

ASX CODE : CNN

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**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 3 September 2014

**DESPATCH OF DOCUMENTATION TO HOLDERS OF LESS THAN
MARKETABLE PARCELS**

Cardia Bioplastics Limited would like to advise that further to the announcement made on 22 August 2014, the documentation containing letter, terms and conditions and share retention form has now been despatched to eligible shareholders.

A copy of documentation is attached.

Rekha Bhambhani
Company Secretary

3 September 2014

Dear Shareholder

Sale of small Cardia shareholdings

Cardia Bioplastics Limited (Cardia) has many shareholders, like you, who hold a small number of ordinary shares. We know that those shares may be difficult or expensive to sell.

We have decided to offer you a convenient way to sell your Cardia ordinary shares, through a Share Sale Facility (Share Sale Facility) at a market price and free of charge. There are also benefits for Cardia. By reducing the number of shareholders with small holdings, Cardia is better able to manage its share registry administration costs.

This Sale Facility is available to shareholders who held fewer than 166,666 Cardia shares, and valued at less than \$500, on the Record Date of **21 August 2014**. This is based on the Australian Securities Exchange (ASX) closing price of \$0.003 (0.3 cents) per share.

As a shareholder within this category as at the Record Date, you are eligible to have your shares sold by the Company under this facility.

[Your Shareholdings on the Record Date of 21 August 2014 are shown on your enclosed Share Retention Form.](#)

If you DO NOT WANT your shares to be sold:

- **Complete the enclosed Retention of Shares form and return it to the Share Registry by 5.00pm (AEST) on 16 October 2014 by mail to the address shown on the form.**

If we do not hear from you by the Closing Date of the offer on 16 October 2014, Cardia will sell your shares and the proceeds will be paid to you within 10 business days after the last sale.

We are able to offer this facility under clause 2.10 of the Cardia's Constitution and the ASX Listing Rule 15.13. The sale of your shares will take place shortly after the Closing Date of 16 October 2014.

Full details of the offer are shown in the enclosed Terms & Conditions.

If you have any further questions about this offer please contact Advancedshare Registry on **+61 8 9389 8033** or the Company Secretary on **+61 3 9562 0122**.

Yours faithfully

Rekha Bhambhani
Company Secretary

1. Small shareholding Sale Facility (Sale Facility)

Cardia Bioplastics Limited (Cardia) is conducting a Sale Facility for shareholders who hold less than marketable parcels of ordinary shares. The Sale Facility will be conducted under Clause 2.10 of the Cardia Constitution and the Australian Securities Exchange (ASX) Listing Rule 15.13. The Sale Facility provides Eligible Shareholders (see section 3 below) with an opportunity to have their small shareholding of fully paid ordinary shares in Cardia (Ordinary Shares) sold in the ordinary course of trading on ASX without incurring the normal fees associated with selling Ordinary Shares through the ASX, as Cardia will pay all fees of the Sale Facility. Cardia has appointed a broker (Broker) to sell Ordinary Shares on ASX under the Sale Facility.

If you want Cardia to **SELL** your Ordinary Shares and send your proportion of sale proceeds to you under the Sale Facility, you do not need to do anything.

This document, in conjunction with the attached letter and the personalised Share Retention Form, is a Notice for the purposes of Clause 2.10(a) of the constitution of Cardia (Constitution) which allows divestment of small parcels of Ordinary Shares.

If you want to **KEEP** your Cardia Ordinary Shares you must complete the enclosed Share Retention Form and return it in accordance with the instructions on the form so it is received by no later than 5.00pm (AEST) on 16 October 2014 (the Share Sale Facility Closing Date).

If you do NOT return the enclosed Share Retention Form by the Share Sale Facility Closing Date, your Ordinary Shares **WILL BE SOLD** by Cardia.

2. Reason for the Sale Facility

Cardia values all shareholders, however Cardia also recognises that holders with small holdings of Ordinary Shares may find it difficult or expensive to dispose of their Ordinary Shares in the usual way. Further, as Cardia incurs administrative fees for maintaining shareholder accounts and distributing shareholder communications, irrespective of the number of Ordinary Shares held, the Sale Facility will assist Cardia to reduce its administrative costs.

3. Eligible Shareholders

Eligible shareholders are those holding a less than marketable parcel of Ordinary Shares (as defined in section 4 below) as at 7.00pm (AEST) on **21 August 2014** (the Record Date) (Eligible Shareholders). Only Eligible Shareholders will be sent a letter and Share Retention Form from Cardia advising them of their eligibility to participate in the Sale Facility. This letter and the Share Retention Form will be sent to the address registered on the shareholding at the Record Date.

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4. Less than marketable parcel of Ordinary Shares.

The ASX considers a less than marketable parcel to be a holding worth less than \$500. Based on the closing price of Ordinary Shares on the Record Date, a less than marketable parcel is a holding of 166,666 Ordinary Shares or less.

5. Sale Facility participation

From 3 September 2014, Eligible Shareholders may elect whether or not to participate in the Sale Facility, Cardia makes no recommendation as to whether you should sell your Ordinary Shares under the Sale Facility.

If you participate in the Sale Facility, Cardia will pay the brokerage and handling fees for the sale of your Ordinary Shares.

If you want to **KEEP** your Cardia Ordinary Shares you must complete the enclosed Share Retention Form and return it in accordance with the instructions on the form so it is received by no later than 5.00pm (AEST) on 16 October 2014 (the Share Sale Facility Closing Date).

If you want Cardia to **SELL** all of your Ordinary Shares under the Sale Facility and remit to you the proceeds of sale of your Ordinary Shares (Sale Proceeds), you do not need to do anything.

If you do nothing then Cardia will sell all of your Ordinary Shares under the Sale Facility and remit the sale proceeds to you.

Cardia will not sell your Ordinary Shares under the Sale Facility if:

- you acquire additional Ordinary Shares that increases the number of Ordinary Shares in your shareholding on the register to be 166,666 Ordinary Shares or more (ie so that you no longer have a less than marketable parcel of Ordinary Shares) before market close on 16 October 2014;

This Sale Facility is not the only way to sell your Ordinary Shares as you can also sell your Ordinary Shares through the ASX by contacting a broker. If you do that, you may incur fees and costs for that sale.

You should seek independent legal, tax, and financial advice specific to your circumstances when determining whether to participate in the Sale Facility, or to otherwise retain or sell your Ordinary Shares.

6. To keep your Cardia Ordinary Shares

If you wish to **KEEP** your Ordinary Shares you have the following options:

- you must complete the enclosed Share Retention Form and return it in accordance with the instructions on the form so it is received by no later than 5.00pm (AEST) on 16 October 2014; OR

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- you must increase the number of Ordinary Shares you hold, by either:
 - purchasing further Ordinary Shares on market so that the number of shares you hold, in your shareholding account on the register, is 166,666 Ordinary shares or more before market close on 16 October 2014; OR
 - If you hold more than \$500 worth of Ordinary Shares but your holding is split between two or more shareholding accounts, provided the Ordinary Shares are held in the same name, you must combine your holding into one account before 5.00pm (AEST) on 16 October 2014.

If you take one of these steps by 5.00pm (AEST) on 16 October 2014 (the Share Sale Facility Closing Date), Cardia will not sell your Ordinary Shares. The Sale Facility expires on that date.

If you do not take one of these steps before 5.00pm (AEST) on 16 October 2014, Cardia will sell all of your Ordinary Shares under the Sale Facility, pursuant to Clause 2.10 of the Cardia Constitution and the provisions of ASX Listing Rule 15.13.

7. Process for selling Ordinary Shares in the Sale Facility

If you use the Sale Facility, you cannot specify the process by which, or price at which, your Ordinary Shares will be sold.

The shares will be sold on the ASX in the ordinary course of trading, by Cardia's appointed Broker. Your parcel of Ordinary Shares may be split and/or aggregated with other parcels of Ordinary Shares to be sold under the Sale Facility.

The sale of Ordinary Shares by the Broker on the ASX is expected to take place as soon as practicable after 16 October 2014 (the Share Sale Facility Closing Date). You cannot specify the date on which your Ordinary Shares will be sold.

Cardia discretion

Cardia reserves the right to vary, delay or terminate the above process, including if market or other conditions are such that Cardia considers that adhering to the process described above may have a material impact on the price at which ordinary shares trade on ASX or if Cardia's directors believe that a more favourable price can be achieved for your ordinary shares by a different sale process. Cardia has discretion to make decisions regarding administration and calculations under the Sale Facility. These discretions are subject to applicable laws, the ASX Listing Rules and the provisions of the Cardia Constitution.

Advancedshare Registry's role

Cardia has appointed Advancedshare Registry Limited (**ASW**) as its agent to carry out some of its obligations under these Terms and Conditions. Cardia and **ASW** are not giving, and are not obliged to give, any advice to you. These Terms and Conditions do not constitute advice or a recommendation to sell or hold your Ordinary Shares, nor that this Sale Facility is the best way to sell your Ordinary Shares.

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Special authorisations for Cardia to do things necessary for the Sale Facility

Cardia is irrevocably authorised, without further notice, by each Eligible Shareholder which participates in the Sale Facility (each a Participating Shareholder) to do all things (including to engage any third party (including brokers), receive all notices (including the Financial Services Guide and any update of that document) which the Broker is required to provide under the Corporations Act 2001 Cth and execute all documents, including to effect any holding adjustment, securities transformation, securities transfer or other transmission or transaction in relation to an Eligible Shareholder's less than marketable parcel of Ordinary Shares, such as converting a CHESS holding to an issuer sponsored holding) to facilitate and administer the sale of the Ordinary Shares under the Sale Facility.

IF YOU DO NOT RETURN A SHARE RETENTION FORM, YOU ARE TAKEN TO HAVE AGREED TO THESE AUTHORISATIONS.

8. Important information - Sale Price of Ordinary Shares

The Sale Price under the Sale Facility will be influenced by market conditions prevailing at the time. It may be different to the price appearing in the newspaper or quoted by ASX on any day, and may be more or less than the actual price that is received by the Broker for the sale of that parcel of Ordinary Shares.

The Sale Price may be more or less than the actual market price at the time of sale and may not be the best price obtainable on the day on which the Ordinary Shares are sold or over the period in which the Ordinary Shares are sold. The market price of Ordinary Shares is subject to change from time to time.

Up to date information on the price of Ordinary Shares can be obtained from the daily press or through the ASX website (www.asx.com.au) by looking up Cardia's code which is "CNN."

Disclaimers about pricing

None of Cardia, ASW or the Broker provides any assurance as to what the price of the Ordinary Shares on ASX will be or what Sale Price you will receive for your Ordinary Shares if you allow your Ordinary Shares to be sold through the Sale Facility.

The Sale Price of the Ordinary Shares will be calculated by Cardia or a third party appointed by Cardia and may not be challenged in the absence of manifest error.

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9. Price calculation and payment of sale proceeds

All Participating Shareholder who have their Ordinary Shares sold under the Sale Facility will receive the same price per Ordinary Share.

The price that you will receive for your Ordinary Shares sold through the Sale Facility may be an average price, and may differ from the actual sale proceeds for any individual Ordinary Share sold in the Sale Facility.

That average price is calculated based on the volume weighted average price based on the prices at which all Ordinary Shares in the Sale Facility were sold by the Broker in the ordinary course of trading on ASX (Sale Price).

Your Sale Proceeds will be calculated by multiplying the Sale Price by the number of your Ordinary Shares that were sold under the Sale Facility, rounded down to the nearest cent [for your aggregate parcel of shares].

The proceeds from the sale of your ordinary shares will be paid in Australian dollars by cheque made out to your name as shown in the Company's share register.

You will not receive any interest on any sale proceeds.

ASW will send you a transaction confirmation statement notifying you of the number of your Ordinary Shares sold through the Sale Facility, the Sale Price and the total Sale Proceeds you have received. You will need to keep these documents for your taxation records.

The relevant cheque and transaction confirmation statement will be sent by post, at your risk, to your address as shown on the Company's share register.

Cardia expects that these documents will be despatched within 10 business days after the settlement of the last sale under the Facility.

10. Ordinary Shares held through a broker holding

If you have a CHESS/Broker sponsored holding, your Ordinary Shares can still be sold under the Sale Facility. Cardia may, without further notice, move your Ordinary Shares to an issuer sponsored holding to be sold under the Sale Facility.

11. Tax on sale proceeds

Tax may be payable on any gains you make on the sale of your Ordinary Shares. This will depend on your personal taxation circumstances. Please consult your personal tax adviser if you have questions about your personal taxation circumstances.

12. Suspension, termination or re-scheduling of the Sale Facility

Cardia reserves the right to suspend or terminate the Sale Facility at any time, without notice to you, for any reason. Cardia also reserves the right to change any of the dates referred to in this letter by notice to the ASX.

In accordance with Clause 2.10 of the Cardia Constitution, the Facility will lapse if a takeover bid for the Company is announced before sales under the

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facility are completed, although it may be started again after the close of offers made under the takeover.

13. No financial advice and no recommendation

Cardia, ASW and the Broker are not giving, and are not obliged to give, any advice to you. These terms and conditions and the attached letter do not constitute advice or a recommendation to sell or retain your Ordinary Shares, nor a representation that participating in the Sale Facility is the best way to sell your Ordinary Shares.

14. Important disclosures by the Broker

The Sale Facility is being arranged by Cardia and not the Broker. In providing services to Cardia in connection with the Sale Facility, the Broker is acting as an execution only broker and is not providing any services on behalf of, for, or to you or assuming or accepting any duty (whether as fiduciary, agent, trustee, custodian or otherwise) or responsibility to you.

The Broker together with its affiliates is full service financial institution engaged in various activities, which may include trading, financial advisory, investment management, investment research, principal investment, hedging, market making, margin lending, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses, profits or other financial benefits. In the ordinary course of their various business activities, the Broker and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of Cardia and/ or its affiliates, and/or persons and entities with relationships with the Cardia and/or its affiliates.

15. More information

If you have any further questions about this offer please contact Advanced-share Registry on **+61 8 9389 8033** or the Company Secretary on **+61 3 9562 0122**.

SHARE RETENTION FORM- INSTRUCTIONS

Securityholders who wish to retain their Shares must lodge a Share Retention Form.

Number of Shares as at Record Date

This is the total number of Shares you held at 7.00 pm on 21 August 2014.

Retention of Shares

If you would like to retain your Shares, please mark the box on the front of the form and return it in accordance with the lodgment instructions below.

If this form is not received by that time, and you have not otherwise validly notified the Company that you wish to retain your Shares by that time, the Company will be entitled to have your Shares sold for you.

If you wish to sell your Shares under the Share Sale Facility, you should not complete this form.

Contact details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

Email Communications

Enter your email address. Your email address will be used to send you your shareholder communications electronically.

Signature(s)

You must sign and date the form as follows in the space provided:

Joint holding: where the holding is in more than one name all of the securityholders must sign.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Consolidation of shareholdings

If you have more than one holding on Cardia Bioplastics Limited's register and you do not want to sell your Shares under the Share Sale Facility, you should consider consolidating them. For further advice in this regard, please contact ADVANCED SHARE REGISTRY.

Lodgment of Form

If you wish to retain your Shares, this Share Retention Form must be completed and received by ADVANCED SHARE REGISTRY Perth **by no later than 5.00 pm (AEST) on Thursday, 16 October 2014**

It is your responsibility to allow sufficient time for this form to be received by ADVANCED SHARE REGISTRY.

Your Share Retention Form must be sent to the Company's share registry: Cardia Bioplastics Limited

C/: Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

Neither ADVANCED SHARE REGISTRY nor the Company accepts any responsibility if you lodge the Share Retention Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by ADVANCED SHARE REGISTRY, as registrar for the Company, for the purpose of effecting your instructions in relation to the Share Sale Facility, maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to the Company and its professional advisers, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by ADVANCED SHARE REGISTRY, or you would like to correct information that is inaccurate, incorrect or out of date, please contact ADVANCED SHARE REGISTRY. In accordance with the Corporations Act 2001(Cth), you may be sent material (including marketing material) approved by the Company in addition to general corporate communications. You may elect not to receive marketing material by contacting ADVANCED SHARE REGISTRY.

This form may not be used to notify your change of address. For information please contact ADVANCED SHARE REGISTRY on +61 8 9389 8033 or visit the share registry at <http://advancedshare.com.au>