



ACN 064 755 237

**TO: COMPANY ANNOUNCEMENTS OFFICE
AUSTRALIAN STOCK EXCHANGE LIMITED**

DATE: 28th February 2005

HALF-YEAR REPORT 31st DECEMBER 2004

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

**JOHN WILSON
Company Secretary**

CARDIA TECHNOLOGIES LTD AND ITS CONTROLLED ENTITIES

ACN 064 755 237

HALF-YEAR REPORT 31 DECEMBER 2004

Lodged with the ASX under Listing Rule 4.2A.

This information should be read in conjunction with the 30 June 2004 Annual Report.

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CARDIA TECHNOLOGIES LIMITED AND ITS CONTROLLED ENTITIES
 HALF-YEAR REPORT – 31 DECEMBER 2004

APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET
 (Comparative figures being the half year ended 31 December 2003)

				\$
Revenue from ordinary activities	Up	10%	to	69,797
Loss from ordinary activities after tax attributable to members	Up	3%	to	(953,680)
Net loss for the year attributable to members	Up	3%	to	(953,680)

Dividends/Distributions

It is not proposed to pay dividends.

NTA Backing

	Consolidated Entity	
	2004	2003
	\$	\$
Net tangible asset backing per ordinary share	\$0.0057	\$0.012

Control Gained Over an Entity

Name of entity	Natural Pharmacy Pty Ltd
Date of control gained	31 December 2004
Contribution to the company's performance	Goodwill of \$41,290 has been written off

Associated Company

Name of entity	Bioglobal Pty Ltd
Percentage holding	41%
Share of loss of the entity	\$50,660 (31 Dec 2003 : \$23,015)

Brief Explanation of the above figures

The 10% revenue increase was principally due to the growing sales of the Company's wholly-owned subsidiary Aquenox Pty Ltd. (\$55,544) with the 3% increase in net loss resulting from increased costs incurred by Aquenox's Tullamarine operation and its subsidiary companies in Hong Kong and mainland China.

Foreign Accounting Standards

The financial statements of Aquenox (H.K.) Environmental Protection Technologies Company Limited (formerly Waterpower (H.K.) Environmental Protection Technologies company Limited) have been prepared in accordance with accounting principles generally accepted in Hong Kong. There are no material differences between those policies and the policies adopted within the remaining group companies.

HALF-YEAR REPORT – 31 DECEMBER 2004

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2004 and any public announcements made by Cardia Technologies Ltd during the interim half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

CORPORATE DIRECTORY

Directors:	Patrick John Volpe (Chairman) Yue Sheng Fu Peter Pena
Company Secretary:	John Howden Wilson
Registered Office:	Suite 5.10, Level 5 737 Burwood Road HAWTHORN VICTORIA 3122 Telephone (03) 9813 3228 Facsimile (03) 9813 2668 Email: cardia@bigpond.com Website: www.cardia.com.au
Share Registry:	Computershare Investor Services Pty Limited Level 27, Central Plaza One 345 Queen Street BRISBANE QLD 4000 Telephone (07) 3237 2100 Facsimile (07) 3229 9860
Bankers:	National Australia Bank 110 Church Street RICHMOND VIC 3121
Auditors:	Bentleys MRI Level 7, 114 William Street MELBOURNE VIC 3000
Lawyers:	Menzies and Partners Level 9, 356 Collins Street MELBOURNE VIC 3000
Stock Exchange:	Australian Stock Exchange Limited Level 6, Riverside Centre 123 Eagle Street BRISBANE QLD 4000

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Cardia Technologies Ltd ("Cardia") and the entities it controlled at the end of, or during the half-year ended 31st December 2004.

DIRECTORS

The following persons were Directors of Cardia during the whole of the half-year and up to the date of this report:

Patrick John Volpe
Yue Sheng Fu
Peter Pena
Kenneth James Ingbritsen (resigned on 3 November 2004)

REVIEW OF OPERATIONS

In the six months to 31st December 2004 Cardia has maintained its strategy of identifying and developing new technologies and establishing and guiding start-up businesses through to a profitable stand-alone status.

The principal activities of the Company during the half-year continued to concentrate on its five main business areas as set out below:

Environmental Technology

During the period Cardia's main business focus has been the expansion of its water treatment and recycling subsidiary – Aquenox Pty Ltd ("Aquenox").

Aquenox continued to progress through the R&D phase into the commercialisation of its products.

This process has involved further enhancement to, and modifications of, the Company's recycling plants, resulting partly from field trials and partly from the initial installations of three carwash recycling systems in NSW.

Following these initial installations there has been increasing market acceptance of the "new technology" and further orders for 8-9 carwash installations have either been received or are currently under negotiation. An initial carwash installation has also been made in South Australia and additional sales are anticipated to follow in that state.

In addition to carwashers, negotiations are continuing with a number of major companies to assist them to clean up and recycle their waste water.

Marketing activity is also continuing in China through Aquenox's subsidiary companies in Hong Kong and mainland China seeking market acceptance of the Company's water treatment and recycling applications.

In August 2004 Aquenox signed a Joint Venture Framework Agreement with a division of the Sinopec Group, the largest oil explorer, refiner and marketer, of oil products in China. Subject to the completion of successful due diligence procedures by both parties, independent valuations, requirements of Chinese and Australian law, and if necessary, shareholder approval, the new Agreement contemplates the transfer of Sinopec's existing water treatment division into a new Sino-foreign Joint Venture Company in China to be owned 51% by Aquenox and 49% by Sinopec.

For its 49% Aquenox will provide its water recycling technology on an exclusive basis for China together with working capital.

DIRECTORS' REPORT

The utilisation of Aquenox's water recycling technology will not only enable the Joint Venture Company to update Sinopec's existing network of car and other vehicle wash-down centres, but also to investigate the opportunities to manufacture and establish a new chain of franchised carwashers in China.

Agricultural Biotechnology

The Company's interest in agricultural biotechnology continues to be its 41% holding in Bioglobal Ltd ("Bioglobal"). Early in the period Bioglobal disposed of its shareholding in Biocontrol Ltd for \$1.77 million in return for the acquisition of that company's Australian operations and a cash payment.

Bioglobal's main business revolves around naturally-based chemical products for crop protection, animal health and environmental insecticide markets and the revenues generated from the Australian sales of Biocontrol's technology products will enable Bioglobal to further develop product research and marketing of the other products in its portfolio.

Following the improvement in its revenue base Bioglobal is actively seeking an ASX Listing.

Cardia has no immediate plans to dispose of its interest in Bioglobal, but would be prepared to do so at the right price.

Natural Pharmaceuticals

During the period the Company gained control of Natural Pharmacy Pty Ltd when it converted its Convertible Redeemable Preference Shares in that company to fully paid ordinary shares.

Its interest in Natural Pharmacy's voting shares increased from 49% to 66% following the conversion.

Cardia continues to review its position in Natural Pharmacy.

Mineral Exploration

Notwithstanding the disposal of the Company's interests in mineral exploration projects in Botswana and Australia to A-Cap Resources Ltd ("A-Cap") in the 2004 financial year and the subsequent successful listing of A-Cap on the Newcastle Stock Exchange on 25th March 2004, Cardia remains interested in considering new mining exploration opportunities when and if they occur.

Biotechnology – Medical

Following the distribution of Cardia's shareholding in Dia-B Tech Ltd ("Dia-B") to its shareholders early in 2004, Dia-B successfully completed an initial public offering of its shares and was listed on the ASX on 24th January 2005.

As at 31st December 2004 Cardia held 4,515,494 ordinary shares in Dia-B – 4.9% of the issued capital of that company – and retains an interest in any further investment opportunities which may occur in medical research.

CORPORATE

Options Issue

Following the expiry of the Company's options on 30th June 2004 a General Meeting of Shareholders on 26th July 2004 approved the issue of a new series of options to each registered holder of 30th June 2004 options at the time they expired unexercised.

DIRECTORS' REPORT

The new options were issued on a 1:1 basis with the expired options and are exercisable at \$0.10 up to 31st December 2007. The total options issued were 127,488,655 at a price of \$0.0025 per option.

The issue, fully underwritten, raised approximately \$319,000 and closed on 13th September 2004.

Entitlements Issue

A Prospectus for a rights issue of ordinary shares and options to existing shareholders was lodged on 17th December 2004. The issue was fully underwritten and consisted of one new share for every 10 shares held together with one free option for every two shares subscribed for. The issue price of the shares was \$0.07 with the terms of the options being the same as for those issued in September 2004.

The issue, which closed on 15th February 2005, raised approximately \$1.04 million before expenses.

Change of Auditor

A General Meeting of Shareholders on 26th July 2004 resolved to remove PriceWaterhouseCoopers as Auditor of the Company and to appoint Bentleys MRI as the new Auditor.

Successful Public Listings

In terms of Cardia's corporate strategy of re-capitalising its investment businesses via the capital markets, Dia-B Tech Ltd raised \$6 million from its initial public offering of shares in December 2004 and was listed on the ASX in early 2005.

This followed the earlier successful listing of A-Cap Resources Ltd on the NSX in March 2004.

EVENTS OCCURRING AFTER REPORTING DATE

Other than the matters detailed in Note 8 to the consolidated financial statements on Page 15 of the half-year report, there has not arisen in the interval between the end of the half-year and the date of this report 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

This report is made in accordance with a resolution of the Directors made on 28th February 2005.

P.J. VOLPE
Director

Dated this 28th day of February 2005
Hawthorn, Victoria

28 February 2005

The Board of Directors
Cardia Technologies Limited
Suite 5.10, Level 5
737 Burwood Road
HAWTHORN VIC 3122

Dear Board Members

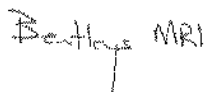
CARDIA TECHNOLOGIES LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence.

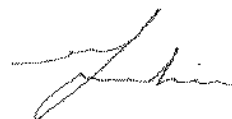
As lead audit partner for the review of the financial statements of Cardia Technologies Limited for the half-year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporation Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



**BENTLEYS MRI
CHARTERED ACCOUNTANTS**



**JEFFREY C LUCKINS
PARTNER**

Dated in Melbourne on 28th February 2005

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004

	Half-year	
	2004	2003
	\$	\$
Revenue from ordinary activities	69,797	63,558
Cost of goods sold	(114,384)	(7,863)
Office expenses	(124,151)	(105,749)
Listing expenses	(15,407)	(28,589)
Depreciation expense	(18,814)	(18,866)
Provision for loan and investment writedowns	-	(125,629)
Employee benefits expense	(401,781)	(284,331)
Research and development, exploration and patents	(79,824)	(276,913)
Travel and marketing expenses	(54,528)	(40,489)
Professional fees	(6,595)	(89,590)
Other expenses from ordinary activities	(80,336)	(26,779)
Goodwill written-off as a result of gain of control in subsidiary	(41,290)	-
Share of net profit/(loss) of associates accounted for using the equity method	(50,660)	16,813
Loss from ordinary activities before income tax	(917,973)	(924,427)
Income tax expense	-	-
Net loss	(917,973)	(924,427)
Net loss attributable to outside equity interest	996	56
Net loss attributable to members of Cardia	(916,977)	(924,371)
Net decrease in foreign currency translation reserve	(36,703)	-
Total changes in equity other than those resulting from transactions with owners as owners	(953,680)	(924,371)
Basic Earnings (loss) per share (cents)	(0.66)	(0.67)
Diluted Earnings (loss) per share (cents)	(0.66)	(0.67)

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

		31 December	30 June
	Notes	2004	2004
		\$	\$
Current Assets			
Cash assets		212,727	658,500
Receivables		189,641	547,653
Inventories		27,399	2,053
Other		75,290	-
Total Current Assets		505,057	1,208,206
Non-Current Assets			
Receivables		99,750	99,750
Investments accounted for using the equity method		420,180	470,840
Other Financials Assets		281,755	6,166
Plant and equipment		110,038	105,457
Intangibles		21,367	-
Total Non-Current Assets		933,090	682,213
Total Assets		1,438,147	1,890,419
Current Liabilities			
Payables		586,193	275,574
Total Current Liabilities		586,193	275,574
Total Liabilities		586,193	275,574
Net Assets		851,954	1,614,845
Equity			
Parent entity interest			
Contributed equity	2	16,810,891	16,804,891
Reserves	3	201,527	(38,902)
Accumulated losses		(16,056,654)	(15,139,676)
Total parent entity interest		955,764	1,626,313
Outside equity interest in controlled entities		(103,810)	(11,468)
Total Equity		851,954	1,614,845

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Half-year	
	2004	2003
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers (inclusive of GST)	61,827	34,467
Payments to suppliers and employees (inclusive of GST)	(972,352)	(1,000,866)
Interest received	8,340	18,558
Interest paid	-	(2,859)
Net cash (outflow) from operating activities	(902,185)	(950,700)
Cash Flows from Investing Activities		
Payments for purchase of plant and equipment	(23,394)	(24,912)
Repayment of borrowing from related parties	86,279	-
Gain in control of subsidiary, net of cash inflows	31,093	-
Loans to other related parties	(5,300)	-
Net cash (outflow) from investing activities	88,678	(24,912)
Cash Flows from Financing Activities		
Repayment of borrowing	-	(142,488)
Proceeds from borrowings	100,000	-
Proceeds from issues of ordinary shares and options	318,721	893,000
Shares and options issue cost	(50,987)	-
Net cash inflow from financing activities	367,734	750,512
Net (decrease) in cash held	(445,773)	(225,100)
Cash at the beginning of the reporting period	658,500	1,252,182
Cash at the end of the reporting period	212,727	1,027,082

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 1 BASIS OF PREPARATION OF HALF-YEAR FINANCIAL REPORT

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029 *Interim Financial Reporting*, Urgent Issues Group Consensus Views, and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the Annual Report for the year ended 30 June 2004 and any public announcements made by Cardia Technologies Ltd during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The accounting policies have been consistently applied by the Company and are consistent with those applied in the 30th June 2004 annual report.

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

Going Concern Assumption

The company experienced operating losses and negative operating cash flows during the six months to 31 December 2004. The continuing viability of the company 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 establishing greater revenue from its current projects and
- in accessing additional capital

The Directors are confident that the Company will be successful in the above matters having regard to:

- the raising of approximately \$1,014,000 from the issue of shares and options in February 2005
- the successful separation of A-Cap Resources Ltd and the fact that that Company will no longer rely on Cardia for its funding
- the de-merger of Dia-B Tech Ltd and its successful public listing on the Australian Stock Exchange therefore not requiring further funding from Cardia
- the encouraging progress and increased sales by subsidiary company Aquenox Pty Ltd with its reclaim and recycle water technology
- developments in China by Aquenox involving the Sinopec Joint Venture
- the continued receipt by Aquenox of research and development tax rebates
- the Company's past history of raising additional capital from existing shareholders and the market in general

Accordingly the Directors 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 financial report at 31 December 2004.

NOTE 2 EQUITY SECURITIES ISSUED

Issue of Ordinary shares and options during the half year

Movement in Ordinary Share Capital

		Quantity	Issue Price	\$
1 July 2004	Opening Balance	144,723,422		16,804,891
17 December 2004	New Issue	100,000	\$0.06	6,000
31 December 2004	Closing Balance	<u>144,823,422</u>		<u>16,810,891</u>

Movement in Options

Options exercisable at \$0.10 on or before 31 December 2007

1 July 2004	Opening Balance	-		-
27 Sept 2004	New Issue	127,488,655	\$0.0025	318,721
17 December 2004	New Issue	100,000	\$0.006	600
	Transaction costs from option issue			(42,189)
31 December 2004	Closing Balance	<u>127,588,655</u>		<u>277,132</u>

NOTE 3 RESERVES

	31 Dec 2004	30 June 2004
	\$	\$
Option issue reserve	277,132	-
Foreign currency translation reserve	(75,605)	(38,902)
	<u>201,527</u>	<u>(38,902)</u>

Movements:

	31 Dec 2004	30 June 2004
	\$	\$
Option issue reserve	-	-
Balance at the beginning of the period	-	1,325,051
New options issued	319,321	-
Option issue cost	(42,189)	-
Expiration of options	-	(1,325,051)
Balance at the end of the period	<u>277,132</u>	<u>-</u>
Foreign currency translation reserve		
Balance at the beginning of the period	(38,902)	-
Net exchange difference on translation of foreign controlled entity	(36,703)	(38,902)
Balance at the end of the period	<u>(75,605)</u>	<u>(38,902)</u>

NOTE 4 SEGMENT INFORMATION

Primary reporting – business segments

	Environ- mental	Medical Research	Corporate	Other	Intersegment elimination	Consolidated
Half year 2004	\$	\$	\$	\$	\$	\$
External sales	55,544	-	-	-	-	55,544
Other revenue	6,189	-	8,064	-	-	14,253
Total segment revenue	61,733	-	8,064	-	-	69,797
Share of net profit of associates						
Segment result/(net loss)	(565,036)	-	(758,177)	(4,496)	401,396	(926,313)
Net interest						8,340
Loss from ordinary activities before income tax						(917,973)
Income tax expense						-
Net loss						(917,973)
Net loss attributable to outside equity interest						996
Net loss attributable to members of Cardia						(916,977)
Net decrease in foreign currency translation reserve						(36,703)
Total changes in equity other than those resulting from transactions with owners as owners						(953,680)

	Environ- mental	Medical Research	Corporate	Other	Intersegment elimination	Consolidated
Half year 2003	\$	\$	\$	\$	\$	\$
External sales	45,000	-	-	-	-	45,000
Other revenue (interest)	167	-	18,391	-	-	18,558
Total segment revenue	45,167	-	18,391	-	-	63,558
Share of net profit of associates	-	-	-	16,813	-	16,813
Segment result/(net loss)	(494,198)	(247,350)	(994,393)	(108,816)	901,772	(942,985)
Net interest						18,558
Loss from ordinary activities before income tax						(924,427)
Income tax expense						-
Net loss						(924,427)
Net loss attributable to outside equity interest						56
Total changes in equity other than those resulting from transactions with owners as owners						(924,371)

NOTE 5 GAIN IN CONTROL OF SUBSIDIARY

The Company's investment in Natural Pharmacy Pty Ltd was written off during the year to 30 June 2004. The 500 convertible preference shares in that company held by Cardia were converted to ordinary shares on 31 December 2004. As a result, the Company now owns 66% (formerly 49%) of in Natural Pharmacy Pty Ltd and is now a controlled entity.

NOTE 6 ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the current financial year.

The parent entity's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep shareholders informed as to the impact of these new standards as they are finalised.

The Directors are of the opinion that the key differences in the economic entity's accounting policies which will arise from the adoption of the IFRS are:

Impairment of Assets

The economic entity currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value in use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

Share based Payments

Current company policy is to expense any share-based payments made in connection for services received. The introduction of AASB 2: Share-based payments, will require the Company to also expense any options granted to employees.

Income Tax

Currently, the economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112, the economic entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than effects of the timing and permanent differences between taxable income and accounting profit.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to IFRS, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting polices are available. For these reasons it is not yet possible to quantify the impact of the transition to IFRS on the Company's financial position and reported results.

NOTE 7 CONTINGENT LIABILITIES

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 company.

NOTE 8 EVENTS OCCURRING AFTER REPORTING DATE

Co-operation Agreement

In January 2005 the Company's wholly owned subsidiary Aquenox Pty Ltd signed a Co-operation Agreement with PetroChina Shanghai Sales Co. Ltd ("PSSC"), a subsidiary of PetroChina Co. Ltd ("PetroChina").

PetroChina is the largest oil producer in China and has its securities listed on the New York Stock Exchange and the Stock Exchange of Hong Kong.

The new Agreement complements the conditional Joint Venture Framework Agreement signed with Sinopec in August 2004, giving Aquenox alliances with the two largest petroleum companies in China.

The PSSC Agreement involves the initial installation of an Aquenox recycling system in an existing PSSC carwash operation in Shanghai on a trial basis. Successful operation of this system is likely to lead to wider opportunities throughout the Shanghai network of PSSC carwash outlets.

The Agreement also covers the intention of both parties to establish new carwash facilities at existing PSSC retail petrol outlets either jointly or by Aquenox alone on space leased from PSSC.

Capital Raising

Approximately \$1,014,000 has been raised from the issue of shares and options in February 2005.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 8 to 15:

- a) comply with Accounting Standard, AASB 1029: Interim Reporting and the Corporations Regulations; and
- b) give a true and fair view of the consolidated entity's financial position as at 31 December 2004 and of its performance for the half year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that Cardia Technologies 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 28th February 2005.

P J VOLPE
Director

Dated this 28th day of February 2005
Hawthorn, Victoria

**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CARDIA TECHNOLOGIES LIMITED****Scope**

We have reviewed the financial report of Cardia Technologies Limited for the half-year ended 31 December 2004 as set out on page 8 to page 16. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cardia Technologies Limited is not in accordance with:

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

ABN 62 667 316 249

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Adrian J Beckwith FCA
Greg R Lay FCA
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Martin A Phelan CA
Bruno A Secatore CA
Scott W Phillips CA
Peter R Vince FCA
Jeffrey C Luckins Affiliate ICAA
Martin E Fensome FCA**Consultants**John J Templeton FCA
Tom Linardos FCA

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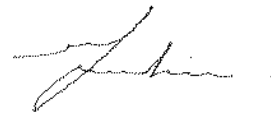
**INDEPENDENT REVIEW REPORT
TO THE MEMBERS OF CARDIA TECHNOLOGIES LIMITED (CONTINUED)**

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter. As a result of the matters described in note 1 to the financial statements, there is inherent uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Bentleys MRI

**BENTLEYS MRI
CHARTERED ACCOUNTANTS**



**JEFFREY C LUCKINS
PARTNER**

Dated in Melbourne on 28th day of February 2005