from 221,278,642 to 2,212,786.

As the Consolidation applies equally to all Shareholders and Optionholders, individual holdings will be reduced in the same ratio as the total number of Shares or Options (subject to rounding). Accordingly, the Consolidation itself will have no material effect on the percentage interest in the Company of each Shareholder and Optionholder. However, the price per Share can be expected to increase to reflect the reduced number of Shares on issue.

5.7 Indicative timetable

If Resolution 4, the Consolidation of capital is proposed to take effect pursuant to the timetable at section 1.6 in accordance with the timetable as set out in Appendix 7A of the ASX Listing Rules.

6. Resolution 5 – Ratification of Issue of Shares to Sophisticated and Professional Investors

6.1 Background

On 3 December 2014 the Company raised $100,000 by way of a share placement offer of 50 million new Shares to professional and sophisticated investors at an issue price of $0.002 per Share. The Shares were issued under the Company's placement capacity available pursuant to ASX Listing Rule 7.1.

Funds raised under the placement are being used for general working capital purposes and assist with transaction costs in respect of the Acquisition.

6.2 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 50 million Shares so as to refresh the Company's 15% placement capacity pursuant to ASX Listing Rule 7.1.

6.3 ASX Listing Rule 7.5

For the purposes of ASX Listing Rule 7.5, the following information is provided:

a) number of securities to be issued pursuant to Resolution 5: 50 million Shares;

b) issue price of securities: Shares were issued at an issue price of $0.002 per Share;

c) terms of securities: all Shares were issued as fully paid ordinary shares in the Company ranking pari passu with existing Shares;

d) names of allottees or the basis on which allottees were determined: Shares were issued to professional and sophisticated investors (within the meaning ascribed to those expressions in section 708 of the Corporations Act) and no related parties were involved;

e) the use (or intended use) of the funds raised: the funds are applied towards the working capital requirements of the Company and to assist with costs in respect of the Acquisition; and

f) voting exclusion statement: a voting exclusion statement is included in the Notice accompanying the Explanatory Memorandum.

7. Resolution 6 – Change of Company Name

7.1 General

Resolution 6 seeks Shareholder approval pursuant to Section 157(1)(a) of the Corporations Act to change to Company name to SECOS Group Limited.

7.2 Section 157(1)(a) of the Corporations Act

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 6 seeks the approval of Shareholders for the Company to change its name to "SECOS Group Limited". SECOS is an acronym for 'Sustainable Eco Solutions', which encapsulates the Merged Group's vision of becoming a global leader in sustainable packaging providing sustainable packaging solutions to its global customers.

If Resolution 6 is passed the change of name will take effect when ASIC alters the details of the Company's registration on the register.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company, if the Acquisition is completed.

8. Resolution 7 – Renewal of proportional takeover provisions

8.1 General

The Corporations Act permits a company's constitution to include a provision that enables it to refuse to register shares acquired under a proportional takeover bid unless shareholders approve the bid.

Rule 2.11 of the Constitution was not renewed and ceased to have effect on 29 November 2014. The Directors consider it in the interests of Shareholders to continue to have a proportional takeover provision in the Constitution and, accordingly, Shareholders are requested to renew the proportional takeover provisions contained in rule 2.11 of the Constitution with effect from the date of this meeting for a further period of 3 years.

8.2 Proportional takeover bid

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares (i.e. less than 100 per cent).

8.3 Effect of a proportional takeover bid provision

If a proportional takeover bid is made, the Directors must ensure that a general meeting to approve the bid is held more than 14 days before the last day of the bid period, at which Shareholders will consider a resolution to approve the takeover bid.

Each Shareholder will have one vote for each Share held, with the vote to be decided on a simple majority. The bidder and its associates are not allowed to vote.

If the resolution is not passed at that meeting, no transfer will be registered and the offer will be taken to have been withdrawn. If the resolution is not voted on, the bid will be taken to have been approved. If the bid is approved (or taken to have been approved), all valid transfers must be registered.

The proportional takeover approval provisions do not apply to full takeover bids and, if renewed, will only apply for 3 years after the date of renewal.

8.4 Potential advantages and disadvantages

The Directors consider that the proportional takeover approval provisions have no potential advantages for the Directors, but do have some for Shareholders, including:

a) Shareholders will be given the right to decide by majority vote whether to accept a proportional takeover bid;

b) the provisions may help Shareholders avoid being locked in as a minority and may prevent a bidder acquiring control of the Company without paying an adequate control premium (i.e. paying for all of their Shares);

c) the provisions may increase Shareholders' bargaining power and may help ensure that any bid is adequately priced; and

d) knowing the view of the majority of Shareholders may help each individual Shareholder decide whether to accept or reject the proportional offer.

The potential disadvantages of the proportional takeover provisions in rule 2.11 of the Constitution for Shareholders include:

a) they may discourage proportional takeover bids being made for Shares;

b) Shareholders may lose an opportunity to sell some of their Shares at a premium; and

c) the likelihood of a proportional takeover succeeding may be reduced.

During the 3 years that the existing proportional takeover provisions have been in effect, there had been no takeover bids for the Company. The Directors are not aware of any potential bid that was discouraged by rule 2.11 of the Constitution.

The Directors consider that the potential advantages for Shareholders of the proportional takeover provisions operating for the next 3 years outweigh the potential disadvantages.

8.5 Knowledge of takeover bids

As at the date of this Notice, no Director is aware of any proposal to acquire or to increase the extent of a substantial interest in the Company.

GLOSSARY

In this Notice and the Explanatory Memorandum:

$ means Australian Dollars.

Acquisition has the meaning given in section 1.

Acquisition Resolutions means the inter-conditional resolutions in this Notice of Meeting being Resolutions 1 to 3 (inclusive).

AEST means Australian Eastern Standard Time, being the time in Melbourne, Victoria, Australia.

Akronn means Akronn Industries Sdn Bhd (Company Number: 922402-T).

ASIC means Australian Securities and Investments Commission.

Associate has the same meaning as in the Corporation Act.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules and **Listing Rules** means the listing rules of the ASX.

Board means the Directors of the Company as at the date of this Notice of Meeting.

Chair and **Chairman** means the person appointed to chair the Meeting.

Capital Raising has the meaning given in section 1.3.3.

Cardia and **Company** means Cardia Bioplastics Limited (ACN 064 755 237).

Completion means the completion of the Acquisition in accordance with the Share Sale Deed.

Consideration Shares has the meaning given in section 1.5.2.

Consolidation has the meaning given in section 5.1.

Constitution means the constitution of the Company as at the commencement of the Meeting.

Corporations Act means the *Corporations Act 2001* (Cth).

Director means a director of the Company.

Disclosure Letter means a letter from the Vendors to Cardia titled 'Disclosure Letter' signed by the Vendors and disclosing qualifications to the warranties.

Effective Date means the date of the Share Sale Deed.

Explanatory Memorandum means the explanatory memorandum to the Notice of Meeting.

Group Entity means:

a) Stellar Films Group;

b) Stellar Malaysia;

c) Akronn; and

d) any Related Bodies Corporate.

Independent Expert means Nexia Melbourne Pty Ltd (ACN 052 362 348).

Independent Expert's Report means the report prepared by the Independent Expert for the purposes of Shareholder approval (which is attached as Schedule 1).

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Placement has the meaning given in section 1.3.3.

Notice or **Notice of Meeting** means this Notice of General Meeting.

Proxy Form means the proxy form attached to the Notice of Meeting.

Related Body Corporate means any entity:

a) prescribed by section 9 of the Corporations Act; and

b) any entity which is controlled as prescribed by section 50AA of the Corporations Act.

Resolution means a resolution contained in this Notice of Meeting.

Rights Issue has the meaning given in section 1.3.3.

Share means fully paid ordinary share in the capital of the Company.

Share Sale Deed means the Share and Unit Sale Deed dated 16 January 2015 (as amended and restated as the Share Sale Deed on 26 February 2015) between Cardia and each Vendor.

Shareholder means a holder of a Share.

Stellar means each of Stellar Films Group and Stellar Malaysia.

Stellar Developments means Stellar Developments Pty Ltd (ACN 097 052 670) as trustee for the Stellar Unit Trust.

Stellar Films Group means Stellar Films Group Pty Ltd (ACN 090 719 876).

Stellar Malaysia means Stellar Films (Malaysia) Sdn Bhn (Company No: 266489-T).

Tax has the meaning given in the Share Sale Deed.

Tax Act means the *Income Tax Assessment Act 1997* (Cth) or the *Income Tax Assessment Act 1936* (Cth), as the case may be.

Vendors means:

a) Helpless Pty Ltd (ACN 089 923 740) as trustee for the Infinity Discretionary Trust;

b) Ganspruse Pty Ltd (ACN 050 197 825) as trustee for the Haines Family Trust;

c) Female Pty Ltd (ACN 089 875 178) as trustee for the Symons Family Trust;

d) Gobble Pty Ltd (ACN 090 848 089) as trustee for the Morgan Family Trust; and

e) Stellar Developments.

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

CARDIA BIOPLASTICS LIMTED

ISSUE OF SHARES TO STELLAR FILM GROUP.

Independent Expert's Report

pursuant to Section 611 of the Corporations Act

4 MARCH 2015

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nexia australia

the next solution

4 March 2015

The Directors
Cardia Bioplastics Limited
Suite 1
Level 6, 50 Queen Street
MELBOURNE VIC 3000

Dear Directors,

INDEPENDENT EXPERT'S REPORT
ISSUE OF SHARES TO STELLAR FILMS GROUP UNDER S611 OF THE CORPORATIONS ACT

As Directors of Cardia Bioplastics Limited (**Cardia, CNN** or **the Company**) you have requested Nexia Melbourne Pty Ltd (**Nexia**) to prepare an Independent Expert's Report (**the Report**) in relation to a proposed issue of approximately 51.97 million shares to shareholders of Stellar Films Group Pty Ltd, Stellar Films (Malaysia) Sdn Bhd (collectively **Stellar** or **the Vendors**).

The Proposal (as described in section 1.2 below) will be presented to Cardia Shareholders for approval at an Extraordinary General Meeting (**EGM**) to be held in on or about 7 April 2015.

You have requested Nexia to provide an opinion on whether the Proposal, the subject of Resolution 2 in the Notice of Meeting (**NOM**), is fair and reasonable to the non-associated shareholders of the Company (**Cardia Shareholders**).

1. INTRODUCTION

1.1 BACKGROUND

1. Cardia is a listed company on the Australian Securities Exchange (**ASX**), which develops, manufactures and markets patented, renewable resource-based materials and film and bag products for the global packaging and plastics products industries.

2. Stellar is a privately held business based in Melbourne, which manufactures and globally markets high quality cast films to the personal care, hygiene and medical products industries. Products include embossed barrier, laminated, multi-layer, printer or general packaging films. Stellar manufactures its films at its production facilities in Deer Park, Australia and Port Klang, Malaysia.

3. Stellar also has a 50.8% direct interest in Akronn Industries Sdn Bhd (**Akronn**), Akronn manufactures silicone-coated paper and film products at its Nilai, Malaysia operation supplying the global hygiene and medical packaging markets as well as the sustainable energy sector.

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1.2 MERGER WITH STELLAR FILMS GROUP AND RELATED RESOLUTIONS

4. On 20 January 2015, the Company announced that it had executed a share sale deed with Stellar to merge the two businesses (**Merger**). Under the share sale deed, Cardia will acquire 100% of the issued securities of Stellar (**Stellar Shares**) and in consideration, the Vendors will be issued 51,972,604 (approximately 55%) of the issued shares in Cardia (**Proposal Shares**).

5. Following the Merger, the Company also intends to raise approximately $3.5 million (**Capital Raise**)by way of:
   - A private placement to raise up to $2.5 million at an issue price at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made to professional and sophisticated investors (**Placement**)
   - A non-renounceable rights issue to all eligible Shareholders to raise up to $1.0 million at an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made (**Rights Issue**)

6. The issue of the Proposal Shares is the subject of Resolution 2 in the NOM and the Placement is the subject of Resolution 3 in the NOM. The Rights Issue is not subject to any resolutions. The Placement and the Rights Issue occur following the Merger (and share consolidation – Resolution 4) such that there is uncertainty as to what price the Capital Raise will be at and therefore what number of shares may be issued. For this reason we have confined our analysis of the Merger and its effect on Cardia Shareholders before the impact of the Capital Raise.

7. Whilst Resolution 2 is the subject of our opinion and report, we note that the Merger is conditional upon shareholders approval of both Resolutions 2 and 3. However for the reason noted at paragraph 6, for the purposes of this Report we consider the Merger of its own, and the resultant issue of the Proposal Shares, as **the Proposal**.

8. Resolution 4 of the NOM proposes that the issued shares of the Company to be consolidated on the basis that every 100 Shares be consolidated into 1 Share. Whilst not a requirement for the Merger to proceed, we consider it reasonable to assume that this Resolution will be passed and any references to Cardia shareholdings in this Report are made on a post-Consolidation basis. We note that rejection of this Resolution will have no effect on our overall assessment of the fairness of the Proposal.

9. The following table shows the potential dilution to Cardia Shareholders pre and post-Proposal and assuming the share consolidation is approved. This table ignores the impact of any further issues of shares as a result of the Placement or the Rights Issue.

Table 1: Potential Cardia Shareholding (pre Capital Raise)

Shareholder	Pre-Proposal	%	Post-Proposal [1]	%
Cardia Shareholders	42,523,040	100%	42,523,040	45.0%
Stellar Vendors	-	-	51,972,604	55.0%
TOTAL	**42,523,040**	**100%**	**94,496,000**	**100.0%**

Table notes: (1) numbers of shares are shown following a 100:1 share consolidation.

2. PURPOSE AND SCOPE OF THIS REPORT

10. Cardia is a public listed company incorporated in Australia and is subject to the regulations under the Corporations Act 2011 (**the Act**). The Proposal Shares, if issued to the Investors, will be fully paid ordinary shares in the Company and are considered "voting shares" for the purposes of the Act.

11. Section 606(1) of the Act prohibits the acquisition of a relevant interest in voting shares if, because of the transaction, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% or below 90%. Item 7 of Section 611 of the Act does however provide an exception to the prohibition if shareholder approval for the issue of the securities is given.

12. As shown in Table 1 above, the Stellar Vendors will acquire a relevant interest of more than 20% in the Company if the Proposal is approved. Under the terms of the Merger it has been identified that at least one of the Stellar Vendors will acquire a relevant interest in the Company of greater than 20% as a result of the Proposal and the Directors deem it appropriate to treat the each of Stellar Vendors as associates of each other and therefore consider their voting control as a whole.

13. In accordance with the requirements of Item 7 of Section 611 and the provisions of ASIC Regulatory Guides, the Directors of Cardia have engaged Nexia to prepare an Independent Expert's Report for Cardia Shareholders in relation to the Proposal. The Report will accompany the NOM to be sent to shareholders. The scope of the Report is to consider if the issue of the Proposal Shares, the subject of Resolution 2, is fair and reasonable to Cardia Shareholders.

3. EXECUTIVE SUMMARY OPINION

3.1 GENERAL

14. Our report has been prepared having regard to Australian Securities and Investments Commissions (**ASIC**) Regulatory Guide 74 "Acquisitions Approved by Members" (**RG 74**), Regulatory Guide 111 "Content of Expert's Reports" (**RG 111**), Regulatory Guide 112 "Independence of Experts" (**RG 112**), and Regulatory Gide 170 "Prospective Financial Information" (**RG 170**).

15. In forming our view of the Proposal we have had regard to the current value of Cardia Shares, and the financial impact (i.e. "Fairness" / quantitative assessment) and other qualitative aspects ("Reasonableness") of the Proposal for Cardia Shareholders.

16. In respect of our "Fairness" assessment, this assignment is also a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

3.2 FAIRNESS (QUANTITATIVE ASSESSMENT)

17. RG 111 states that an offer is fair '*if the offer price or consideration is equal to or greater than the value of the securities subject of the offer*'. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. In the context of the Proposal this principle translates to circumstances where the value of Cardia Shares post-Proposal on a minority basis is greater than the value of the Cardia Shares pre-Proposal on a control basis.

18. The financial impact of the Proposal to Cardia Shareholders on the share value using the above valuation basis is summarised in the Table 2 below:

Table 2: Summary of Proposal on Cardia Shareholders per share value

	Cents per share (post consolidation)	
	High	**Low**
Value of Cardia Shares pre-Proposal (control value)	11.8	10.8
Value of Cardia Shares post-Proposal (minority value)	10.9	9.7
Change (dilution in value)	(0.9)	(1.1)

19. Based on Table 2 above, we determine that the assessed value of Cardia Shares post-Proposal (on a minority basis) is less than the assessed value of Cardia Shares pre-Proposal (on a control basis), and so the Proposal has a dilutive impact on the assessed value of Cardia Shares and is therefore **not fair** to Cardia Shareholders.

20. We highlight that our analysis of value of Cardia shares post Proposal is based on our assessment of the current respective values of Cardia and Stellar as standalone and independent entities. Accordingly the post Proposal value would not take into account any uplift in value of an integrated Cardia/Stellar business may demonstrate through operating cost synergies, sharing of production, distribution and marketing facilities and personnel, access to markets and customers, enhancement of intellectual property, access to funding, ability to utilise Cardia existing significant tax losses and other potentially positive outcomes of the Merger, as alluded to by the directors in the NOM and Chairman's Letter in respect thereof. An assessment and valuation of those benefits, should they be realised, is outside the scope of this Report and under RG111.11 we are precluded from including any "special value" or synergies which may be available in our quantitative assessment. Accordingly any consequent uplift in value arising from those factors is not necessarily reflected in an assessment by us

of the value Cardia Shareholders interest in Cardia post Proposal. We also highlight that where the Capital Raise is undertaken at a price that is greater than the our assessed post-proposal minority values of 9.7-10.9 cents per share,, then this would be value accretive for Cardia Shareholders.

3.3 CONTROL PREMIUM

21. RG 111.11 states that when assessing the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company.

22. Whilst the Stellar Vendors will not be obtaining 100% of Cardia, RG 111 indicates that the expert should calculate the value of a target's shares as if 100% control were being obtained.

23. For a control premium to be received, the value of Cardia Shares post-Proposal valued on a minority basis should at least be equal to or greater than the pre-Proposal value of Cardia Shares on a control basis. Given there is a decrease in the value of Cardia Shares per Table 2 above, we conclude that there is no control premium being received by the Cardia Shareholders for losing control of the Company.

3.4 OTHER QUALITATIVE FACTORS OF THE PROPOSAL

24. In assessing if the advantages of the Proposal outweigh the disadvantages we have had regard to the following:

Advantages of the Proposal	▪ Directors expect there will be significant synergies realised including: increased sales, reduction in costs through economies of scale, enhanced access to funds, and sharing of intellectual property. Monetising those synergies and benefits is likely to have a positive effect on the value, or trading price, of Cardia shares. ▪ Access to Stellar's management staff who have key technical skills and experiences ▪ The Acquisition exchange ratio (Cardia 45%/Stellar 55%) is fixed irrespective of the amount of monies raised by Cardia under the Placement and Rights Issue. ▪ Potential access to Cardia's significant tax losses, which are of present little value to Cardia
Disadvantages of the Proposal	▪ Considered on a control v minority basis, the Proposal is not fair ▪ Existing Cardia Shareholders interests will be significantly diluted from 100% to 45% (pre Capital Raise) ▪ Potentially increased risk profile and uncertainty
If the Proposal is NOT approved	▪ Cardia intends to continue with its existing business operations. Forecasts show that losses are likely to be incurred for at least the next two years, resulting in potential further loss and deterioration of

	value. Additionally the forecasts are predicated on investment in new production facilities in Malaysia. Whilst Cardia appears to have existing working capital to fund operating losses in the short term continued operations and construction of the Malaysia operations will require additional capital. The terms of any future capital raising may be more dilutive to Cardia Shareholders than under the terms of the Proposal.

25. In our opinion the position of Cardia Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the Proposal is also **reasonable** to Cardia Shareholders.

3.5 SUMMARY OF OPINION

26. On balance of all the matters considered we are of the view that the Proposal is **not fair but reasonable** to Cardia Shareholders.

4. GENERAL DISCLOSURES AND LIMITATIONS

Changes in market conditions

27. Our analysis and conclusions are based on market conditions existing at the date of this Report. A limitation of our conclusion is that market conditions may change between the date of this Report and when the various aspects of the transaction are concluded.

Individual shareholder circumstances

28. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and portfolio strategy. Cardia Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

Entirety of Report

29. This summary opinion should be read in conjunction with and not independent of the remainder of this Report

30. The Report should also be read in conjunction with the Notice of Meeting to which this Report is attached. Terms in this Report are, unless otherwise noted, consistent with terms and description referred in the Notice of Meeting.

Yours faithfully
Nexia Melbourne Pty Ltd
Holder of Australian Financial Services License No.247362

GGraco.

Gary Graco
Authorised Representative

5. DISCLOSURES AND LIMITATIONS

31. This Report has been prepared at the request of the directors of Cardia for the purposes of assisting Shareholders in their evaluation of the Proposal.

32. The Report is not intended to serve any other purpose and should not be relied upon by any other person for any other purpose. In preparing this Report, Nexia has relied upon financial and other information provided by Cardia. Furthermore, we have relied upon the representations and opinions of the management of Cardia.

33. We believe that (unless stated otherwise) the information provided was reliable, complete and not misleading and there is no reason to believe that any material facts have been withheld. However, we have not conducted any separate due diligence or audit investigations to assess the correctness or completeness of this information. Information, judgements and representations have been evaluated through analysis, enquiry and review to the extent practicable. However, it must be appreciated that such information is not always capable of external verification or validation.

34. Acceptance or rejection of the Proposal is a matter for individual shareholders based upon their own views of value, risk, and liquidity preference and portfolio strategy. Cardia Shareholders who are in doubt as to the action that they should take in relation to the Proposal should consult their professional advisor.

35. The opinion of Nexia is based on economic market and other conditions prevailing on the date of this Report. Such conditions can change significantly over a relatively short period of time.

6. REGULATORY FRAMEWORK

6.1 CORPORATIONS ACT – TAKEOVER PROVISIONS

36. Section 606(1) of the Act prohibits the acquisition of a relevant interest in the voting shares of a company where a person's voting power increases from below 20% to more than 20%; or from a starting point above 20% and below 90%. The interest of "associates" is aggregated for these purposes. Acquisition can be by way of transfer from other shareholders (purchase) or by way of issue of new securities (subscription). Item 7 in the Exemptions Table of Section 611 of the Act provides an exemption to the Section 606 prohibition if the acquisition is approved by a majority of shareholders at general meeting and no votes are cast by the persons to whom shares are to be issued to or their associates.

37. Following a 100:1 share consolidation Cardia will have 42,523,040 fully paid ordinary shares on issue, held by a total of 1,459 shareholders.

38. Cardia has entered into a share sale deed with Stellar to merge the businesses of the two groups by acquiring 100% of Stellar (**Merger**) through the issue of 51,972,604 fully paid ordinary shares in Cardia (**Proposal Shares**) to the shareholders of Stellar (**Vendors**). The Vendors will hold approximately 55% of total issued capital following the Merger.

39. Following the Merger, the Company also intends to raise approximately $3.5 million (**Capital Raise**) by way of:
    - A private placement to raise up to $2.5 million at an issue price at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made to professional and sophisticated investors (**Placement**)
    - A non-renounceable rights issue to all eligible Shareholders to raise up to $1.0 million at an issue price of at least 80% of the volume weighted average market price for Shares calculated over the last 5 days on which sales in Shares were recorded before the day on which the issue is made (**Rights Issue**)

40. The issue of the Proposal Shares is the subject of Resolution 2 in the NOM and the Placement is the subject of Resolution 3 in the NOM. The Rights Issue is not subject to any resolutions. The Placement and the Rights Issue occur following the Merger (and share consolidation – Resolution 4) such that there is uncertainty as to what price the Capital Raise will be at and therefore what number of shares may be issued. For this reason we have confined our analysis of the Merger and its effect on Cardia Shareholders before the impact of the Capital Raise.

41. Whilst Resolution 2 is the subject of our opinion and report, we note that the Merger is conditional upon shareholders approval of both Resolutions 2 and 3. However for the reason noted,, at paragraph 40, for the purposes of this Report we consider the Merger of its own, and the resultant issue of the Proposal Shares, as **the Proposal**.

42. The following table shows the potential dilution to Cardia Shareholders pre and post-Proposal but before any issue of shares under the Placement or the Rights Issue.

Table 3: Potential Cardia Shareholding (pre Capital raise)

Shareholder	Pre-Proposal	%	Post-Proposal (1)	%
Cardia Shareholders	42,523,040	100%	42,523,040	45.0%
Stellar Vendors	-	-	51,972,604	55.0%
TOTAL	**42,523,040**	**100%**	**94,496,000**	**100.0%**

Table notes: (1) numbers of shares are shown following a 100:1 share consolidation.

43. Following completion of the Proposal, Stellar Vendors will acquire a relevant interest of more than 20% in the Company post-Proposal. To implement the Proposal as planned, the directors are seeking approval of Shareholders for the Proposal and thus exempt Stellar from the requirement to make a full takeover offer to Cardia Shareholders pursuant to Item 7 of Section 611 of the Act.

44. In accordance with the provisions of ASIC Regulatory Guides, the Directors of Cardia have engaged Nexia to prepare an Independent Expert's Report for Cardia Shareholders in relation to the Proposal. This satisfies the obligation under RG 74.12 to supply shareholders with "enough information to make an informed decision on the merits of the Proposal". The Report will accompany the NOM to be sent to

shareholders. The scope of the Report is to consider if the issue of the Proposal Shares, the subject of Resolution 2, is fair and reasonable to Cardia Shareholders.

6.2 GUIDELINES ISSUED BY ASIC ON ACQUISITIONS AGREED TO BY SHAREHOLDERS

45. ASIC has issued Regulatory Guides 111 – *Content of Experts Reports* ("RG111") and Regulatory Guide 112 – *Independence of Experts* ("RG112"). We highlight the following from RG111 that are pertinent to this Report.

RG111.5 *In deciding on the appropriate form of analysis for a report, an expert should bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction. An expert should focus on the purpose and outcome of the transaction, that is, the substance of the transaction, rather than the legal mechanism used to effect the transaction.*

46. RG111 does not prescribe the form of analysis relevant to matters subject to acquisitions approved by security holders under item 7 of s611 however practice has commonly adopted the 'fair and reasonable' proposition as an appropriate form of analysis. RG111 sets out the principles of fair and reasonable in the context of a Chapter 6 control transaction.

RG111.10 *It has long been accepted in Australian mergers and acquisitions practice that the words 'fair and reasonable' in s640 establish two distinct criteria for an expert analysing a control transaction:*

(a) is the offer 'fair'; and

(b) *is it 'reasonable'?*

RG111.11 *Under this convention, an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. This comparison should be made:*

(a) *assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and*

(b) *assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash. The expert should not consider the percentage holding of the 'bidder' or its associates in the target when making this comparison. For example, in valuing securities in the target entity it is inappropriate to apply a discount on the basis that the shares being acquired represent a minority or 'portfolio' parcel of shares.*

RG111.12 *An offer is 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.*

47. We have necessarily considered the ASIC guidance in our analysis. The methodology that we have used to form an opinion as to whether the Proposal is fair and reasonable, is summarised as:

- Fairness – This assessment of value of the securities subject of the offer is made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. We have also considered the value of Cardia Shares pre-Proposal on a control basis and compared this to the value of Cardia Shares post-Proposal on a minority basis. In this manner the dilutive or positive impact of the Proposal can be demonstrated. This assessment will identify if Cardia Shareholders are receiving a premium for control, given that the Stellar Vendors may obtain a controlling interest in Cardia.

- Reasonableness – we have analysed other significant factors, which shareholders should consider prior to accepting or rejecting the Proposal, including the advantages and disadvantages of the Proposal and the alternatives available if the Proposal is not approved.

6.3 GUIDELINES ISSUED BY ASIC ON PROSPECTIVE FINANCIAL INFORMATION IN EXPERT REPORTS

48. We have also considered ASIC guidelines on the disclosure of prospective financial information in expert reports and valuations.

49. These guidelines state *inter-alia* that:

RG 111.78 *An expert should usually give a range of values. The value of securities is typically subject to uncertainty and volatility. Placing a precise dollar value on them is likely to imply a misleading accuracy to a valuation.*

RG 111.79 *Nevertheless, the range of values should be as narrow as possible. If an expert cannot give a narrow range because of uncertainty (e.g. start-up companies), the expert should prominently explain in its report what factors create this uncertainty and how the expert is able to justify its findings despite the uncertainty. In our view, a broad range of values undermines the usefulness of the report.*

RG 111.95 *An expert should not include prospective financial information (including forecasts and projections) or any other statements or assumptions about future matters (together, 'forward-looking information') in its report unless there is a reasonable basis for the forward-looking information. Otherwise the opinion will be misleading under s670A(2) of the Corporations Act or s12DA of the ASIC Act.*

RG 111.97 *RG 170 gives detailed guidance on what we consider is a reasonable basis for stating prospective financial information. While RG 170 is expressed to apply to fundraising documents under Ch 6D and 7, it provides useful guidance for inclusion of prospective financial information in expert reports.*

RG 111.98 *However, we recognise that using discounted cash flow (DCF) methodology will involve the use of forward-looking information and assumptions over a longer period than the two year period in RG 170: see RG 170.18 and RG 170.29. As long as the focus of the disclosure in the expert report is on the valuation rather than the forward-looking information that supports it, the expert does not need to commission an independent accountant report for the DCF methodology: see RG 170.18(c). However, the expert should undertake a critical analysis of the forward-looking information used in applying the DCF methodology to ensure it is based on reasonable groups.*

RG 170.18 *We consider that prospective financial information based on hypothetical assumptions (rather than reasonable grounds) is likely to be misleading and provide little information value to investors. In our view, prospective financial information without reasonable grounds is not material to investors, nor would an investor reasonably require it or reasonably expect to find it in a disclosure document or PDS*

6.4 OTHER GUIDELINES ON VALUATION ENGAGEMENTS

50. This report has also been undertaken in accordance with the requirements set out in Accounting Professional and Ethical Standards Board professional standard 225 "Valuation Services" (**"APES 225"**).

51. A valuation engagement is defined by APES 225 as "*Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Member is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Member at that time*".

7. PROFILE OF CARDIA

7.1 COMPANY OVERVIEW

52. Established in Australian in 2002, Cardia is a listed company on the Australian Securities Exchange (**ASX**), which develops, manufactures and markets its patented, renewable resource-based materials and finished products for the global packaging and plastics products industries.

53. Cardia supplies resins to its customers for use in different applications, but also has a portfolio of bioplastic products that focus on providing sustainable renewable resins and finished goods that have a lower carbon footprint with environmental benefits. It has also spent considerable time developing relationships with global packaging leaders to convert their conventional plastic packaging to bioplastics.

54. The company headquarters and business operations have historically been located in Melbourne, Australia, however, in June 2014 it successfully completed the relocation of its production facilities to a

new purpose built factory in Nanjing, China. The new factory increases Cardia's ability to manufacture biodegradable carry and waste bags as well as its films for the hygiene market and custom products

55. In August 2014, Cardia announced that it had also set up a manufacturing plant in Sao Paulo, Brazil and production commenced in September 2014, however, following a strategic review of its manufacturing operations and the need to prioritise its market share in the Asia Pacific region, the Company decided to discontinue funding of its Brazilian film and bag making operations in late February 2015. The Company will continue to maintain its Brazilian market presence and continue its focus on the supply and distribution of its compostable and Biohybrid resins. The Company now intends to establish manufacturing facilities in Malaysia to take advantage in that market of its accredited BioNexis status.

56. The company holds a patent portfolio in sustainable resins and associated technology. Revenue growth is anticipated by Directors to be underpinned by a global trend towards sustainable packaging.

7.2 SHARE CAPITAL

57. Cardia will have 42,523,040 ordinary shares on issue (**Cardia Shares**) held by a total of 1,459 registered shareholders (following the 100:1 share consolidation). Table 4 below sets out the top 10 shareholders as at 13 January 2015:

Table 4: Top 10 shareholders

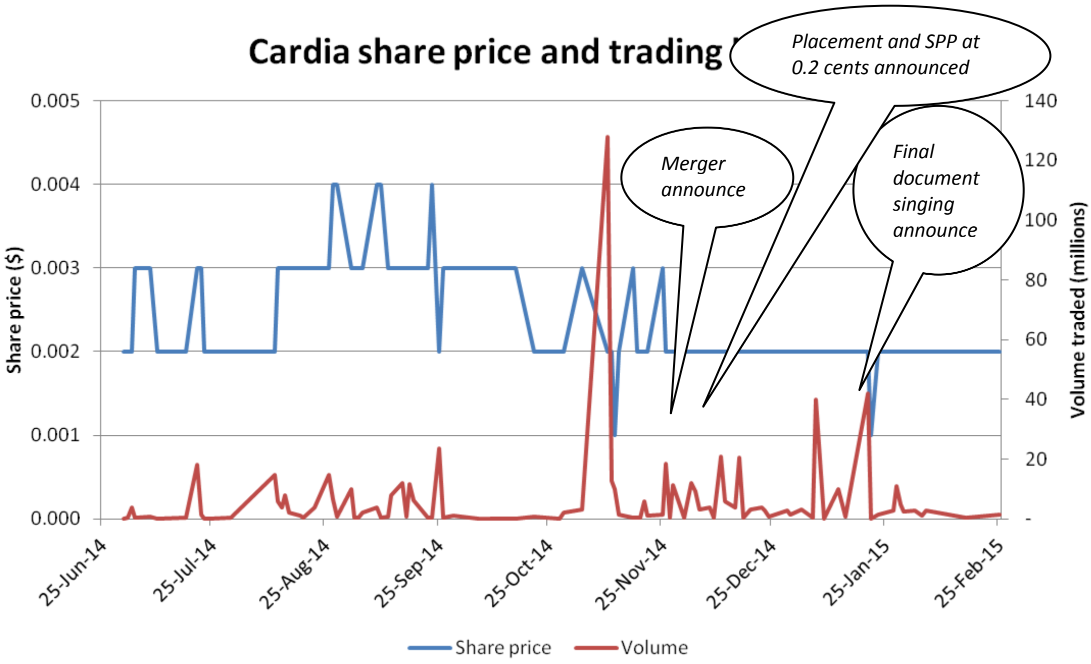
Rank	Name	Shares (000's)	%
1	Tegoni Superannuation Fund	211,377	4.97
2	Dentost Pty Ltd	160,000	3.76
3	HSBC Custody Nominees (Australia) Ltd	133,433	3.14
4	JL Colman Superannuation Fund	99,000	2.33
5	Polarity B Pty Ltd	90,000	2.12
6	Colonel West Family Trust	87,500	2.06
7	Chimaera Capital Limited	69,167	1.63
8	GNR Superannuation Fund	67,500	1.59
9	McGhee Superannuation Fund	67,500	1.59
10	Kirzy Pty Ltd	54,500	1.28
	Total Top 10 holders of Ordinary fully paid shares	1,039,977	24.46
	Other Shareholders	3,212,327	75.54
	Total	**4,252,304**	**100.00**

Source: Cardia management

58. Cardia Shares are not heavily concentrated with the top 10 shareholders accounting for 24.46% of total issued capital, with the largest shareholder holding 4.97% of issued capital.

7.3 SHARE TRADING HISTORY

59. The following chart and table shows Cardia's share price and volume trading over the last 9 months.



Period (last)	1 month	3 months	6 months	9 months
Total shares traded	10,308,025	224,117,772	505,823,107	594,431,837
as % of issued	0.2%	5%	12%	14%
Price (cents)				
High	0.2	0.2	0.4	0.4
Low	0.1	0.1	0.1	0.1
VWAP	0.20	0.20	0.21	0.22

Source: Commsec

60. The above chart shows that Cardia's share price has traded since mid 2014 within a narrow band between 0.2 and 0.3 cents. As can be noted by the VWAP, the majority of trading during the period has been at 0.2 cents per share. Trades at the outliner prices (0.4 cents and 0.1 cents) have predominately been for small volumes. Cardia advised the majority of the shares traded on 10-Nov-14 (circa 3% of issued shares) related to a sell out by a former director who had previously resigned. .

61. We observed that trade activity in more recent months has declined significantly. Trading has been recorded on only 6 days during the last month, total value of trades of only $20,616, and at circa 10 million shares represents only 0.26% of total issued capital. In our view the trading activity exhibits characteristics of a very thinly traded stock and does not form an adequate basis of for reliance in our assessment of a meaningful or liquid control value of Cardia as a whole. Therefore we have not relied upon the current implied market capitalisation of circa $7.5 - $8.5 million in our analysis.

62. Cardia will also have 2,212,786 listed options on issue following a similar 100:1 consolidation of options which all expire on 30 June 2015 with an exercise price of $1.50. Given the short time to expiry (less than 6 months) and an exercise price which is significantly greater than the last traded price of Cardia shares, we do not consider these options are likely to be exercised and so have disregarded the exercise of these options in our assessment of the Proposal.

7.4 FINANCIAL POSITION

63. A summary of Cardia's Statement of Financial Position as at 30 June 2013, 2014 and as at 31 December 2014, are summarised in Table 5 below.

Table 5: Cardia Statements of Financial Position

$'000s	30-Jun-13 (audited)	30-Jun-14 (audited)	31-Dec-14 (audit reviewed)
Cash and cash equivalents	1,232	2,698	1,797
Trade and other receivables	1,169	1,749	1,068
Inventories	1,449	757	720
Total current assets	**3,850**	**5,204**	**3,585**
Financial assets	502	563	563
Plant and equipment	629	593	1,493
Intangible assets	5,127	5,127	5,127
Total non-current assets	**6,258**	**6,284**	**7,184**
TOTAL ASSETS	**10,108**	**11,488**	**10,769**
Trade and other payables	1,789	1,371	1,139
Short term provisions	56	62	67
Borrowings	-	-	25
Equipment finance loans	-	-	634
Total current liabilities	**1,845**	**1,433**	**1,865**
Equipment finance loans	-	-	29
Long term provisions	34	47	51
Total non-current liabilities	**34**	**47**	**80**
TOTAL LIABILITIES	**1,879**	**1,480**	**1,945**
NET ASSETS	**8,829**	**10,008**	**8,824**

Source: Annual and Half year Reports

64. With respect to Table 5 above we note the following:
   - Financial assets of $0.563 million represent 18.78 million ordinary shares held in Bioglobal Limited, an unlisted public company and developer and manufacturer of integrated insect management products and services in the agricultural bioscience industry. Cardia's investment represents 3.47% of Bioglobal's issued capital and has been valued at 3 cents per share based on the last capital raising by Bioglobal in December 2013.
   - Increase in Plant and equipment costs relate to equipment purchased for the Chinese manufacturing plant as well as the film and bag manufacturing plant in Sao Paulo, Brazil. The Brazilian plant has been impaired due to the discontinuation of the Brazilian operations. The amount attributed to the Brazilian operations in the 31-Dec-14 audit reviewed accounts above

is approximately $0.663 million, which is equal to the equipment finance loan. Cardia management expect that the sale proceeds from the Brazilian plant will pay out the balance of the loan post-December 2014.

- In FY09, Cardia recognised goodwill of $8.1 million as a result of the acquisition of the Biograde business. Goodwill is allocated to the Biograde business of the Company being a cash generating unit (CGU). Cash flow projections for the CGU have been forecast for the next five years and discounted to present value to determine the recoverable amount. Assumptions and further details used in the calculation of goodwill are detailed in Note 14 of Cardia's FY14 Annual Report. We note that an impairment was recognised of $1.54 million in FY09 and $1.44 million in FY13, resulting in the current recorded balance of $5.127 million as at 30 June 2014. We note that there was no further impairment made in the 31 December 2014 audit reviewed accounts.
- Equipment finance loan relates to Brazilian plant operations and will be paid out from proceeds from the sale from discontinuation of this plant.

7.5 FINANCIAL PERFORMANCE

65. A summary of the Company's operating results for the financial years ended 30 June 2013 and 2014 and for the 6 months to 31 December 2014 are shown in Table 6 below.

Table 6: Cardia Statements of Comprehensive Income

$'000s	Year ended 30-Jun-13 (audited)	Year ended 30-Jun-14 (audited)	Half year ended 31-Dec-14 (audit reviewed)
Sales	5,051	5,023	3,716
Cost of sales	(4,505)	(4,469)	(3,509)
Gross profit	**546**	**554**	**207**
Gross profit margin	*10.8%*	*11.0%*	*5.6%*
Other income	783	337	66
Administrative expenses	(601)	(850)	(422)
Employment benefits	(1,006)	(1,043)	(887)
Marketing and distribution	(312)	(417)	(308)
R&D and patent costs	(873)	(751)	(405)
Depreciation and amortisation	(137)	(109)	(87)
Net foreign exchange gains/(losses)	166	(24)	190
Other expenses	(90)	(213)	(112)
Impairment costs – plant and equipment	(97)	-	(433)
Loss from operating activities	**(1,621)**	**(2,516)**	**(2,191)**
Loss on sale of financial assets	-	(92)	-
Impairment – intangible assets	(1,439)	-	-
Loss before income tax	**(3,060)**	**(2,608)**	**(2,191)**
Income tax expense	-	-	-
Loss after tax	**(3,060)**	**(2,608)**	**(2,191)**
Net change in FV of available for sale financial assets	131	188	-

$'000s	Year ended 30-Jun-13 (audited)	Year ended 30-Jun-14 (audited)	Half year ended 31-Dec-14 (audit reviewed)
Foreign currency translation differences for foreign operations	(40)	(43)	(33)
Total comprehensive loss for the period	**(2,969)**	**(2,463)**	**(2,224)**

Source: Annual and half year Reports

66. With respect to Table 6 above we note the following:
- Losses incurred in the most recent period (6 months to December 2014) relate partly to the Brazilian film and bag making manufacturing operations with a loss of $0.91 million comprised of $0.48 million in operating losses and a further $0.43 million in impairment losses on inventory and plant and equipment.
- Half-yearly results also indicate a substantial increase in revenue (approximately 77%) compared to the 6 months to December 2013. We have been advised by Cardia management that the primary reason for this increase is overall sales growth from all geographical market segments of the Group.

8. PROFILE OF STELLAR

8.1 OVERVIEW

67. Stellar Films Group is a Melbourne-based manufacturer of high quality film products for use by its customers in the production of personal care, hygiene and medical product applications such as baby diapers, feminine hygiene pads, adult incontinence diapers, medical sheets, and pet sheets. Feminine hygiene products account for 50% of Stellar's production with a further 30% being baby diapers.

68. Stellar was formed through a management buy-out of the former Orica Cast Films Business in 2000. Its heritage in manufacturing quality cast embossed films spans over 25 years with manufacturing facilities in Deer Park, Australia and Port Klang, Malaysia. Over the last 15 years, Stellar has developed partnerships with customers in over 27 countries throughout North America, Asia, Africa, the Middle East and Australia/New Zealand. It has now built a sales base of over $22 million per annum.

69. Stellar's primary customer base is regional and second tier hygiene companies in Japan, Southeast Asia and the Middle East, including DSG International (Thailand), Sanko (Japan) and Itochu (Japan). Its main competitors are global hygiene packaging producers like Bemis (leading supplier to Kimberly-Clark), Mondi (supplies Proctor and Gamble), and Huthamaki (supplies SCA).

70. Stellar comprises 100% of the Australian Stellar Films Group and 100% of Stellar Malaysia. Further, in order to extend its product offering and market reach, Stellar joint-ventured with Malaysian based Akronn Holdings to form Akronn Industries Sdn Bhd (**Akronn**). Stellar controls 50.8% of Akronn. Akronn manufactures silicone-coated paper and film products at its Nilai, Malaysia operation supplying the global hygiene and medical packaging markets as well as the sustainable energy sector. Akronn was established in 2013 and commercial production commenced in 2014. Business development and

commercial initiatives have resulted in significant orders being generated in recent months and breakeven is forecast in Q3 FY15.

71. Both Akronn and Stellar's businesses produce complementary products to the same targeted markets – Stellar manufactures film products and Akronn "value adds" to those products by applying silicone coating technology. Stellar management expects that Akronn joint venture to provide future synergistic value through consolidation of both businesses, with significant growth forecast over the next 3 years through greater brand awareness and profile, and greater product offerings to customers.

8.2 DIRECTORS, MANAGEMENT AND STAFF

72. Stellar's current directors and key management include:

- **Stephen Walters - Managing Director**
  Stephen maintains overall management responsibility for all aspects of Stellar's operations. Additionally, Stephen has management responsibility for Stellar's commercial operations and strategic planning and has directed a number of merger and acquisition negotiations. Prior to buying out Stellar Films Group from Orica, Stephen worked for 20 years in the plastics and packaging industries in general management, commercial and sales roles with Borden Chemical, ICI Australia and Orica.
- **Trevor Haines - Finance and IT Director**
  Trevor's responsibilities include Stellar's treasury and finance functions as well as IT systems development and maintenance. In his role as director of treasury operations, Trevor has been involved in a number of special projects including international trade and business mergers and acquisitions. Prior to buying out Stellar Films Group from Orica, Trevor worked for 20 years in senior accounting and financial management roles in various divisions of ICI Australia, AVC and Orica.
- **Robert Morgan - Director of Manufacturing**
  Robert is responsible for the development, direction and implementation of the operations and maintenance strategy for Stellar, ensuring it is competitive in targeted markets, achieves benchmark performance against industry best practice and meets budgeted operational targets. Robert possesses extensive knowledge in extrusion machinery and polymer and film technology. Prior to buying out Stellar Films Group from Orica, Robert worked for 25 years in the plastics and packaging industries in South Africa, Europe and Australia with ICI Plc, ICI Australia and Orica.
- **Ong Kean Hwa – Executive Director of Stellar Films Malaysia**
  Ong is responsible for the overall business operations of Stellar Films Malaysia including its financial management, commercial leadership, profitability and strategic planning. Prior to joining Stellar, Ong fulfilled a number of senior finance roles with major Malaysian businesses.
- **Peter Symons – Director for Product Development and Technical Service:**
  Peter is responsible for new and existing product developments and providing technical advice to customers. Prior to buying out Stellar Films Group from Orica, Peter worked more than 25 years in the plastics and packaging industry with companies including ICI Australia and Orica.

73. The Cardia directors propose to appoint Stephen Walters and Trevor Haines to the board of Cardia following the Merger.

8.3 FINANCIAL PERFORMANCE

74. A summary of Stellar's unaudited aggregated operating results, excluding inter-entity transactions, as provided by management for the financial years ended 30 June 2012, 2013 and 2014 and for the 6 months to 31 December 2014 are shown in Table 7 below.

75. The basis of preparation is inclusion of 100% of Stellar's Australian and Malaysian operations and an aggregation of Akronn's financial data based on a 50.8% proportionate interest. It does not account for 100% of Akron less a deduction for minority interest as Australian Accounting Standards require. We have accepted this disclosure treatment for the purposes of our Report on the basis that amounts shown for profit (loss) reflect the entitlement of Stellar's owners.

Table 7: Stellar - unaudited aggregated operating results

$'000s	Year ended 30-Jun-12 (unaudited)	Year ended 30-Jun-13* (unaudited)	Year ended 30-Jun-14 (unaudited)	Half Year ended 31-Dec-14 (unaudited)
Sales	23,477	23,805	22,005	10,630
Cost of sales	(17,451)	(19,511)	(18,449)	(9,312)
Gross profit	**6,026**	**4,293**	**3,556**	**1,318**
GP margin	*25.7%*	*18.0%*	*16.2%*	*12.4%*
Amortisation & depreciation	(802)	(682)	(805)	(428)
Finance / Interest costs	(156)	(252)	(285)	(199)
Administration costs	(1,437)	(1,489)	(1,813)	(685)
Plant fixed costs	(3,082)	(3,186)	(2,776)	(1,300)
Other income / (expenses)	158	347	76	249
Profit / (loss) before income tax	**707**	**(969)**	**(2,047)**	**(1,543)**
Income tax (expense) / benefit	(49)	305	191	300
Profit / (loss) after tax	**658**	**(664)**	**(1,856)**	**(1,243)**

Source: Stellar management
** Formal financial reports for FY13 were not prepared and amounts are sourced from a consolidated worksheet prepared by Stellar management. FY12, FY14 and 1HFY14 numbers are sourced from aggregated financial reports compiled by Stellar.*

76. With respect to Table 7 above Stellar management advise the following:
- Stellar's business model is influenced by USD/AUD exchange rates and oil prices which impact the costs of materials inputs, particularly resins. Stellar management stated that when prices fall, margins improve until customers demand lower sale prices so in times of falling AUD/USD rates and oil prices there is a short-medium positive earnings effect. Margins can decline temporarily when resin prices increase, again due to a lag between supply and sale price changes. Across a business cycle Stellar management stated that this volatility tends to balance out.
- Recent financial performance has been negatively impacted by the suspension of Stellar's Deer Park manufacturing plant and initial steps taken to relocate of its Australian business operations

to Malaysia. Redundancy costs of circa $0.45 million were incurred in FY14 and 1HFY15, with an additional $0.3 million of costs in relation to excess overhead/transition costs.

- The Akronn business only commenced commercial production in 2014 and has incurred losses to date but is budgeted to derive profits during the second half of FY15.

8.4 FINANCIAL POSITION

77. A summary of Stellar's aggregated Statement of Financial Position as at 31 December 2014 and 30 June 2014, are summarised in Table 8 below. The basis of preparation is not consistent with that adopted for the operating results, as explained in paragraph 76 above. The basis of preparation is in accordance with Australian Accounting Standards. The primary difference is that the 50.8% interest is accounted for under equity Accounting principles rather than as a controlled entity..

Table 8: Stellar – Consolidated Statements of Financial Position

$'000s	31-Dec-14 (unaudited)	30-Jun-14 (unaudited)
Cash and cash equivalents	-	-
Trade and other receivables	3,673	3,731
Inventories	1,608	2,547
Total current assets	**5,282**	**6,278**
Plant and equipment	3,117	3,346
Deferred tax asset	491	191
Loan – Akronn	667	598
Investment in Akronn	13	371
Total non-current assets	**4,288**	**4,506**
TOTAL ASSETS	**9,570**	**10,784**
Bank overdraft	486	453
Trade and other payables	4,877	4,689
Short-term borrowings	1,507	1,558
Short term provisions	626	625
Total current liabilities	**7,496**	**7,323**
Long term borrowings	1,546	1,634
Long term provisions	62	114
Total non-current liabilities	**1,608**	**1,748**
TOTAL LIABILITIES	**9,104**	**9,071**
NET ASSETS	**466**	**1,713**

Source: Stellar management

78. With respect to Table 8 above we note the following:

- We have not included the balance sheet of FY13 as the management accounts provided were prepared on an inconsistent classification basis such that including such amounts would be misleading and not provide a reasonable basis of comparison.
- Total debt is approximately $3.54 million which includes borrowings of $3.1 million of bank debt with NAB and CIMB Bank Berhad in relation to its Malaysian business; a further $0.43 million

related party loans to Stellar's owners/directors which we have been advised are to repaid after two years.

9. INDUSTRY OVERVIEW[1]

79. Both Cardia and Stellar Films Group operate within the plastic bag and film industry. Plastic films are used in packaging and personal hygiene products. Non-woven plastic bags are used mainly in retail. Globally the personal hygiene care (nappies and sanitary pads) are estimated by P&G[2] to be a $72 billion market and growing at 5.5% per annum. Global trends driving the industry include population growth and rising consumer affluence in developing markets as well as a trend towards more sustainability. Sustainability includes both biodegradability and lower use of petrochemical based materials.

80. In Australia the market for plastic bag and film products is mature at $2.4 billion and annual growth forecast at 1% per annum. Major providers include Amcor Ltd (20.5%) and Sealed Air Australia (Holdings) P/L (12.6%), mainly in packaging. There are a number of other smaller firms satisfying niche markets in the industry with 64% of companies in the industry generating less than $2 million in revenue indicating a high level of competition locally and from international sources.

81. The Plastic Bag and Film Manufacturing industry has performed poorly over the past five years, due to strong import competition and a number of domestic bans being placed on industry products. While the industry displays low barriers to entry, low-cost generic products have been dominated by imports from countries with lower operating costs such as China and Thailand. A strong Australian dollar over much of this period has also made imports comparatively cheaper for downstream retail and construction industries and domestic exports less affordable in overseas markets. In addition, state governments in Western Australia, South Australia, the Australian Capital Territory and Tasmania have banned supermarkets and retail outlets from using high density polyethylene (HDPE) plastic bags over the past five years.

82. Over the next five years, industry performance is expected to rebound slightly. Revenue is forecast to rise at a compound annual rate of 1.0% over the five years through 2018-19, to reach $2.5 billion. A fall in Australia's trade-weighted index, increased demand from food retailing and construction industries and greater household consumption expenditure are anticipated to assist industry performance over the period. Industry consolidation is projected to increase, with enterprises and establishments declining at an annualised 0.4% and 0.1% respectively. Any additional government legislation banning retailers from using HDPE plastic bags is expected to restrict revenue growth for bag products over the next five years. Public concerns over environmental issues are forecast to grow over the five years through 2018-19, increasing pressure on state governments to ban products that are detrimental to the environment such as plastic bags.

83. Key customers of bag and film products are retailers and manufactures of food / beverage and personal hygiene products. Key suppliers are chemical / plastic resin manufactures who are in turn

[1] *IBIS WORLD C1911 Plastic Bag and Film Manufacturing in Australia Industry Report*
[2] *Edana Outlook Asia 2014Conference*

influenced by oil prices. Products supplied are therefore highly price sensitive to foreign exchange and oil prices. In Australia the industry is considered to be mature with revenue growth to match the pace of the economy and a consolidation trend towards globalised participants. The industry exhibits a medium level of capital intensity with, in 2014 $0.25c invested for every $1.00 in wages. This is mainly in large scale resin extrusion machines capable of high production volumes. The machines and process however are well developed and have exhibited in the last five years little technological change. Technology development tends to be in resin mixes and other chemical and product properties.

84. Key success factors for the industry are considered to be technical research / product innovation and diversification, economies of scale / optimum capacity utlisation and reliable supply at competitive prices of resin inputs.

10. BASIS OF ASSESSMENT OF THE PROPOSAL

85. In assessing whether the Proposal is fair and reasonable from the perspective of Cardia Shareholders, we have had regard to the criteria set out in RG111, RG170 and APES 225.

86. The following factors have been considered in our evaluation of the advantages and disadvantages to Cardia Shareholders:

- the fair value of Cardia Shares Pre-Proposal , on a control basis; and
- the fair value of Stellar, on a control basis; and
- the fair value of Cardia Shareholders shares Post-Proposal, on a minority basis; and
- whether the Proposal brings about a change of control of Cardia and if a control premium is received;
- the alternatives available to Cardia if the Proposal does not proceed;
- other qualitative advantages and disadvantages of the Proposal to Cardia; and
- any other factors which may have a material impact.

87. The following sections set out details of our assessment of fairness (Section 11), whether a control premium is received (Section 12) and other qualitative aspects of the Proposal (Section 13).

11. ASSESSMENT OF FAIRNESS (QUANTITATIVE ASSESSMENT)

11.1 OVERVIEW

88. Section roadmap:
    - Section 11.2 determines the value of Cardia Shares Pre-Proposal
    - Section 11.2 determines the value of Stellar
    - Section 11.3 determines the value of Cardia Shareholders Interests - Post-Proposal
    - Section 11.4 summarises the financial impact of the Proposal

89. ASIC Regulatory Guide 111 outlines the appropriate methodologies a valuation expert should consider when valuing assets or securities. The use of different methodologies is however, dependent upon individual circumstances, the nature of the company and availability of information.

90. The following summarises the various methodologies we have considered:

Market Based	Business or equity is determined by reference to comparable market buy/sell transactions or quoted market prices (QMP) if the company is listed on an exchange.
Asset Based	Value is determined by reference to the sale or realisable proceed of individual assets or groups of assets in an entity
Income Based	Value is determined by reference to capitalised future maintainable earnings (CME) or discounted cash flows (DCF) derived by the business

We provide more details of the available valuation methodologies in Appendix B of this Report.

11.2 VALUE OF CARDIA SHARES PRE-PROPOSAL

91. ASIC guidelines require that in circumstances such as the Proposal, where Cardia Shareholders will lose control, we are required to consider the proposed transactions in the entirety and assess Cardia on a control basis. In assessing the value of Cardia, we considered all of the methodologies outlined in section 11.1.

Market based

92. Whilst Cardia Shares are listed on the ASX and do trade, as explained in section 7.3, its shares are very thinly traded and prices (at 0.2 cents) are at or near the lowest trading denomination permitted by the ASX of 0.1 cents per share. We do not consider the implied market capitalisation is a reliable measure of fair value of Cardia Shares. As can be noted at table 10 below there are a number of Australian listed companies active in plastics, packaging, personal hygiene products locally and globally. As can also be noted the scale and earnings profile of these companies is significantly different to that of Cardia and our view is that none of these could be considered a reasonable substitute for QMP in assessing the value of Cardia Shares.

Income based

93. Cardia management provided a summary 3-way forecast covering the periods H2FY15, FY16 and FY17. The forecasts aggregated the major business units being the head office, Australian, China and Malaysian operations. The summary financials were supported by a detailed forecast model based upon volumes of product by customer by average sale prices per tonne. Cost of raw materials was based upon known volume relationships for inputs at current prices. Labour and other overheads are based upon historical trends with adjustments for known changes during the forecast period.

94. The Cardia forecast provided shows strong revenue growth across the forecast period and a stable gross margin percentage at circa 20%. However it also shows continuing operating losses in the near term followed by a break even result towards the end of the forecast period. The H2FY15 operating loss is further increased by non-operating Brazil shut down costs and other one-off costs, partially offset by other income, (net non-operating costs $0.2 million). The forecasts anticipate the investment in establishing the Malaysian production facility, which are anticipated to be profitable in FY16, being the first year of operations. The time frame to complete the facility build is dependent on available capital. In the absence of a capital raising it is possible that the completion timeframe, and hence timing of profit contributions, may be delayed. It is uncertain as to what the forecast prospects of the business would be should the capital not be available when anticipated, although management did highlight that sales attributed to the Malaysian operations could be supplied from Cardia's China production facility, however no assessment has been made on the impact on trading margins.

95. Given the forecast short-term losses and uncertainty in earnings prospects of the business and the time frame for return to profitability we are of the view that an Income based methodology (CME or DCF), which effectively values the future earnings/cash flow potential of the business, is not appropriate.

Asset based

In the absence of a reasonable basis on which to apply are market or income based approach to Cardia Shares we have considered and relied upon the asset based methodology to assess the control value of Cardia Shares. Implicit in an asset based methodology is that the underlying resources (tangible, intangible, people and capital) can maximise returns to shareholders by an orderly realisation or to passive use, rather than in active business operations.

96. Set out in Table 9 below is the balance sheet of Cardia reported as at 31 December 2014 with our assessment of potential adjustments and comments adjacent.

Table 9: Adjusted Cardia balance sheet

$'000s	Notes	31-Dec-14 (audit reviewed)	31 –Dec-14 (Nexia adjusted)	Comments
Cash and cash equivalents		1,797	1,497	Reduced by $0.15 million to reflect the incurred/committed costs of the Proposal to be borne by Cardia and $0.15 million for additional costs expected for the shut-down of Brazilian operations. **We have not made any further adjustment for on-going forecast losses that would arise should the Proposal not**

$'000s	Notes	31-Dec-14 (audit reviewed)	31 –Dec-14 (Nexia adjusted)	Comments
				proceed.
Trade & other receivables		1,068	1,068	No adjustment, assumed at fair value and likely recoverable
Inventories		720	720	No adjustment, assumed at fair value likely recoverable
Financial assets		564	-	Investment in an unlisted public company, Bioglobal Limited (Cardia holds circa 3%). Bioglobal's Dec-13 financial statements (last available) shows it is a pre-commercialisation R&D business with limited revenue and high operating losses. In our view a ready market for shares in Bioglobal is unlikely to exist in the short term and therefore have reduced this value to zero as at the Proposal date.
Plant and equipment		1,493	764	Reduced by $0.663 million for assets associated with the Brazilian plant, applied to associated finance. We applied a further adjustment to deduct 10% to reflect an estimate of selling costs on realisation. Refer also note (a) below.
Goodwill		5,127	-	Arises on prior business combination. Identifiable IP considered separately below.
Intangible Assets	(a)	-	2,000	We have calculated an alternate value for intangible assets, refer note (a) below
Deferred tax assets	(b)	-	-	Not carried and not considered as a recoverable value presently. May be available for merged group
TOTAL ASSETS		**10,769**	**6,049**	
Trade and other payables		1,139	1,139	No adjustment, considered at fair value
Short term provisions		67	67	No adjustment – **we have not been able to assess likely redundancy and other costs associated with any or inability to sell the operating business assets as a going concern. Such would have a negative impact on net assets**.
Borrowings		25	25	No adjustment, considered at fair value
Equipment finance loans		663	-	Reduced to zero as offset by proceeds from sale of PP&E related to the closure of the Brazilian plant.
Long term provisions		51	51	No adjustment, considered at fair value
TOTAL LIABILITIES		**1,945**	**1,282**	
NET ASSETS		**8,824**	**4,767**	

Sensitivities				
LOW– based on $1.8 M value for IP			**4,567**	**Refer discussion below on sensitivity to changes in base assumptions**
HIGH - based on $2.2 M value for IP			**4,967**	

Source: Nexia analysis

97. *Note (a) - intangible assets.*

We consider that there is likely to be intellectual property (IP) value in the core Cardia products of biohybrid resins which are protected by its patent portfolio and trialled extensively in numerous products that have recorded sales. In the absence of operating profits through the own production of materials by Cardia in the short term, it would be a reasonable proposition that the patents have value under licensing arrangements to another producer and to derive a royalty income, or alternatively sell the patents outright. This would also negate the need for operating PP&E.

In estimating the value of the IP, we have adopted the "Royalty Relief" methodology. This derives a present value (using DCF techniques) from licensing the IP based upon market sales and royalty rate assessments. Our key assumptions are:

- Royalty rate – 3%. The median royalty rates in the chemical industry is 5%[3], however this level occurs when gross margins are 30-40%. Given that Cardia and Stellar who make films that use Cardia resin exhibit gross margins less than this, at around 20%, we consider a lower estimated royalty rate is justified. Additionally the low base of existing demonstrated sales (being an early stage market product) implies the licensee would be required to invest in marketing and sales activity, which would negatively impact the royalty rate it was prepared to pay.
- Market Sales – as per Cardia forecasts for FY16 and FY17 and thereafter growing at 2% / low range growth estimates.
- Tax rate – 30% being the current Australian company tax rate
- Discount rate – 10% reflecting a passive post tax return on investment for a relatively low risk licensing business, being a 1-2% premium to the current risk-free rate and market risk premium.
- Term – we have assumed that the patent portfolio either expires or becomes technically obsolete within 10 years.

In adopting the above assumptions in a DCF calculation we estimate a value of the IP assets to be in the order of $2.0 million. The value assessed is not highly sensitive to base assumptions:

- a +/- 1% point change in the discount rate would give a range of value from $1.87- $2.04 million;
- a +/- 1% point change in the growth rate would give a range of value from $1.89 - $2.14 million;
- a +/- 1% point change in the royalty rate would give a range of value from $1.30-$2.60 million

A change in the royalty rate has the greater potential impact on value but we consider the rate adopted of 3% reasonable. We note that $2.0 million reflects the mid-point in a change in royalty rates.

98. *Note (b) – Deferred tax asset*

[3] *KPMG Advisory – Profitability and royalty rates across industries, 2012*

Cardia has approximately $15.0 million to the end of FY 2014 of Australian tax losses incurred as a result of prior trading and disposals of activities. The ability to recover value in these tax losses is limited to Cardia's ability to generate Australian taxable income and comply with various rules concerning ownership and business activities. The Cardia forecasts indicate that in the near term continued losses are likely within the Australian business units. Whilst overseas operations are forecast to generate profits within the near term forecast period, those profits are likely to be subject to tax in the local jurisdictions and the impact on Cardia's Australian tax position will be influenced on how and when those profits are remitted to Australia. In light of present circumstances we have not ascribed any recoverable value to the tax losses.

Cardia has advised that it has received tax opinions that indicate that, notwithstanding the change of control associated with the Proposal, those losses are likely to be preserved and available to the Merged group as a deduction against future local trading profits.

99. Based upon our adjusted Cardia balance sheet (Table 9), we consider that the adjusted net asset value of Cardia, hence the **value of Cardia Shares is in the order of $4.6 to $5 million**. Due to the nature of the NAV based valuation approach and its assumption of an orderly realisation of assets at their fair values, we consider this value to be both a minority interest and control value.

100. We note that the assessed $4.6-$5.0 million is a significant discount to the current market capitalisation of $8.5 million, (as at 25 February 2015) assuming VWAP of 0.02 (pre-share consolidation) cents per share, however within range is 0.01 cents per share is the VWAP. As noted in Section 7.3 Cardia's share a very thinly traded and exhibit significant price fluctuations. We do not consider the market capitalisation approach is reliable nor a reasonable basis of value for the purposes of our assessment of the Proposal.

101. Based on a value of $4.6 - $ 5 million and a total of 42,523,040 shares post-consolidation, we derive a **control** equity value for Cardia in the range of 10.8 to 11.8 cents per share.

11.3 VALUE OF STELLAR SHARES

102. In assessing the value of Stellar shares to be exchanged for the Proposal Shares, we have considered all of the methodologies outlined in section 11.1.

Market based

103. Stellar is an unlisted and closely held private company. We have not been able to source any data concerning transactions of a comparable company to enable us to apply a market based approach.

Asset based

104. Based on the unaudited 31 December 2014 balance sheet of Stellar (refer Table 8), the net asset value (**NAV**) of Stellar is $0.138 million, comprised mostly of trade debtors and creditors, inventories, property plant and equipment, and short and long-term debt/provisions.

105. We do not consider the NAV methodology appropriate for valuing Stellar. Stellar has well established business operations, skilled management and intellectual property for its film making process. The

business has demonstrated a profit history, albeit in recent years that has been impacted by the market cycle, events and other circumstances which have resulted in losses for the last 18 months. Stellar also has commenced a new joint venture for value add products, which is now operative, has established market presence and expected to reach breakeven within a short time of its commencement and then become highly profitable.

106. The current low NAV is reflective of a business that has been incurring losses during a recent downturn in its business cycle (combination of high exchange rate and high oil prices) and reorganisation of its business assets (planned transfer of production of its Australian business to Malaysia and the investment in Akronn which only recently commenced operations). Additionally during this period Stellar has utilised debt rather than equity to fund the working capital and capital expenditure needs of the business.

107. We also note that a review of sector listed companies show that they trade on average around two times book value, which further supports our assessment that NAV may not be an appropriate valuation methodology for Stellar where there is an expectation of a return to profitability.

Income based

108. Stellar management provided us with a summary 3-way forecast covering the periods H2FY15, FY16 and FY17 (**Stellar Forecasts**). Given the forecasts cover only a 2.5 year period, we are unable to adopt a meaningful DCF methodology which typically are based on longer cash flow periods, which typically take into account long term capital investments and market developments and fluctuations in the business cycle. We have accordingly adopted a capitalisation of maintainable earnings approach for assessing the value of Stellar's business and assets.

Capitalisation of Stellar's Future Maintainable Earnings

Earnings basis

109. The forecasts provided by Stellar management comprised an aggregation of the major business units for Stellar Australia, Stellar Malaysia and the 50.8% share of Akronn. The summary forecast is supported by detailed workings for each of those major business units. Those workings are in turn based upon a detailed monthly estimate of order volumes by identified customers and by major product group. $USD pricing, based upon current prices, is then applied to those volumes to establish revenues. The cost of inputs, in particular resin, is determined by the known relationship to the estimated production volumes and the estimated buying unit price based upon current prices. Labour and overheads are deducted based upon historical trends.

110. In preparing the Stellar forecasts, Stellar management has adopted an AUD/USD exchange rate of $0.88 declining to $0.80 across the forecast period, guided by current foreign exchange contract rates in place. This contrasts with a current spot rate of circa $0.79. The impact of the exchange rate is mainly on selling prices, which are typically struck in USD. In Stellar Malaysia resin is also purchased in USD therefore acting somewhat as a natural hedge. In converting the Malaysian forecast results to AUD, a rate of 2.8 Ringgit has been used based upon the current spot rate.

111. Resin prices are influenced by USD oil prices which are presently low at $USD51 per barrel, down from highs of over $USD100 per barrel during mid 2014, (WTI NYMEX price). Stellar management stated that historically when prices fall, margins improve until customers demand lower end product

prices. Margins can decline temporarily when resin prices increase, again due to a lag between supply and sale price changes. Across a business cycle Stellar management stated that this volatility tends to balance out. Therefore Stellar management has adopted a normalised margin of 19% to 21% across the forecast period.

112. We have utilised Earnings Before Interest and Taxes (EBITDA) as the earnings base as this removes the impact of financing decisions made by business operators both in the Stellar business and any comparable companies examined. We have further adjusted the EBITDA reported in the Stellar Forecasts for those items which have a one off impact on earnings or are not representative of normalised earnings over an expected cycle.

113. In determining our estimate of maintainable earnings, we have used the forecasts EBITDA for the FY15 (comprising actual results to Dec 14 and forecasts to June 15), FY16 and FY17 years derived from the Stellar Forecasts. We have included the full FY15 results (loss) as this in part is reflective of some of the fluctuations in the business cycle which may incur in the future.

114. We made the following normalisation adjustments in FY15 as advised by Stellar management which relate to Stellar's Australian business:

- Added back $0.15 million of redundancy costs to employees due to the reduction in production capacity of the Deer Park manufacturing plant
- Added back $0.30 million of excess overhead / transition costs in relation to the relocation of operations to Malaysia

115. Based on the adjustments above, we have determined a future maintainable EBITDA for Stellar's Australian and Malaysian established businesses to be $1.1 million and for Stellar's share of the Akronn business to be $1.0 million.

Capitalisation rate

116. The forecast trading results of Stellar are inherently subject to both exchange rate and resin price volatility. We considered sector ASX listed companies, as a peer group and believe that our selection includes companies that are similarly exposed to volatility in commodity prices and exchange rates from international operations. Therefore we consider it is reasonable to assume that this risk is priced within the earnings multiples for those companies and consequently the basis of the multiple we should adopt for Stellar.

117. In determining our estimate for EBITDA multiples used in our valuation assessment of Stellar, we have had regard to the following public company data for Australian listed companies active in plastics, packaging, personal hygiene products locally and globally:

Table 10: Sector peer listed companies

Company	Total Revenue (LTM) $M	Market Cap $M	TEV [4]/ EBITDA Latest	Description of business
Pro-Pac Packaging Limited (ASX:PPG)	232.1	109.9	9.2x	Distributes industrial, protective, and rigid packaging products in Australia. Also offers flexible packaging films, cardboard boxes and cardboard packaging products, produce packaging products, and washroom and janitorial products; and sells and services a range of packaging tools, machines, and systems. It serves general industrial and primary packaging, safety and PPE, food services, and food processing sectors. Based in Australia.
Novarise Renewable Resources International Limited (ASX:NOE)	132.7	62.3	13.0x	Produces various polypropylene (PP) fibre-based products comprising fibre-grade recycled PP pellets, PP filament yarns and cloth, PP consumer webbing products, and agricultural twine products. Products are sold through a network of distributors primarily to original equipment manufacturers in the agricultural, industrial, and construction industries. The company has operations in China, Hong Kong, the Philippines, Russia, Turkey, Indonesia, India, Colombia, Sri Lanka, Estonia, the Unites States, Finland, Thailand, Taiwan, and other Asian and non Asian countries. Based in China.
Orora Limited (ASX:ORA)	3,227.3	2,437.5	6.5x	Manufactures and supplies fiber and beverage packaging products in Australasia and New Zealand. It offers aluminum beverage cans, closures, paper bags and sacks, intermediate bulk containers, woven plastic sacks, folding cartons, corrugated cardboard boxes, cartons and displays, corrugated boxes, and recycled paper, as well as glass bottles and jars. The company also provides recycling services, packaging testing and design services, and packaging line setup and optimization services. Its products are used in the packing of fresh produce; grocery products; industrial products, alcoholic beverages. Based in Melbourne with trading operations in United States, Canada, and Mexico.
Pact Group Holdings Limited (ASX:PGH)	1,143.2	1,453.1	10.8x	Manufactures and sells rigid plastics packaging and related products. The company primarily converts plastic resin and steel into rigid plastics (e.g. tubs and jars), metals packaging, and related products for customers in the food, dairy, beverage, personal care, other household consumables, chemicals, agricultural, industrial, and other sectors. Based in Melbourne.

[4] Total Enterprise Value : market capitalisation plus interest bearing debt

Company	Total Revenue (LTM) $M	Market Cap $M	TEV ⁴/ EBITDA Latest	Description of business
Asaleo Care Limited (ASX:AHY)	630.3	1,080.2	16.2x	A personal care and hygiene company, manufactures, markets, and distributes personal care and tissue products in Australia, New Zealand, and Fiji. The company offers feminine hygiene products, (e.g. under the TENA brand); and baby hygiene products (e.g. diapers and wipes). It also provides consumer tissue products (e.g. toilet papers, facial tissues). Based in Melbourne.
Amcor Limited (ASX:AMC)	11,391.8	17,363.3	13.4x	Provides packaging solutions in Australia, Europe, Latin America, Switzerland, and the United States. It manufactures rigid plastic containers for a range of beverage and food product. It also manufactures flexible and film packaging for the food and beverage industry, as well as flexible packaging for specialty folding cartons for tobacco packaging; and provides packaging solutions for home and personal care markets. Based in Melbourne.
Nuplex Industries Limited (NZSE:NPX)	1,599.3	625.3	5.1x	Develops, manufactures, and sells resins and additives used in decorative, industrial, automotive, and protective coatings. It also provides composites, including polyester and vinyl ester resins, gel coats, and flow coats; distributes specialty chemicals and raw materials to various markets and industries; and produces resins and chemicals used in the production of pulp and paper products in Australia and New Zealand. In addition, the company manufactures and distributes resin-based in situ flooring systems. It markets its products in New Zealand, Australia, Asia, Europe, and the Americas. Based in North Sydney.
Colorpak Limited (ASX:CKL)	163.6	50.8	7.4x	The company designs and produces printed folding cartons, paper cups and other value added paperboard packaging products. It serves pharmaceutical, healthcare, food and beverage, confectionery, wine, cosmetics, technology, FMCG, and fast food industries. Based in Melbourne.
Average			**10.2x**	

Source: S&P Capital IQ and Nexia analysis

118. We consider that the above sample companies share similar attributes to Stellar with respect to:
- Maturity of industry - the products typically have a long market history and many of the selected companies in our sample have similarly had a long trading history and face a number of similarly established competitors.
- Commoditised products – the products are commodity in nature exhibiting high price competition from customers. Many of the products are also inputs to other consumer staple products.

- Exposure to raw material cost changes – raw materials such as resins, chemicals, oil or fibre are commoditised inputs with volatile price movements.
- Globalisation – some of the above companies either operate in multiple countries and / or are subject to import competition.

119. However the sample companies differ from Stellar by being significantly larger, with sales turnover ranging from a low of $160 million to the high of $11 billion and market capitalisations ranging from $50 million to $17 billion. Asaleo Care is potentially the closest to Stellar in terms of product sector however is more sophisticated / mature in that it has developed multiple consumer brand(s) and therefore a portfolio of intellectual property in consumer end products notwithstanding those products use materials such as those produced by Stellar Films.

120. For these reasons, in particular the significantly smaller size of Stellar and narrower product focus than our sample set we consider a discount to the average EBITDA multiple shown above is justified. The additional risks associated with small size include for example, customer concentration, products or markets concentration and fewer financial, technical or management resources to exploit opportunities when they arise. Small size premia adjustments typically adopted in terms of capitalisation rate are in the range of 2-5%[5]. Additionally Stellar is significantly more highly geared[6] than listed peer group companies and as such represents a higher risk profile.

121. Therefore in converting the above average sample companies multiple of 10.2x to a capitalisation rate, adding a small size risk premia of 2-5% we derive an adjusted EBITDA multiple in the range of 8.4x-6.8x. As these values are derived from public company data, they represent a minority interest. Studies[7] have indicated that when examined on a control basis transacted share prices will typically exchange at premium to the quoted share price. The premium depends on many factors including size special value to the purchaser and the economic cycle. As a guide control premiums are evidenced in a wide range of 20% to 50%.

122. Noting that the peer group EBITDA multiple average represents capitalisation of a minority value, as opposed to a control value, and considering the small size and funding risks associated with Stellar, we have adopted a multiple of 7.5x – 8.0x for the established Australian and Malaysian businesses. We have separately considered the Akronn business and the earnings attributed to Stellars 50.8% interest 'therein. Akronn only commenced operations in 2014. From our discussions with Stellar management and review of Akronn's trading history to date and available forecasts, we consider that this business is more in the nature of a start-up, with a greater level of uncertainty and risk as to future performance. To this end we have adopted an EBITDA multiple of 5.0x – 5.5x for this business, reflecting a return on investment (ROI) rate of 25%, which we consider is more in-line with the investment returns expected in a commercialised yet still a start up business.

[5] *KPMG Valuation practices survey 2013, Ibbotson and Associates*
[6] *Debt/Equity – assets and operations are financed more by debt than owner's capital*
[7] *For example: RSM Bird Cameron Control Premium Study 2013*

Enterprise value

123. We have applied an EBITDA multiple of 7.5x – 8.0x for the established businesses at an EBITDA of $1.1 million and applied an EBITDA multiple of 5.0x – 5.5x for the Akronn business at an EBITDA of $1.0 million to derive a combined enterprise value of in the range of $13.25 to $14.3 million.

Equity value

124. To derive an equity value for the Stellar Shares we have adjusted the enterprise value for net debt of $6.2 million. This comprises actual debt as at 31 December 2014 of $4.5 million, which includes total debt within Stellar Group as noted at paragraph 78 plus Stellar's 50.8% share of bank and finance lease debt within Akronn plus forecast new debt. The Stellar Forecasts are premised on a further funding requirement of $1.7 million to fund working capital and capital expenditures. We were advised by Stellar management that, as a stand alone entity, the most likely source of the funding is via additional banking facilities (debt)[8]. Given we have adopted the Stellar Forecasts as the basis of enterprise value, we have also considered this as debt in assessing the present equity value. Stellar management expect that this funding would be sourced by Cardia as part of the Proposal. In the event that Cardia is unable to source this funding, then Stellar management expect that funding could be sourced from their own resources including debt.

125. Based on the methodologies and assessment above, in summary we consider that the **value of the Stellar Shares to be approximately $7.0-8.1 million** as set out in Table 11 below:

Table 11: Equity value of Stellar

$000's	High	Low
Established businesses		
Earnings	1,100	1,100
Multiple (x)	8.00	7.50
TEV	**8,800**	**8,250**
Akronn		
Earnings	1,000	1,000
Multiple (x)	5.50	5.00
TEV	**5,500**	**5,000**
Combined TEV	**14,300**	**13,250**
Less debt as at 31 December 2014	(4,500)	(4,500)
Less further funding requirement	(1,700)	(1,700)
EQUITY VALUE	**8,100**	**7,050**

11.4 VALUE OF CARDIA SHAREHOLDERS INTERESTS - POST-PROPOSAL

126. In assessing a value of Cardia Shareholders interest in Cardia post-Proposal, because the Merger between Cardia and Stellar, and the Placement are interdependencies, and in the context of ASIC

[8] *If the Proposal is approved it is more likely that the funding will be sourced from the Capital Raising*.

guidelines concerning transactions such as the Proposal, we consider the value to be a derived from a sum of the following:

- The assessed value of Cardia pre-Proposal (on a control basis)
- The assess value of Stellar (on a control basis)
- Discount for Cardia Shareholders control loss
- Merger transaction costs

127. ASIC's RG111.43 requires us to consider if a premium for control is received. We consider the best way to determine the presence or otherwise of a control premium is to firstly compare the pre-Proposal control value of Cardia Shares to the post-Proposal minority value of Cardia Shares. If the minority value is greater than the control value, then Cardia Shareholders have received a control premium.

128. We highlight that our analysis of value of Cardia shares post Proposal is based on our assessment of the current respective values of Cardia and Stellar as standalone and independent entities. Accordingly the post Proposal value may not be reflective of what Cardia shares may trade at as ultimately rational market behaviour would dictate that buyer/sellers would take into account in the value an integrated Cardia/Stellar business may demonstrate through operating cost synergies, sharing of production, distribution and marketing facilities and personnel, access to markets and customers, enhancement of intellectual property, access to funding, ability to utilise Cardia's existing circa $15.0 million of tax losses and other potentially positive outcomes of the Merger, as alluded to by the directors in the NOM and Chairman's Letter in respect thereof. An assessment and valuation of those benefits, should they be realised, is outside the scope of this Report and under RG111.11 we are precluded from including any "special value" or synergies which may be available in our quantitative assessment. Accordingly any consequent uplift in value arising from those factors is not necessarily reflected in an assessment by us of the value Cardia Shareholders interest in Cardia post Proposal.

129. As noted above, the Merger is conditional upon approval of the Placement, however the price at which the Placement and the Rights Issue may be finally undertaken at is presently uncertain, given is will be based on a VWAP at a future point following the share Consolidation and the Merger. We have therefore confined our analysis of the impact of the Merger,,and its effect on Cardia Shareholders before the impact of the Capital Raise.

130. Table 12 sets out a summary of the assessment wherein we consider the value of Cardia Shareholders interests – post Proposal (on a minority basis) to be in the range of $4.6 - $ 5.0 million, or equivalent to 9.7 to 10.9 cents per share on post share consolidation basis. This indicates that the Cardia Shareholders will have a decrease from the pre-Proposal control value of their Cardia Shares under the Proposal and therefore has a dilutive impact on Cardia Shares value.

Table 12: Value of Cardia Shareholders interests - post-Proposal

$000's	Report par.	High	Low
Assessed Values			
Cardia (control value)	p.101	5,000	4,600
Stellar (control value)	p.125	8,100	7,050
Aggregate control value		13,100	11,650
Discount for portfolio trading	p.131	(2,620)	(2,350)

$000's	Report par.		High	Low
Minority value - pre Capital Raise			10,480	9,300
Merger costs	p.129		(150)	(150)
Equity Total Value (ETV)			**10,330**	**9,170**
Cardia Shareholders Interests in ETV				
– pre Proposal (100%): control value			5,000	4,600
– post Proposal (45.0%): minority value			4,648	4,126
Shares on Issue				
Cardia Shares		45.0%	42,523	42,523
Proposal Shares		55.0%	51,973	51,973
			94,496	94,496
On a per share basis (post share consolidation)			*Cents p.s*	*Cents p.s*
Cardia Shares - pre Proposal (control value)			11.8	10.8
Cardia Shares - **post Proposal** (minority value)			10.9	9.7

131. As noted in sections 11.2 and 11.3 we have assessed both Cardia and Stellar on a stand alone basis and adopted a control methodology. As also noted at paragraph 121 corporate transactions involving control changes typically are transacted at a premium to the recorded share prices. Individual shareholdings in listed companies shares are typically referred to as portfolio interests. The discount of portfolio interests prices to control priced transactions reflects that portfolio interests are typically smaller, non control, holdings and are held to derive passive income or growth and without any ability of the shareholder to influence the actions of the corporate entity, thus the basis on which the investment was made. Conversely shareholders in control do have that ability. Accordingly we consider it appropriate to apply a portfolio trading interest to the aggregate control value of Cardia/Stellar. We have adopted a 20% discount, which is at the low end of observed[9] control premiums (hence portfolio discount) as we do not consider any control transaction involving Cardia would command a significant premium given the current state of its affairs, business operations and competitive environment.

132. Resolution 3 for the Placement states that the price cannot be less than 80% of the 5 – day volume weighted price (VWAP). Pre-share consolidation the current price is 0.2 cents (3 March 2015) and last 5 day VWAP is similarly 0.2 cents or 20 cents per share post share consolidation. We note that where the Capital Raise is undertaken at a price that is greater than the our assessed post-proposal minority values of 9.7-10.9 cents per share, set out in table 12, then this would be value accretive for Cardia Shareholders.

[9] *RSM Bird Cameron Control Premium Study 2013*

11.5 SUMMARY OF FINANCIAL IMPACT OF THE PROPOSAL ON CARDIA SHAREHOLDERS

133. The following Table 13 summarises our assessment of the financial impact of the Proposal on the value of the Cardia Shares held by non associated Cardia Shareholders, on a post Share Consolidation per share basis.

Table 13: Summary of Proposal on Cardia Shareholders

	Cents per share (post consolidation)	
	High	Low
Value of Cardia Shares pre-Proposal (control value)	11.8	10.8
Value of Cardia Shares post-Proposal (minority value)	10.9	9.7
Change (dilution in value)	(0.9)	(1.1)

134. Based upon our forgoing analysis, when considered as a control transaction as required by ASIC guidelines RG111, the Proposal if approved is likely to be dilutive to the assessed value of Cardia Shareholders interests in the Company we are therefore of the opinion that the Proposal is likely to be **not fair to Cardia Shareholders**.

12. ASSESSMENT OF CONTROL PREMIUM

135. RG 111.24 highlights that in certain circumstances an issue of shares by a company otherwise prohibited under s606 may be approved under item 7 of s611 and the effect on the company's shareholding is comparable to a takeover bid. The Proposal meets the criteria of those circumstances and accordingly compliance with RG111 thus requires that the Proposal be analysed as if it were a takeover bid under Chapter 6 of the Act.

136. RG111.43 further states that "a specific issue the expert should determine is whether the vendor is to receive a premium for control." An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

137. Whilst the Stellar Vendors will not be obtaining 100% of Cardia, RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. If the Proposal is approved, control of the Company will pass from Cardia Shareholders to Stellar Vendors.

138. For a control premium to be received, the value of Cardia Shares post-Proposal valued on a minority basis should at least be equal to or greater than the pre-Proposal value of Cardia Shares on a control basis. Given there is a diilution in the assessed value of Cardia Shares per Table 13 above, we conclude that there is no control premium being received by the Cardia Shareholders for losing control of the Company.

13. ASSESSMENT OF REASONABLENESS (QUALITATIVE ASSESSMENT)

139. In assessing if the Proposal is reasonable for Cardia Shareholders, we have had regard to the following:

Advantages of the Proposal	▪ Directors expect a number of synergies as outlined in detail in the NOM to be realised by merging with Stellar including:
	  ▪ Increased sales to customers with an expanded product portfolio and geographic / sales distribution footprint;
	  ▪ Better utilisation and reduced overall costs through economies of scale from sharing production lines, offices and IT systems;
	  ▪ Increased scale of business may enhance access to additional funds (capital or debt);
	  ▪ Sharing of complementary intellectual property may enhance further product development.
	Monetising those synergies and benefits is likely to have a positive effect on the value, or trading price, of Cardia shares
	▪ Stellar has management staff with key technical skills and experience which may be able to complement and further improve Cardia's existing businesses.
	▪ Potential access to Cardia's significant tax losses, which are of present no or little value to Cardia.

Disadvantages of the Proposal	▪ Considered on a control v minority basis, the Proposal is not fair ▪ Existing Cardia Shareholders interests will be significantly diluted from 100% to approximately 45% post-Proposal (pre Capital raise) ▪ Likely to require further capital funding which may be further dilutive to Cardia Shareholders. ▪ Potentially increased risk profile of the business from a change in business operations, focus on a different product market (disposable hygiene products), greater spread in customers and increased competitiveness in the industry with potentially lower margins
If the Proposal is NOT approved	▪ Cardia intends to continue with its existing business operations. Forecasts show that losses are likely to be incurred for at least the next two years, resulting in potential further loss and elimination of

	value. Additionally the forecasts are predicated on investment in new production facilities in Malaysia. Whilst Cardia appears to have existing working capital to fund operating losses in the short term continued operations and construction of the Malaysia operations will require additional capital. The terms of any future capital raising may be more dilutive to Cardia Shareholders than under the terms of the Proposal.

140. In our opinion the position of Cardia Shareholders is more advantageous post-Proposal than pre Proposal, and therefore the **Proposal is reasonable** to Cardia Shareholders

14. OPINION ON THE PROPOSAL

141. On the basis of our analysis, and for the reasons outlined in the preceding sections, we consider that the Proposal is **not fair but reasonable** to Cardia Shareholders.

APPENDIX A

Statement of Qualifications, Independence, Declarations and Consents

Qualifications

Nexia Australia is a national association of separate partnerships and entities (including Nexia Melbourne Pty Ltd) and a member of an international network of individual firms. Nexia Melbourne Pty Ltd (ACN 052 362 348) ("Nexia") is a Melbourne based accounting, audit and business advisory practice and is a licensed investment adviser within the terms of the Corporations Act 2001. The AFSL licence (No 247262) allows Nexia to act for clients only in the capacity of providing reports in relation to certain corporate transactions or to provide general financial product advice on certain classes of financial products. Senior directors at Nexia specialise in such advice and regularly perform corporate and asset valuations and advice on company restructures acquisitions and proposals. Nexia, acting through different directors also performs audits on the accounts of Australian companies.

The primary person responsible for preparing this Report on behalf of Nexia is Gary Graco (Dip. Bus Studies – Accounting, ACA) with the assistance of staff, who has a significant number of years of experience in relevant corporate matters including valuations, independent expert reports and investigating accountant engagements.

Independence

Nexia considers itself to be independent in terms of Regulatory Guide 112 issued by ASIC relating to independence of experts and has developed and issued an opinion and report on an unbiased basis.

Nexia and its related entities or any of its directors or partners have not had within the previous two years, any shareholding in the Company. During the 2 years period to this report Nexia and its related entities have not provided any professional services to the Company or any subsidiaries, Stellar Group or the Stellar Vendors.

None of Nexia, Gary Graco, nor any other member, director, partner or employee of any of Nexia has any interest in the opinion reached by Nexia except that we are entitled to receive professional fees for the completion of this Report based on time incurred at normal professional rates. Nexia expects that professional fees rendered in respect to the preparation of this Report and other services will be approximately $18,000 (plus GST). With the exception of these fees no parties will receive any other benefits, whether directly or indirectly, for or in connection with issuing this Report.

Disclaimers

This Report has been prepared at the request of the Directors of the Company and was not prepared for any other purpose than stated in this Report in Section 2. This Report has been prepared for the sole benefit of the Directors and the Non-associated Shareholders of the Company. This Report should not be used or relied upon for any purpose other than as set out in Section 2. Accordingly, Nexia expressly disclaims any liability to any person (other than the Directors or Non-associated Shareholders of the Company) who relies on our Report or to any person at all who seeks to rely on the Report for any other purpose not set out in Section 2.

Appendix C identifies the sources of information upon which this Report has been based. Any forecast information which has been referred to in this Report has been prepared by the relevant entity and is generally based upon best estimate assumptions about events and management actions that may or may not occur. Accordingly Nexia cannot provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. Whilst (unless stated otherwise in the Report) Nexia has no reason to believe that such information is not reliable and accurate, it has not caused such information to be independently verified or audited in any way. Inquiry, analysis and review have brought nothing to our attention to indicate a material misstatement, omission or lack of reasonable grounds upon which to base our opinion.

The opinions given by Nexia in this Report are given in good faith, based upon our consideration and assessment of information provided to us by the Directors and executives of the parties to the Proposal; and in the belief on reasonable grounds that such statements and opinions are correct and not misleading, (unless otherwise stated in the Report). This Report has been prepared with care and diligence. .

Advanced drafts of this Report were provided to the Directors of the Company. Minor changes for factual content were made to this Report. There was no alteration to the methodology or conclusions reached as a result of discussions related to drafts of the Report.

Nexia's opinion is based on prevailing conditions at the date of this Report including market, economic and other relevant circumstances. These can change over relatively short time period and any subsequent changes in these conditions in the value either positively or negatively

Indemnity

The Company has agreed that it will indemnify Nexia and its employees and officers in respect to any or all losses, claims, damages and liabilities arising as a result of or in connection with the preparation of this Report, except where the claim has arisen as a result of wilful misconduct or negligence by Nexia.

Consent

This Report has been prepared at the request of the Company and may accompany the Notice of Meeting to be given to shareholders.

Nexia consents to the issuing of this Report and the form and context to which it is to be included with the Notice of Meeting. Other than the Report, Nexia has not been involved in the preparation of the documents or other aspects of the Proposal or the Notice of Meeting to which this Report may be attached. Accordingly, we take no responsibility for the content of the Notice of Meeting or the Proposal as a whole. Neither the whole nor any part of this Report nor any reference thereto may be included in any other document without prior written consent of Nexia as to the form and context to which it appears.

APPENDIX B

Overview of Valuation Methodologies

Discounted Cash Flow Based Analysis (DCF)

This methodology recognises the present value (or today's dollar value) of the expected net cash flows which are forecast to be derived from future activities of the business and including a terminal value, which seeks to value the cash flows to perpetuity reflecting the ongoing life cycle of the business.

These future cash flows are discounted to current values by a discount rate recognising both the time value of money and the risks associated with the cash flow streams. Those risks can include general economic and sector risks and risks particular to the business.

This methodology is normally considered to be the most appropriate method in the calculation of the value where there is adequate information about likely future cash flows, usually over a finite term and in start up activities or assets with a finite life.

Capitalisation of Maintainable Earnings (CME)

This requires consideration of the following factors.

(a) Estimation of future maintainable earnings. The maintainable level of earnings is considered to be the level below which, in the absence of unforeseen and exceptional circumstances, the income stream flowing from the assets is unlikely to fall. Maintainable earnings can be influenced by a number of factors including the trend and consistency of historical performance, the stage of development of the business sensitivity to key industry risk factors and the general economic outlook, and the extent to which one-off or non-recurring transactions are reflected in the financial records ; and

(b) Determination of an appropriate capitalisation rate which will reflect a purchaser's required rate of return from the business. It should therefore reflect among other things:
- the operational risks of the business;
- the growth profile of the business;
- the working and long-term capital requirements of the business currently and requirement for funding growth;
- the nature of the environment in which the business operates;
- alternative investment opportunities; and
- a separate assessment of surplus or unrelated assets and liabilities, being those items which are not essential to producing the estimated future earnings.

This methodology is generally recognised as a surrogate for a discounted cash flow analysis (DCF). It is typically employed where an entity or asset has mature operations with a history of profits and an expectation that these will be maintained at similar levels in the future. It is considered a reliable methodology particularly where capital expenditure does not constitute a large part of the cash outflows of the business or where such outflows are generally of a replacement nature.

Comparable Market Transactions

This methodology requires research to ascertain details of any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired then the assets, revenue or earnings multiples, or other measures employed in the actual transaction, can be utilised in the valuation.

The difficulty with this methodology is the sourcing of sufficient information involving the sale process to accurately analyse the consideration paid and to establish the comparability of the two businesses or entities.

Net Assets (NAV) or Cost Based

In the absence of positive or very poor cash flows or earnings, the net asset value of an entity can be a reasonable indication of the minimum value for that entity. This involves the determination of the net realisable value of the assets of the business or company assuming an orderly realisation of those assets. This value includes a reduction in value to allow for the reasonable costs of carrying out the sale of assets and for the time value of money. It is not a valuation on the basis of a forced sale, where the assets might be sold at values materially different from their fair market value.

This approach is appropriate where the business or entity concerned is predominately a property or liquid investment entity, is not generating adequate returns and in certain circumstances where there are surplus non-operating assets.

APPENDIX C

Documents and Information Relied Upon

1. Draft Notice of Meeting and Explanatory Memorandum [*draft dated on 3 March 2015*]
2. Draft Chairman's letter to Cardia Shareholders in respect to the NOM
3. Cardia Half-Year Report for 31 December 2014
4. Cardia Annual Report for 30 June 2014
5. Stellar Films Group Interim Financial Statements for 31 December 2014
6. Cardia consolidated forecasts for H2FY15, FY16 and FY17
7. Stellar consolidated forecasts for H2FY15, FY16 and FY17
8. Tax advice to Cardia on carry forward tax losses dated 19 December 2014
9. Cardia shareholder and options tables dated 13 January 2015
10. Cardia ASX announcements and investor presentations dated 25 & 28 November 2014, 3 December 2014 and 13 & 26 February 2015.
11. Broker mandate letter, accepted by Cardia 30 January 2015
12. Other discussions and correspondence with management and advisors
13. www.asx.com.au; S&P CapIQ; and various other websites and public domain information services.

Nexia Melbourne Pty Ltd Financial Services Guide

This Financial Services Guide is dated 4 March 2014.

Nexia Melbourne Pty Ltd (ABN 25 825 209 842) (“Nexia”) holds Australian Financial Services Licence No. 247262 authorising it to provide general financial product advice in relation to various financial products such as securities, interests in managed investment schemes, and superannuation to wholesale and retail clients. Nexia has been engaged by Cardia Bioplastics Limited (**Cardia** or **the Company**) to provide an Independent Experts Report (**the Report**) for inclusion with the Notice of Meeting of Shareholders to be held on or about 7 April 2015 to consider resolutions associated with the issue of securities under Section 611 of the Corporations Act.

The Corporations Act, 2001 requires Nexia to provide this Financial Services Guide (“FSG”) in connection with its provision of this Report. Nexia does not accept instructions from retail clients. Nexia provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Nexia does not provide any personal retail financial product advice to retail investors nor does it provide market-related advice to retail investors.

Nexia is only responsible for this Report and this FSG. Nexia is not responsible for any material publicly released by Cardia in conjunction with this Report or the Proposal. Nexia will not respond in any way that might involve any provision of financial product advice to any retail investor.

This Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of this Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

When providing reports in the form of this Report, Nexia’s client is the Company to which it provides the report. Nexia receives its remuneration from the Company. In respect of this Report and other services, Nexia will receive a fee plus reimbursement of out-of-pocket expenses from Cardia. The fee is not contingent on the outcome of the Proposal. Directors or employees of Nexia or other associated entities may receive partnership distributions, salary or wages from Nexia.

Nexia and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products.

Nexia has professional indemnity insurance cover for reports of this nature under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act 2001.

Nexia has internal complaints-handling mechanisms. If you have concerns regarding this Report, please contact us in writing to Mr Kevin Mullen, Nexia Australia, Level 18, 530 Collins Street, Melbourne, Vic, 3000. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

Glossary

Abbreviated Term	Definition
Act	The Corporations Act 2001
AFSL	Australian Financial Services Licence
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
Capital Raise	Being both the Placement and the Rights Issue
Cardia	Cardia Bioplastics Limited
Cardia Shareholders	Shareholders of Cardia not associated with the Proposal
Cardia Shares	Fully paid ordinary shares in Cardia held by Cardia Shareholders.
ChairmansChairman's Letter	Letter dated on or about 6 March 2015 from Richard Tegoni to Cardia Shareholders in respect to the NOM
Company	Cardia Bioplastics Limited
Directors	Directors of the Company
EM	Explanatory Memorandum
Merger	The acquisition of Stellar by Cardia through the issue of the Proposal Shares
NAV	Net Asset Value
Nexia	Nexia Melbourne Pty Ltd - AFSL Holder 247362
NOM	Notice of Meeting dated on or about 6 March 2015 for Cardia Shareholders meeting to be held on 7 April 2015.
Placement	The issue of up fully paid ordinary shares in Cardia to sophisticated and professional investors, to raise up to $2.5 million
Proposal	The issue of the Proposal Shares and the Placement Shares
Proposal Shares	The issue of 51,972,604 fully paid ordinary shares in Cardia to the Stellar Vendors
QMV	Quoted Market Value
Report	This Independent Expert Report prepared by Nexia in relation to the Proposal
RG 111	ASIC Regulatory Guide 111 - Content of Experts Reports
RG 112	ASIC Regulatory Guide 112 - Independence of Experts
Rights Issue	The issue of up fully paid ordinary shares in Cardia to by way of rights issue, to raise up to $1.0 million
Stellar	The Stellar Films Group comprising: Stellar Films Group Pty Ltd, Stellar Unit Trust, Stellar Films Malaysia Sdn Bhd and a 50.8% share in Akronn Industries Sdn Bhd

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Schedule 2 – Pro-Forma Balance Sheet

The unaudited pro-forma balance sheet has been prepared to provide information on the assets and liabilities of the Company and an indication of the Merged Group's consolidated financial position if the Acquisition Resolutions are approved. The pro-forma financial information assumes that Cardia and Stellar follow the same accounting policies and is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Particulars	Post Capital Raising & Acquisition (Amount in "000$)
Current Assets	
Cash and Cash Equivalents	5,027
Trade & Other Receivables	4,741
Inventories	2,329
Total	**12,097**
Non Current Assets	
Deferred Tax Assets	491
Financial Assets	563
Property,Plant & Equipment	4,610
Loan- Akkron	667
Investment in Akkron	13
Intangible Assets -Goodwill	-
Goodwill on merger	4,847
Total	**11,191**
Total Assets	**23,288**
Current Liabilities	
Trade and Other payables	6,016
Bank Overdrafts	486
Bank Borrowings	1,532
Equipment Finance Liabilities	634
Short term provisions	693
Total	**9,361**
Non Current Liabilities	
Related Party Loans	430
Bills Payable	1,116
Equipment Finance Liabilities	29
Long term provisions	113
Total	**1,688**
Total Liabilities	**11,049**
Net Assets	**12,239**
Equity	
Issued Capital	12,405

Cost of capital raising		-270
Reserves	3,859	
Accumulated Losses		-3,793
Parent Entity Interest	**12,201**	
Non Controlling Interest	38	
Total Equity	**12,239**	

Schedule 3 – Vendors' Voting Power

Shareholder	Voting Power at date of Notice	Number of Consideration Shares	Number of Consideration Shares (including associates)	Maximum increase in Voting Power after issue of Consideration Shares	Voting Power after issue of Shares under the Placement*	Voting Power after issue of Shares under the Placement and Rights Issue*	Voting Power after issue of Shares under the Placement and Rights Issue, and Options are exercised*
Helpless Pty Ltd (ACN 089 923 740) as trustee for the Infinity Discretionary Trust (**Helpless**)	0%	7,795,891	28,584,937	30.25%	25.96%	24.56%	24.11%
Ganspruse Pty Ltd (ACN 050 197 825) as trustee for the Haines Family Trust (**Ganspruse**)	0%	7,795,891	28,584,937	30.25%	25.96%	24.56%	24.11%
Female Pty Ltd (ACN 089 875 178) as trustee for the Symons Family Trust (**Female**)	0%	7,795,891	28,584,937	30.25%	25.96%	24.56%	24.11%
Gobble Pty Ltd (ACN 090 848 089) as trustee for the Morgan Family Trust (**Gobble**)	0%	7,795,891	28,584,937	30.25%	25.96%	24.56%	24.11%
Stellar Developments	0%	20,789,040	51,972,604	55%	47.20%	44.66%	43.83%

*Assumes 5 day VWAP of $0.20 and shares are issued at the minimum price of 80% VWAP, being $0.16.

ACN 064 755 237

Lodge your vote:

By Mail:
Advanced Share Registry Limited
PO Box 1156
Nedlands WA 6909

Alternatively you can fax your form to
(Within Australia) (08) 9262 3723
(Outside Australia) +618 9262 3723

For all enquiries call:

Telephone:
(Within Australia) (08) 9389 8033
(Outside Australia) +618 9389 8033
Email: admin@advancedshare.com.au

Proxy Form

Instructions

1. Every shareholder has the right to appoint some other person or company of their choice, who need not be a shareholder, to attend and act on their behalf at the meeting. If you wish to appoint a person or company other than the Chairman, please insert the name of your proxyholder(s) in the space provided (see reverse).
2. If the securities are registered in the name of more than one owner (for example, joint ownership, trustees, executors, etc), then all those registered should sign this proxy. If you are voting on behalf of a corporation or another individual you may be required to provide documentation evidencing your power to sign this proxy with signing capacity stated.
3. This proxy should be signed in the exact manner as the name that appears on the proxy.
4. If a shareholder appoints two proxies, each proxy may be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
5. Completion of a proxy form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
6. To be effective, proxies must be delivered by shareholders as follows:
   Shareholders must deliver their proxies prior to **5 April 2015 at 10.00am** (AEST) by mail to PO Box 1156, Nedlands, 6909, Western Australia or by facsimile at (08) 9262 3723 or deliver to the Share Registry of the Company at 110 Stirling Hwy, Nedlands, Western Australia, 6009.
7. For the purposes of Regulation 7.11.37 of the Corporations Regulations the Company determines that shareholders holding shares at **5 April 2015 at 5.00pm** (AEST) will be entitled to attend and vote at the Meeting.
8. The Chairman intends to vote in favour of all resolutions set out in the Notice of Meeting.
9. This proxy confers discretionary authority in respect of amendments to matters identified in the Notice of Meeting or other matters that may properly come before the Meeting.
10. This proxy should be read in conjunction with the accompanying documentation provided by management of the Company.
11. The shares represented by this proxy will be voted or withheld from voting in accordance with the instructions of the shareholder on any poll that may be called for, and if the shareholder has specified a choice in respect of any matter to be acted upon, the shares will be voted accordingly.

Turn over to complete the form ➔

CHECK OUT OUR WEBSITE at
www.advancedshare.com.au

- Check all holdings by using HIN/SRN
- Update your holding details
- Reprint various documents online

Insert shareholder details

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'x') should advise your broker of any changes.

Form of Proxy

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

PLEASE NOTE: This proxy is solicited on behalf of the management of Cardia Bioplastics Limited ACN 064 755 237 (the "Company") for use at the meeting of the shareholders of the Company to be held **at Patersons Securities, Level 15, Board Room, 333 Collins Street, Melbourne VIC 3000 on 7 April 2015 at 10.00am** (AEST) or any adjournment thereof (the "Meeting").

I/We being a member/s of Cardia Bioplastics Limited hereby appoint

☐ **the Chairman of the meeting** **OR** ______________________

PLEASE NOTE: If you leave the section blank, the Chairman of the Meeting will be your proxy.

or failing the individual(s) or body corporate(s) named, or if no individual(s) or body corporate(s) is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions at the Meeting and at any adjournment of that meeting.

If the Chairman of the meeting is my proxy and I have not directed them how to vote, I expressly authorise the Chairman to vote as the proxy sees fit. The Chairman of the Meeting intends to vote undirected proxies in favour of each Resolution.

If you have not appointed the Chairman of the Meeting as your proxy and you are appointing a second proxy please complete the following: Proxy 1 is appointed to represent __________% of my voting right and Proxy 2 is appointed to represent __________% of my total votes. My total voting right is __________ shares.

PLEASE NOTE: *If the appointment does not specify the proportion or number of votes that the proxy may exercise, each proxy may exercise half the votes.*

With respect to any amendment or variations to the matters identified in the Notice of Meeting and any other matters which may properly come before the Meeting, I/we confer discretionary authority on the person voting on behalf of me/us to vote as that person sees fit. At the time of printing this Form of Proxy, management knows of no such amendment, variation or other matter.

STEP 2 Items of Business

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

If you wish to indicate how your proxy is to vote, please tick the appropriate places below.		**FOR**	**AGAINST**	**ABSTAIN**
Resolution 1:	Change of Nature and Scale of Activities	☐	☐	☐
Resolution 2:	Issue of Consideration Securities to Vendors	☐	☐	☐
Resolution 3:	Issue of Shares to Sophisticated and Professional Investors	☐	☐	☐
Resolution 4:	Consolidation of Capital	☐	☐	☐
Resolution 5:	Ratification of Issue of Shares to Sophisticated and Professional Investors	☐	☐	☐
Resolution 6:	Change of Company Name	☐	☐	☐
Resolution 7:	Renewal of Proportional Takeover Provisions.	☐	☐	☐

If no choice is specified, the shareholder is conferring discretionary authority on the proxy to vote at his or her discretion.

SIGN Signing by member

This section **must** be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Member 1	**Member 2** (if joint holding)	**Member 3** (if joint holding)	
			/ /
Sole Director and Sole Secretary	**Director/Company Secretary**	**Director**	**Date**