

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 23 November 2009

PROPOSED ISSUE OF NEW SECURITIES

The Board of Cardia Bioplastics Limited ("Cardia") advises that it has engaged Ardour Capital Investments LLC of New York, to assist it in identifying investors for the issue of such number of shares as is equal to the value of \$10 million.

The funds raised will be utilized for further expansion of Cardia's bioplastics business and for general working capital purposes.

The issue price of the new shares will be not less than 80% of the average market price for shares traded on the ASX over the consecutive 5 days immediately before the day of issue or agreement to issue the shares and for every 2 shares issued one free option will be issued at an exercise price of \$0.10 (10 cents) exercisable at any time up until 30 June 2011.

The new securities will be issued to sophisticated and professional investors who do not need disclosure under Section 708 of the Corporations Act and within 3 months of receiving shareholder approval at a General Meeting to be held on 30th December 2009 in accordance with ASX Listing Rule 7.1.

An Appendix 3B applying for quotation of the new securities will be lodged upon completion of the issue.

The Notice of the General Meeting to be held on Wednesday 30th December 2009 together with the accompany documents will be dispatched to shareholders on 25th November.

The Notice and accompanying documents are attached.

JOHN WILSON
Company Secretary



Cardia Bioplastics Limited™
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Victoria 3122, Australia

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CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

NOTICE OF GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting
Wednesday 30th December 2009

Time of Meeting
9.00am AEST

Place of Meeting
Suite 5.09
Level 5
737 Burwood Road
Hawthorn VIC 3122

CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING OF SHAREHOLDERS OF CARDIA BIOPLASTICS LIMITED (ACN 064 755 237) ("CARDIA OR THE COMPANY") WILL BE HELD AT SUITE 5.09, LEVEL 5, PACIFIC TOWER ,737 BURWOOD ROAD, HAWTHORN VICTORIA 3122 IN THE STATE OF VICTORIA ON WEDNESDAY 30TH DECEMBER 2009 AT 9.00am AEST.

An Explanatory Memorandum provides additional information on matters to be considered at the Meeting and should be read in its entirety. Certain terms used in this Notice have defined meanings and a glossary of defined terms is set out in Section 4 of the Explanatory Memorandum. The Explanatory Memorandum and the Proxy Form for the Meeting accompanying this Notice form part of this Notice.

AGENDA

Resolution 1: Approval and possible issue of shares

To consider and, if thought fit, pass the following Ordinary Resolution:

"THAT, in accordance with Listing Rule 7.1 and for all other purposes, shareholders approve the Directors to allot and issue up to such number of Shares as is equal to the value of \$10 million to sophisticated and professional investors on the terms and conditions set out in the Explanatory Memorandum which forms part of this Notice."

Note: A voting exclusion statement applies to this resolution. Please refer to Section 2 of the notes accompanying this Notice titled "Voting Exclusion Statement".

Resolution 2: Approval and possible issue of options

To consider and, if thought fit, pass the following Ordinary Resolution:

"THAT, subject to Resolution 1 being passed, and in accordance with Listing Rule 7.1 and for all other purposes, shareholders approve the Directors to allot and issue 1 free Option for every 2 Shares issued pursuant to Resolution 1 to sophisticated and professional investors at an exercise price of \$0.10 (10 cents) exercisable at any time up until 30 June 2011, and on exercise of the Options, the issue of a corresponding number of new Shares on the terms and conditions set out in the Explanatory Memorandum."

Note: A voting exclusion statement applies to this resolution. Please refer to Section 2 of the notes accompanying this Notice titled "Voting Exclusion Statement".

By Order of the Board of
Cardia Bioplastics Limited

John Wilson
Company Secretary
Dated: 20 November 2009

NOTES

These notes form part of the Notice of General Meeting.

1. Persons entitled to vote

The Directors have determined that for the purposes of voting at the Meeting shareholders are those persons who are the registered holders of Shares at 7.00 pm AEST on Monday 28th December 2009. Accordingly, security transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

2. Voting Exclusion Statement

Under Listing Rule 14.11 of the ASX Listing Rules, the Company will disregard any votes cast as follows:

Resolution	Description of Resolution	Disregard votes cast by
1	Approval and possible issue of Shares	Any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely and in the capacity of a holder of ordinary shares if the resolution is passed.
2	Approval and possible issue of Options	Any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely and in the capacity of a holder of ordinary shares if the resolution is passed.

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 chairman 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.

For the purposes of the voting exclusion statements, an associate is defined by sections 11 and 13-17 of the Corporations Act 2001 (Clth).

A person who votes in favour of the Resolutions will not be able to participate in the issue of the shares and options.

3. Majority Required

As both Resolutions are ordinary resolutions and subject to the terms of the Resolutions, the Resolutions will be passed if more than 50% of votes cast by shareholders entitled to vote on the Resolutions are cast in favour of the Resolutions.

4. Appointment of proxy

A proxy form is enclosed for your use if required. Please note the following in relation to the appointment of a proxy:

- A member who is entitled to attend and vote at the Meeting may appoint any person as his or her proxy to attend and vote for the member at the Meeting.
- If a member is entitled to cast two or more votes at the meeting, the member may appoint two proxies to attend on the same occasion. If two proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the member's votes.
- The appointment of the proxy may specify the proportion or number of votes that the proxy may exercise.
- A proxy need not be a member of the Company.
- If a proxy is given by a corporation, a form of proxy must be executed in writing under the common seal of the corporation or otherwise in accordance with Section 127 of the Corporations Act 2001(Cth) or signed by an attorney.
- If a proxy is given by a natural person, a form of proxy must be executed under the hand of that person or that person's attorney.
- For a proxy appointment to be effective, the Company must receive the following documents no later than 48 hours before the time appointed for the Meeting.
 - The proxy's appointment.
 - If the appointment is signed by the appointer's attorney – the authority under which the appointment was signed or a certified copy of the authority.
- Please send your completed proxy form to the Company via any of the following methods:
 - a. by delivery (by hand ,mail or courier) to the Company Secretary, Cardia Bioplastics Limited at its registered office

Suite 5.10 Level 5
737 Burwood Road
Hawthorn, VIC 3122
 - b. by fax to 03 98132668

5. Undirected Proxies

The Chairman of the Meeting intends to vote all undirected proxies in favour of both of the Resolutions proposed at the Meeting

6. Corporate Representatives

A body corporate, which is a member, may appoint an individual (by certificate executed in accordance with Section 127 of the Corporations Act 2001 (Cth) or in another manner satisfactory to the chair) as a representative to exercise all or any of the powers the body corporate may exercise at the Meeting. The appointment may be a standing one.

7. Necessary information

Information relevant to each Resolution is set out in the attached Explanatory Memorandum which forms part of this Notice.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders of the Company with information known to the Company to assess the merits of Resolutions 1 and 2 contained in the Notice of Meeting for the General Meeting to be held at Suite 5.09, Level 5, Pacific Tower ,737 Burwood Road, Hawthorn Victoria, 3122 in the state of Victoria on Wednesday 30th December 2009 at 9am AEST, and other information as required by the ASX Listing Rules or otherwise.

The Directors recommend that Shareholders read this Explanatory Memorandum, together with the Notice of Meeting, in their entirety before making any decision in relation to voting on the Resolutions contained in the Notice of Meeting. The information contained in this Explanatory Memorandum has been prepared by the Company and its Directors.

Capitalised terms used in this Explanatory Memorandum are defined in the Glossary in Section 4.

1. Background

The Company is seeking the power to issue further Shares and Options to raise funds for further expansion of its bioplastics business and for general working capital purposes. It is proposed that the Company will issue the following securities:

- (a) such number of Shares as is equal to the value of \$10 million to sophisticated and professional investors on the terms set out in this Explanatory Memorandum; and
- (b) for every 2 Shares that are issued under subclause (a) above, 1 free Option at an exercise price of \$0.10 (10 cents) and otherwise on the terms set out in this Explanatory Memorandum.

It is proposed that the Shares and Options pursuant to Resolutions 1 and 2 will be issued to sophisticated and professional investors within 3 months of receiving shareholder approval at the General Meeting.

The Company seeks shareholder approval under ASX Listing Rule 7.1 to issue and allot the Shares and Options pursuant to Resolutions 1 and 2.

2. Resolution 1: Approval of possible issue of Shares

2.1 Background

Pursuant to Resolution 1, the Company proposes to allot and issue up to such number of Shares as is equal to the value of \$10 million to sophisticated and professional investors. Sophisticated and professional investors are defined in the Glossary in Section 4.

2.2 Approval under ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a listed entity may not issue equity securities (including securities which are convertible into equity securities) in any 12 month period where the total number of equity securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except with the prior approval of members of the company in general meeting.

The Company provides the following information pursuant to ASX Listing Rule 7.3 in order to obtain approval under the ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued is such number of Shares as is equal to the value of \$10 million;
- (b) the issue price of the Shares will be not less than 80% of the average market price for Shares traded on the ASX over the consecutive 5 days immediately before the day of issue or agreement to issue the Shares;
- (b) the Shares issued under Resolution 1 will be issued progressively and within 3 months of receiving shareholder approval at the General Meeting (subject to any extensions that may be granted by ASX from time to time);
- (c) the terms of issue of the new Shares will be identical to the terms of the existing Shares;
- (d) the Shares will be allotted at the discretion of the Company taking into account the provisions of the ASX Listing Rules and the Corporations Act (and will only be offered to investors who do not need disclosure under section 708 of the Corporations Act and for which further approval is not required under ASX Listing Rule 10);
- (e) the funds raised will be utilised for further expansion of the Company's bioplastics business and for general working capital purposes; and
- (f) the identity of the allottees has not yet been determined. However the Company has retained a corporate adviser, Ardour Capital, to assist it in identifying investors who will be sophisticated and professional investors to whom disclosure is not required under the Corporations Act.

2.3 Directors' Recommendation

The Directors recommend that shareholders vote in favour of Resolution 1 and believe that it is in the best interests of shareholders and the Company.

2.4 Voting and Participation

In accordance with ASX Listing Rule 14.11, the Company will disregard votes cast by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely and in the capacity of a holder of ordinary shares if the resolution is passed.

3. Resolution 2: Approval of issue of Options

3.1 Background

Subject to Resolution 1 being passed, then pursuant to Resolution 2 the Company proposes to allot and issue 1 free Option for every 2 Shares issued pursuant to Resolution 1, at an exercise price of \$0.10 (10 cents) exercisable at any time up until 30 June 2011.

Shareholder approval is sought for the issue of the Options, and any subsequent exercise of the Options. Options will be issued to the same sophisticated and professional investors as the Shares under Resolution 1.

3.2 Approval under ASX Listing Rule 7.1

The Company seeks shareholder approval under ASX Listing Rule 7.1 in relation to the issue, and subsequent exercise of the Options to be issued pursuant to Resolution 2. The Company provides the following information pursuant to ASX Listing Rule 7.3 in order to obtain approval under ASX Listing Rule 7.1:

- (a) the maximum number of Options to be issued will be equal to half the number of Shares issued pursuant to Resolution 1;
- (b) the Options issued under Resolution 2 will be issued progressively at the same time the Shares are issued under Resolution 1, and within 3 months of receiving shareholder approval at the General Meeting (subject to any extensions that may be granted by ASX from time to time);
- (c) the Options shall be issued for nil consideration with an exercise price of \$0.10 (10 cents) exercisable at any time up until 30 June 2011;
- (d) the terms of the Options are as follows:

- i. The Options are exercisable at any time prior to 5.00pm EST on 30 June 2011 ("the Expiry Date"). Options not exercised on or before the Expiry Date will automatically lapse.
 - ii. The Options may be exercised wholly or in part by completing an application form for Shares ("Notice of Exercise") and delivering it to the Company's Registered Office at any time prior to the Expiry Date.
 - iii. The Options entitle the holder to subscribe (in respect of each Option held) for a Share at an **exercise price per Option of 10 cents**.
 - iv. Upon the exercise of the Options and receipt of all relevant documents and payment, Shares will be issued ranking pari passu with the then issued Shares. The Company will apply to ASX to have the Shares granted official quotation.
 - v. A summary of the terms and conditions of the Options including the Notice of Exercise is sent to all holders of Options when the initial holding statement is sent.
 - vi. There are no participating entitlements inherent in the options to participate in new issues of capital, which may be offered to shareholders during the currency of the Options. Prior to any new pro rata issue of securities to shareholders, holders of Options will be notified by the Company and will be afforded at least 12 Business Days before the record date (to determine entitlements to the issue), to exercise Options.
 - vii. In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date the number of Options or the exercise price of the Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on holders of Options which are not being conferred on shareholders and (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital), in all respects the terms of the exercise of Options shall remain unchanged.
 - viii. The Options may be transferred at any time prior to the Expiry Date.
 - ix. Shares issued pursuant to the exercise of an Option will be issued not more than 14 days after receipt of the Notice of Exercise.
- (e) the Options will be allotted to sophisticated and professional investors who are issued Shares under Resolution 1, at the discretion of the Company and taking into account the provisions of the ASX Listing Rules and the Corporations Act. Resolution 1 states that the Shares will be issued to investors who do not need disclosure under section 708 of the Corporations Act and for which further approval is not required under ASX Listing Rule 10;
- (f) the identity of the allottees has not yet been determined. However as noted in Resolution 1 the Company has retained a corporate adviser, Ardour Capital, to assist it in identifying investors who will be sophisticated and professional investors to whom disclosure is not required under the Corporations Act.

3.3 Directors' Recommendation

The Directors recommend that shareholders vote in favour of Resolution 2 and believe that it is in the best interests of shareholders and the Company.

3.4 Voting and Participation

In accordance with ASX Listing Rule 14.11, the Company will disregard votes cast by any person (and their associates) who may participate in the proposed issue and any person (and their associates) who might obtain a benefit, except a benefit solely and in the capacity of a holder of ordinary shares if the resolution is passed.

4. Glossary

AEST means Australian Eastern Standard Time.

ASX means the ASX Limited ACN 008 624 691.

ASX Listing Rules means the Listing Rules of ASX.

Company means Cardia Bioplastics Limited ACN 064 755 237.

Corporations Act means the Corporations Act 2001 (Clth).

Director means a director of the Company.

GM and **General Meeting** mean the general meeting of the Company to consider the Resolutions scheduled to be held on the date set out in the Notice of Meeting.

Explanatory Memorandum means this Explanatory Memorandum and the attached Notice of Meeting, which should be read together.

Notice of Meeting means the notice of meeting for the General Meeting of Shareholders to be held on Wednesday 30th December 2009 in relation to the Resolutions set out in the notice of meeting which is attached to this Explanatory Memorandum and should be read with it.

Option means an option to purchase a Share in the Company.

Resolutions means the resolutions set out in the Notice of Meeting and further explained in this Explanatory Memorandum.

Shares mean fully paid ordinary shares in the Company which rank equally and have identical rights to all other existing ordinary shares on issue in the Company.

Sophisticated and Professional Investors. If an offer of securities requires disclosure to investors under of the Corporations Act then a disclosure document such as a Prospectus, Offer Information Statement or Profile Statement must be issued, unless either section 708 or section 708AA apply and provide that an offer does not need disclosure.

Sophisticated and Professional Investors are investors who do not need disclosure under Section 708 and have the meaning given to them in the Act.

CARDIA BIOPLASTICS LIMITED

(ACN 064 755 237)

PROXY FORM

The Company Secretary
Cardia Bioplastics Limited
Suite 5.09, Level 5
737 Burwood Road
Hawthorn Victoria 3122

I/We (name of shareholder).....

Of (address).....

Being a member/members of Cardia Bioplastics Limited Hereby Appoint:

(Name).....

of (Address).....

and/or failing him (Name).....

of (Address).....

or failing that person then the Chairman of the General Meeting as my/our proxy to vote for me/us and on my/our behalf at the General Meeting of the Company to be held at Suite 5.09, Level 5, Pacific Tower, 737 Burwood Road, Hawthorn, Victoria 3122 on Wednesday 30th December 2009 at 9.00am AEST and at any adjournment of the meeting.

INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

If no directions are given my proxy may vote as the proxy thinks fit or may abstain. Otherwise the Proxy is to vote for or against the resolutions referred to in the notice convening the General Meeting as follows:

	FOR	AGAINST	ABSTAIN
Resolution 1 – Approval and possible issue of shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Approval and possible issue of options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

This Proxy is appointed to represent ____% of my voting right, or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes. My total voting right is ____ shares. If no direction is given above or if more than one box is marked, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of the resolution to be considered by the meeting and any adjournment of the meeting.

Signature(s)

Date

Individual or Joint Shareholder 1

Director/Company Secretary

Joint Shareholder 2

Director

Joint Shareholder 3

Sole Director & Sole
Company Secretary

NOTES: Voting and Instructions for Appointment of Proxy:

1. In accordance with the Corporations Act 2001, the Directors have determined that the shares of Cardia that are quoted on the Australian Securities Exchange as at 7.00 pm AEST on 28th December 2009, will be taken, for the purposes of the Annual General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the meeting.
2. A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
3. If the Member does not specify the proportion of votes the proxy may exercise, then each proxy will be taken to exercise one half of the votes held and subject to the proxy with fractional entitlements to votes being disregarded.
4. A proxy duly appointed need not be a Member of the Company. In the case of joint holders all must sign.
5. To be effective, this proxy, duly executed, and any document necessary to show the validity of this proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
6. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions in these notes; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of a personal representative in accordance with the provisions of Section 250D of the Corporations Law or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney.and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
7. This proxy form may be returned to the Company in either of the following ways:
 - (a) in person or by post to the Company Secretary, Cardia Bioplastics Limited at:
Suite 509, Level 5
737 Burwood Road
Hawthorn Victoria 3122, or
 - (b) by facsimile to (03) 9813 2668.
8. Corporate Members should comply with the execution requirements set out in these notes or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company; or
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.For Cardia Bioplastics Limited to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable.
In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.
9. Completion of this proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.
10. Where this proxy form is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy.
11. Chairman's voting intentions:
All members appointing proxies should note that the Chairman intends to exercise proxies in his favour, and which do not direct the proxy holder how to vote, in favour of all resolutions. **If you do not wish to direct your proxy how to vote please place a mark in the box.**

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By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.