

28th NOVEMBER 2014

ANNUAL GENERAL MEETING
HELD AT BENDEL ACCOUNTANTS & CONSULTANTS
11/409 ST KILDA ROAD,
MELBOURNE VIC 3000
CHAIRMAN'S ADDRESS

It is just over one year since the newly appointed Board of Cardia Bioplastics implemented the strategy to pursue finished product sales and to implement new production capabilities. The underlining aim of this strategy is to establish operations that deliver cash flows back into the business and enable the pull through of Cardia's proprietary resins.

The development of finished product revenue streams will enable Cardia's management to continue its valuable progress with strategic global customers who have been trialing Cardia's bioplastic resins for the purpose of developing a range of sustainability offerings for their customers.

The year has flown by fast and I am very pleased to report on what has been a year of significant achievement and a fundamental turnaround in Cardia' operations.

During the year we established a finished product manufacturing plant and relocated Cardia's existing resin manufacturing plant in China. We established a finished product manufacturing plant in Brazil and established a strong order book for finished product sales from a long list of retail customers across the globe.

Cardia's strategy of offering a broad range of finished products with differing levels of sustainability has differentiated our business from our competitors and is leading to a strong growth in sales and a rapid build up of our order book. If Cardia can maintain only a modest improvement on the current growth in sales then the prospect of achieving a positive cash flow position appears achievable in the short to medium term, however, this is subject to the available financial resources to support such growth.

Cardia's success during the year did not come without cost, however, large expenses including the relocation and establishment of new manufacturing plants in new regions

and purchasing new finished product machinery funded from cash reserves are not expected to be repeated at similar levels during 2015.

Cardia may choose to make smaller investments to expand machinery and production capability, however, even at current levels Cardia has the capability to generate stronger sales and revenues.

The new plants and machines have only recently become operational and the challenge facing Cardia will be to ensure it has the financial resources to support a significant growth in raw material requirements and to improve on production output performance.

The Board of Cardia is currently seeking funding to support the higher working capital requirements and to ensure all sales opportunities are achieved. If the full funding requirements are not met via debt facilities or equity raisings then the Board will seek to rationalise activities over the coming weeks.

In recent weeks we announced a significant strategic partnership and proposed merger with the Stellar Films Group. Our strategic partnership will allow us to develop high performance Biohybrid™ and Compostable films that are tailored to the global personal care market and are unique in their offering and their low carbon and sustainable benefits.

The merger will allow us to implement our strategy in a step approach instead of having to grow organically or from capital raisings which may result in an even higher dilutionary effect on our shareholders combined with a higher risk of not achieving the global footprint and operational benefits that are available via a merged entity with Stellar Films Group.

My assessment is that the challenge ahead will be to engender a cohesive international team, secure (and deliver against) profitable business, ensure efficient production and planning, contain the inevitable production inefficiencies (via strong QA disciplines), contain overheads and of course ensure the business generates sufficient funds to pay its way.

... which is exactly what we expect to achieve with Stellar.

We are at a turning point or possibly at a cross-road for our business and success will depend on the ongoing support of our shareholders and the ability for our management to continue to implement Cardia's strategy.

The market for sustainability is growing rapidly and incumbent plastics manufacturers are seeking to establish a sustainability proposition for their customers. Cardia has established a strong market position and stands to benefit from the growing trend to include greater renewable content in all plastic products around the world.

I would like to thank the many Shareholders that have supported the Board's strategy and I look forward to providing greater insight into the advantages on offer from our proposed merger with Stellar.

Richard Tegoni
Chairman