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TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **26 February 2010**

HALF –YEAR REPORT 31st DECEMBER 2009

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

JOHN WILSON
Company Secretary

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CARDIA BIOPLASTICS LTD
AND ITS CONTROLLED ENTITIES

ACN 064 755 237

HALF-YEAR REPORT
31 DECEMBER 2009

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2009 Annual Report.

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Comparative figures being the half year ended 31 December 2008)

				$
Revenue from ordinary activities	Up	**290.00%**	to	**930,566**
Loss from ordinary activities after tax attributable to members	Up	**2,294.75%**	to	**(3,531,136)**
Net loss for the half year attributable to members	Up	**2,236.19%**	to	**(3,444,775)**

Dividends

It is not proposed to pay dividends.

NTA Backing

	Consolidated Entity	
	2009 $	2008 $
Net tangible asset backing per ordinary share	**0.0050**	0.0260

Associated Company

Name of entity	Bioglobal Ltd
Percentage holding	22.46% (31 Dec 2008 : 27.30%)
Share of profit / (loss) of the entity	**$ (140,359)** (31 Dec 2008 : $ 116,876)

Brief Explanation of the above figures

Increase in Revenue

The 290% increase in Revenue for the period compared to the corresponding period last year was due to increased sales by the Company's wholly owned subsidiary Cardia Bioplastics (Australia) Pty Ltd.

Increase in Loss

The major contributors to the loss for the period as announced to the market on 9th February 2010 were:

(i) Loss of $1,453,905 by Cardia Bioplastics (Australia) Pty Ltd and its controlled entities resulting from the expansion of its manufacturing facilities, product range and global distribution network after its acquisition by Cardia in March 2009.

(ii) Provision for impairment of the Company's Secured Loan to Aquenox of $1million together with accrued interest of $198,041.

(iii) Share of Bioglobal Limited (22.46% owned) losses of $140,359 compared with a profit share of $116,876 in the previous corresponding period (27.3% owned)

Directors:	Patrick John Volpe (Chairman) Frank Peter Glatz (Managing Director) John Scheirs Chen Yi
Company Secretary:	John Howden Wilson
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Share Registry:	Advanced Share Registry Ltd 150 Stirling Highway, Nedlands, Western Australia 6009 Telephone: + 61 8 93898033 Facsimile : + 61 8 9389 7871
Bankers:	National Australia Bank 110 Church Street RICHMOND VIC 3121
Auditors:	WHK Horwath Melbourne Level 32, 80 Collins Street MELBOURNE, VIC 3000
Lawyers:	Mills Oakley Lawyers St James Building Level 4,121William St, MELBOURNE, VIC 3000
Stock Exchange:	ASX Limited Level 5, Riverside Centre 123 Eagle Street BRISBANE QLD 4000

Your Directors submit the financial report of the economic entity for the half-year ended 31st December 2009.

DIRECTORS

The following persons were Directors of Cardia during or since the end of the half-year.

Patrick John Volpe
Frank Peter Glatz
John Scheirs
Chen Yi

REVIEW OF OPERATIONS

In the half year to 31 December 2009 Cardia's operations were focussed on its bioplastics business following the acquisition of Cardia Bioplastics (Australia) Pty Ltd (previously Biograde Limited) during the 2009 financial year and the change of the Company's name from Cardia Technologies Limited to Cardia Bioplastics Limited in the 2009 financial year.

Bioplastics Business

Cardia develops, manufactures and markets sustainable resins derived from renewable resources for use in the global packaging and plastic products industries.

During the half-year, Cardia has made considerable progress with business development and in-market testing with major packaging companies validating the company's products and generally positioning itself to take advantage of growing pressures worldwide to ban or tax the use of plastic bags.

During the period Cardia received its first overseas resin orders from its Asian and European distributors. In addition to its basic business resin sales to bag makers, the Company's business development activities have focussed on products for the flexible packaging industry with several large projects moving towards commercialisation.

With the global trend towards sustainable packaging Cardia provides customers with the choice of using sustainable Biohybrid resins or compostable resins. The Company's products are suitable for film, injection moulding, blow moulding, extrusion and coating applications.

In addition to the flexible packaging applications which include flexible film for food and non -food applications, shrink wrap, protective packaging films ,carrier bags, waste management bags and sacks, Cardia assists customers with the design ,development and production of ready to use finished goods such as film and bag products.

Biohybrid Films

During the period Cardia launched a new range of Biohybrid multilayer films which complied with the European community standard 2002/72 EC for food contact. This was the first application of Cardia's new film technology that provides multilayer films for the food industry.

Certification for Compostable film resins

The Company has strengthened its Compostable business by gaining third party certification to Australian Standard for Compostability of Packaging AS 4736 for its compostable film resin. The Certification Scheme is administered by the Australasian Bioplastics Association in co-ordination with the European DIN Certco Group.

Cardia's compostable materials already meet international standards for compostability including Europe's EN 13432, the USA's ASTM.D6400 and Japan's GreenPla.

Expansion of Chinese Facilities

The relocation to a larger site in Nanjing China during the period will enable the Company to double its manufacturing output of compostable and biohybrid resins and finished bioproducts.The new facilities has also enabled Cardia to expand its Product Development Centre enabling the Bioproducts team to better serve the global film and bag customers.

The Company's Chinese administration and sales team also relocated to the new Nanjing facility.

The production and quality processes at the new facilities have been recognised with ISO 9001 Quality Certification.

Global Applications Development Centre

The Centre in Melbourne Australia is in full operation providing global customers with advanced product testing, application development and packaging design. The Centre has also developed the Company's increased product range including the launch of the new biohybrid film concentrate during the period.

Corporate

Fund Raising

On 23 November 2009 the Company engaged Ardour Capital Investments LLC of New York as Corporate Advisor to assist Cardia to identify sophisticated and professional investors for an issue of ordinary shares up to a value of A$10 million.

On 30 December 2009 the Company's shareholders approved the issue of ordinary shares and options to raise up to A$10 million within 3 months.

At the date of this Report discussions were continuing with several parties but no firm arrangements have been concluded.

Divestment of Mineral Exploration Interests

Cam Bow Ltd ceased to be a wholly owned subsidiary of Cardia during the period upon successfully completing an entitlements issue to Cardia's shareholders and the raising of $1.87m before costs.

Cam Bow Ltd repaid its loans of $601,352 from Cardia from the proceeds of the issue.

Change of Auditor

At the Company's Annual General Meeting held on 30th November 2009 shareholders voted to remove Bentleys Melbourne Partnership as Auditor of the Company and appoint WHK Horwath as the replacement Auditor.

Investment Portfolio and Loans

P-Fuel Ltd

During the half-year Cardia acquired 7million ordinary shares in the capital of P-Fuel Ltd at 3 cents per share as a result of an underwriting agreement in relation to an issue of shares by that Company.

The Shares acquired represents 5.8% of the issued capital of P-Fuel.

P-Fuel is an unlisted Australian public company with the rights to market and distribute technology that converts waste plastics into diesel thereby "closing the loop" with its bioplastics business of producing sustainable resins from renewable resources for the global packaging and plastic products industries.

The Company's investment in P-Fuel complements its bioplastics business and the association is likely to help it offer clients an end-of-life cycle solution to waste plastics and diversion from landfills.

Bioglobal Limited

Cardia holds 22.46% of the issued capital of Bioglobal limited a Company which produces pest control products in the agriculture industry.

Aquenox Limited

Although divested in 2007 Cardia retains an interest in Aquenox Ltd –a water treatment and distribution company – through

1. Loans of $5,161,864 made prior to separation of the two companies, and
2. A loan of $1 million secured by a fixed and floating charge over the Aquenox business.

Both loans are fully impaired in Cardia's accounts as at 31 December 2009.

Negotiations are continuing between the two companies for a commercial agreement to settle the loans, but Cardia has no intention to control, manage, operate or provide further funding for the Aquenox business.

Natural Pharmacy Pty Ltd

Cardia has a 66% equity interest in Natural Pharmacy which has a royalty from the sales of natural and herbal products.

Pallane Medical Ltd (Formerly Dia-B Tech Limited)

Cardia holds 156,877 ordinary shares in this medical research company.

Apart from P-Fuel Ltd no new funds were invested in any of the above interests during the half-year and no funds are budgeted for them for the balance of 2010 financial year.

EVENTS SUBSEQUENT TO REPORTING DATE

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

KFC selects Cardia's Compostable bags

After comprehensive in-store trials completed in 2009 Cardia announced on 1st February 2010 that KFC had selected Cardia's compostable bags to replace their non-compostable bags in South Australia.

The South-Australian Government introduced a ban on non-compostable plastic bags in May 2009 and other Australian State Governments are looking to follow.

AUDITOR'S DECLARATION

The auditors' independence declaration under section 307C of the Corporations Act 2001 is set out on page8.

This report is signed in accordance with a resolution of the Directors made on 26 February 2010.

P.J. VOLPE
Director

Dated this 26 February 2010
Hawthorn, Victoria

WHK

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26th February 2010

The Directors
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HAWTHORN VIC 3122

AUDITOR'S INDEPENDENCE DECLARATION TO CARDIA BIOPLASTICS LIMITED AND CONTROLLED ENTITIES

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Cardia Bioplastics Limited and controlled entities.

As lead audit partner for the review of Cardia Bioplastics Limited and controlled entities for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully,

WHK HORWATH MELBOURNE

Peter Sexton
Partner

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Economic Entity	
	31/12/2009	31/12/2008
	$	$
Continuing Operations		
Revenue	**930,566**	238,602
Cost of Sales	**(821,835)**	-
Gross Profit	**108,731**	-
Other Income	**84,905**	-
Administrative Expenses	**(340,731)**	(106,581)
Employment Benefits	**(1,048,915)**	(308,855)
Marketing & Distribution Expenses	**(437,571)**	(58,944)
Research & Development Expenses	**(150,286)**	-
Depreciation & Amortisation	**(120,300)**	(2,062)
Provision for Impairment in Financial Assets	**(1,198,043)**	-
Other Expenses	**(257,467)**	(24,905)
Results from operating activities	**(3,359,677)**	(262,745)
Net Finance Costs	**(28,916)**	-
Share of net profit/(loss) of Associates (net of income tax)	**(140,359)**	116,876
Loss before income tax	**(3,528,952)**	(145,869)
Income Tax Expense	**-**	-
Loss from continuing operations	**(3,528,952)**	(145,869)
Gain on deconsolidation of subsidiary	**86,361**	-
Loss for the period after tax	**(3,442,591)**	(145,869)
Other comprehensive income		
Foreign currency translation differences for foreign operations	**(183,891)**	-
Net change in fair value of available for sale financial assets	**-**	(59,613)
Share of other comprehensive income of associates	**222**	380,140
Foreign currency exchange movements to Capital Reserve	**(1,416)**	-
Income tax on other comprehensive income	**-**	-
Total comprehensive income for the period	**(3,627,676)**	174,658
(Loss)/Profit from continuing operations attributable to:		
Members of the Company	**(3,531,136)**	(147,453)
Minority Equity Interest	**2,184**	1,584
Loss from continuing operations	**(3,528,952)**	(145,869)
(Loss)/Profit attributable to :		
Members of the Company	**(3,444,775)**	(147,453)
Minority Equity Interest	**2,184**	1,584
Loss for the period after tax	**(3,442,591)**	(145,869)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2009 (CONTINUED)

Total comprehensive income attributable to :		
Members of the Company	**(3,629,860)**	173,074
Minority Equity Interest	**2,184**	1,584
Total comprehensive income for the period	**(3,627,676)**	174,658

Earnings per share		
From continuing and discontinued operations		
-Basic earnings per share (cents per share)	**(0.55)**	(0.05)
-Diluted earnings per share (cents per share)	**(0.55)**	(0.05)
From continuing operations		
-Basic earnings per share (cents per share)	**(0.57)**	(0.05)
-Diluted earnings per share (cents per share)	**(0.57)**	(0.05)

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Economic Entity	
	31/12/2009	30/06/2009
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**978,983**	3,820,677
Trade and other receivables	**476,977**	312,998
Prepayments	**39,891**	55,912
Inventories	**644,408**	536,228
TOTAL CURRENT ASSETS	**2,140,259**	4,725,815
NON-CURRENT ASSETS		
Investments accounted for using the equity method	**795,703**	935,840
Plant and equipment	**728,651**	665,173
Financial assets	**210,000**	1,145,473
Intangible assets	**6,826,462**	6,902,749
Other non current assets	**-**	473,681
TOTAL NON-CURRENT ASSETS	**8,560,816**	10,122,916
TOTAL ASSETS	**10,701,075**	14,848,731
CURRENT LIABILITIES		
Trade and other payables	**414,489**	1,101,990
Short-term provisions	**97,474**	114,953
TOTAL CURRENT LIABILITIES	**511,963**	1,216,943
TOTAL LIABILITIES	**511,963**	1,216,943
NET ASSETS	**10,189,112**	13,631,788
EQUITY		
Issued capital	**31,163,621**	30,978,621
Reserves	**1,635,555**	1,820,640
Accumulated losses	**(22,664,465)**	(19,219,690)
Parent entity interest	**10,134,711**	13,579,571
Minority equity interest	**54,401**	52,217
TOTAL EQUITY	**10,189,112**	13,631,788

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2009

	Issued Share Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Capital Reserve	Minority Interests	Total Equity
	$	$	$	$	$	$	$	$
Balance at *1.7.2008*	22,427,510	(15,454,799)	-	-	(101,645)	-	48,535	6,919,601
Shares/Options issued during the period	-	-	420,831	-	-	-	-	420,831
Total comprehensive income for the period	-	(147,453)		-	320,527	-	1,584	174,658
Balance at *31.12.2008*	22,427,510	(15,602,252)	420,831	-	218,882	-	50,119	7,515,090
Balance at *1.7.2009*	**30,978,621**	**(19,219,690)**	**1,461,689**	**(273,730)**	**636,468**	**(3,787)**	**52,217**	**13,631,788**
Shares/Options issued during the period	**185,000**	-	-	-	-	-	-	**185,000**
Total comprehensive income for the period	-	**(3,444,775)**	**-**	**(183,891)**	**222**	**(1,416)**	**2,184**	**(3,627,676)**
Balance at *31.12.2009*	**31,163,621**	**(22,662,465)**	**1,461,689**	**(457,621)**	**636,690**	**(5,203)**	**54,401**	**10,189,112**

The accompanying notes form part of these financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2009

	Economic Entity	
	31/12/2009	31/12/2008
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and service tax)	**690,115**	-
Payments to suppliers and employees (inclusive of goods and service tax)	**(3,061,119)**	(569,515)
Interest received	**13,561**	164,731
Net cash used in operating activities	**(2,357,443)**	(404,784)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	**(170,455)**	-
Exploration Expenditure	**-**	(14,065)
Investments in Financial Assets	**(210,000)**	-
Loans to other parties	**(1,213)**	(300,000)
Loan repaid by other parties	**601,352**	-
Disposal of Cash on Deconsolidation of Subsidiary	**(703,935)**	-
Net cash used in investing activities	**(484,251)**	(314,065)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	**-**	420,831
Net cash provided by financing activities	**-**	420,831
Net decrease in cash held	**(2,841,694)**	(298,018)
Cash at ***1 July 2009***	**3,820,677**	5,442,550
Cash at ***31 December 2009***	**978,983**	5,144,532
Non-Cash Financing and Investing Activities		
2008: In August 2008 the Company announced the issue of 262,647,757 new options exercisable at 10 cents each by 30 June 2011.Of these 165,703,125 options were issued free to all shareholders resident in Australia and New Zealand on a 3:5 basis.		
2009: In August 2009, the Company has issued 6,700,000 fully paid ordinary shares to the employees as per the terms of their employment contracts.	**185,000**	-

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Cardia Bioplastics Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

Accounting Standards not Previously Applied

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expenses not recognised in profit or loss are now disclosed as components of 'other comprehensive income' .In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the separate income statement /single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard.

Operating Segments

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliation of such management information to the statutory information contained in the interim financial report have been included.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going Concern Assumption

The economic entity's revenue from sales has been insufficient to cover operational costs of the business. As a result, the company experienced operating losses in prior years as well as during the period to 31 December 2009 however its continuing viability and its ability to continue as a going concern and meet its debts and commitments as they fall due are subject to the company being successful in:

- accessing additional capital –the company raised $2,160,000 in additional capital in May 2009 and is planning to raise additional funds in 2010.
- establishing greater revenue from its current activities.

The Directors are confident that the Company will be successful in the above matters and accordingly have prepared the Financial Report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Half -Year Report at 31 December 2009.

Reporting Basis and Conventions

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Cardia Bioplastics Limited whereby Cardia Bioplastics Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charges for current income tax expense are based on the profit for the half- year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

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

(d) Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables
Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities
Non-derivative financial liabilities are recognized at amortized cost, comprising original debt less principal payments and amortisation.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

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

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

(h) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.
Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

(j) Intangibles

Goodwill
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life .

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasible studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.
Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign Currency Transactions and Balances

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

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

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.
Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

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

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(l) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(m) Provisions

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

(n) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(o) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.
Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.
Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight –line basis.

(r) Comparative Figures

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

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates- Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of plant and equipment.

Key Judgements- Doubtful Debts Provisions

Other than providing for impairment of $1,198,043 for Secured loan of $1million to Aquenox Limited and $198,043 accrued interest thereon, there were no significant key judgements made by the Directors.

NOTE 2: LOSS BEFORE INCOME TAX

	31/12/09 $	31/12/08 $
The loss before income tax has been arrived at after considering the following items of expenses		
Expenses		
Cost of sales	**821,835**	-
Rental expense on operating lease		
- minimum lease payments	**74,507**	11,250
Research and development expenses	**150,286**	-
Provision for impairment in financial assets	**1,198,043**	-

NOTE 3: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

The business segments of the consolidated entity continued to be five business divisions namely:

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

After acquisition of Cardia Bioplastics (Australia) Pty Ltd (formerly Biograde Limited) under the Environmental Technology business segment of the Group and Bioplastics business being the current focus of the Group, the Group has identified its operating segments on that basis. Operating segments are based on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

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

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

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

The following operating segments have been identified

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

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Types of products and services by segment

(i) Manufacturing Division

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

Manufacturing segment is also responsible for distribution and sales of products locally due to better management of logistics and knowledge of local market.

The distribution segment also receives products from the manufacturing segment and is invoiced accordingly.

(ii) Distribution Division

The distribution segment distributes Company's manufactured stock items both domestically and internationally.

(iii) Corporate Division

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

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

Segment assets

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

Segment liabilities

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

NOTE 3: OPERATING SEGMENTS (CONTINUED)

Unallocated items

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

- Non –recurring items of revenue or expense
- Goodwill on acquisition

Comparative information

This is the first reporting period in which AASB 8 has been adopted. Due to change in structure of the entity's internal organisation resulting from Cardia's merger in March 2009 with its now wholly owned subsidiary Cardia Bioplastics (Australia) Pty Ltd, the above reportable segments have been identified for the first time and consequently comparative information for the corresponding period of 6 months to December 2008 has been restated to conform to the requirements of the Standard.

NOTE 3: OPERATING SEGMENTS (CONTINUED)

SEGMENT INFORMATION
SEGMENT PERFORMANCE

Six months ended 31.12.2009	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Revenue				
External Sales	748,096	182,469	-	930,565
Inter –segment sales	204,678	-	-	204,678
Interest revenue	2,171	33	63,925	66,129
Other Income	-	14	18,762	18,776
Total Segment Revenue	**954,945**	**182,516**	**82,687**	**1,220,148**
Reconciliation of segment revenue to group revenue				
Inter-segment elimination				(204,678)
Total Group Revenue				**1,015,470**
Segment Net Profit/(Loss) before Tax	**(352,876)**	**(982,573)**	**(2,073,203)**	**(3,408,652)**
Reconciliation of segment result to group net profit/(loss) before tax				
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(96,293)	(22,179)	(1,828)	(120,300)
Net Profit before tax from continuing operations				**(3,528,952)**
- Gain on Deconsolidation of subsidiary			86,361	86,361
Net Profit for the Period				**(3,442,591)**

NOTE 3: OPERATING SEGMENTS (CONTINUED)

SEGMENT PERFORMANCE

	Manufacturing Division	Distribution Division	Corporate	Total
Six months ended 31.12.2008	**$**	**$**	**$**	**$**
Revenue				
External Sales				
Inter – segment sales				
Interest revenue	-	-	231,505	231,505
Other Income	-	-	7,097	7,097
Total Segment Revenue	-	-	238,602	238,602
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	-	-	-	-
Total Group Revenue	-	-	238,602	238,602
Segment Net Profit/ (Loss) before Tax	-	-	(143,807)	(143,807)
Reconciliation of segment result to group net profit/loss before tax				
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation			(2,062)	(2,062)
Net Profit before tax from continuing operations				**(145,869)**

NOTE 3: OPERATING SEGMENTS (CONTINUED)
SEGMENT ASSETS

AS AT 31.12.2009	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	1,944,903	5,843,877	13,279,158	21,067,938
Segment asset increases for the period				
- Capital expenditure	97,023	72,448	984	170,455
Included in segment assets are				
- Equity accounted associates	-	-	795,703	795,703
Reconciliation of segment assets to group assets				
Inter-segment eliminations	(122,975)	(5,108,757)	(11,493,973)	(16,725,705)
Segment Assets after inter-segment eliminations	**1,821,928**	**735,120**	**1,785,185**	**4,342,233**
Unallocated assets				
- Goodwill	-	-	-	6,358,842
Total Group Assets				**10,701,075**

AS AT 30.06.2009	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	1,940,206	5,440,761	15,990,142	23,371,109
Segment asset increases for the period				
- Capital expenditure	11,792	107,808	-	119,600
- Acquisitions	-	-	7,718,954	7,718,954
Included in segment assets are				
- Equity accounted associates	-	-	935,840	935,840
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(4,357,971)	(10,523,249)	(14,881,220)
Segment Assets after inter-segment eliminations	**1,940,206**	**1,082,790**	**5,466,893**	**8,489,889**
Unallocated assets				
- Goodwill	-	-	-	6,358,842
Total Group Assets				**14,848,731**

NOTE 3: OPERATING SEGMENTS (CONTINUED)

SEGMENT LIABILITIES

	Manufacturing Division	Distribution Division	Corporate	Total
AS AT 31.12.2009	**$**	**$**	**$**	**$**
Segment Liabilities	812,926	5,733,765	251,380	6,798,071
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(688,778)	(5,595,248)	(2,082)	(6,286,108)
Total Group Liabilities				**511,963**

	Manufacturing Division	Distribution Division	Corporate	Total
AS AT 30.06.2009	**$**	**$**	**$**	**$**
Segment Liabilities	290,416	4,527,624	1,085,195	5,903,235
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(134,194)	(4,021,313)	(603,210)	(4,686,292)
Total Group Liabilities				**1,216,943**

NOTE 3: OPERATING SEGMENTS (CONTINUED)

REVENUE BY GEOGRAPHICAL REGION	31 DECEMBER 2009	31 DECEMBER 2008
	$	$
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	123,182	238,602
China	719,000	-
Rest of Asia	25,266	-
USA	42,305	-
Europe	20,812	-
Total Revenue	**930,565**	**238,602**

ASSETS BY GEOGRAPHICAL REGION	31 DECEMBER 2009	30 JUNE 2009
	$	$
The location of segment assets by geographical location of assets is disclosed below:		
Australia	8,803,740	12,625,202
Africa	-	473,681
China	1,897,335	1,749,848
Total Assets	**10,701,075**	**14,848,731**

MAJOR CUSTOMERS

The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for 20.5% of external revenue. The next two significant customers accounted for 9.24% and 6.9% of external revenue respectively.

NOTE 4: DIVIDENDS

It is not proposed to pay dividends.

NOTE 5 : DECONSOLIDATION OF SUBSIDIARY

Following the successful completion of capital raising of approx $1.8million through non-renounceable offer of shares in Cam Bow Limited to Cardia shareholders, Cam Bow Limited was separated out of Cardia.

The Gain on Deconsolidation of the Subsidiary of $ 86,361 showing in the Income Statement is the accumulated losses of Cam Bow Limited which have been consolidated in Cardia's Balance-Sheet up until 22 September 2009 after elimination of intra-group transactions. The details are produced below

NOTE 5 : DECONSOLIDATION OF SUBSIDIARY (CONTINUED)

	31/12/2009 $	30/06/2009 $
Revenue	126	-
Expenses	(83,803)	(2,684)
Loss before income tax	**(83,677)**	**(2,684)**

The net cash flows of the deconsolidated subsidiary which have been incorporated into the statement of cash flows are as follows

	31/12/2009 $	30/06/2009 $
Net cash inflow from operating activities	(24,263)	116
Net cash inflow/(outflow) from investing activities	(983)	(473,681)
Net cash inflow from financing activities	601,394	-
Net cash increase/(decrease) in cash generated by deconsolidated subsidiary	**576,148**	**(473,565)**

Assets and Liabilities of subsidiary held at disposal date were:

		2009
		$
Assets		
Cash & Bank Balance		703,935
Trade & Other Receivables		16,535
Non Current assets-Exploration Expenditure		468,278
Plant & Equipment		954
Total Assets		1,189,702
Liabilities		
Payables		1,276,063
Total Liabilities		1,276,063
Net Assets		(86,361)

NOTE 6: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

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

KFC selects Cardia's Compostable bags

After comprehensive in-store trials completed in 2009 Cardia announced on 1st February 2010 that KFC had selected Cardia's compostable bags to replace their non-compostable bags in South Australia.

The South-Australian Government introduced a ban on non-compostable plastic bags in May 2009 and other Australian State Governments are looking to follow.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 9 to 30.

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

b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date.

In the Directors' opinion there are reasonable grounds to believe that Cardia Bioplastics Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors made on 26 February 2010.

P J VOLPE
Director

Dated this 26th day of February 2010.
Hawthorn, Victoria

WHK

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Independent Auditor's Review Report

To the Members of Cardia Bioplastics Limited

We have reviewed the accompanying half-year financial report of Cardia Bioplastics Limited and controlled entities ("Consolidated entity") which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the director's declaration.

Director's Responsibility for the Half-Year Financial Report
The directors of Cardia Bioplastics Limited ("Company") are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express a conclusion on the half-year financial reported based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim Financial Report Performed by the Independent Auditor of the Entity in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 'Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Cardia Bioplastics Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
(b) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

WHK HORWATH MELBOURNE

Peter Sexton
Partner

Dated: 26th February 2010