CARDIA TECHNOLOGIES LIMITED

ACN 064 755 237

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

DATE: **22nd February 2006**

LODGEMENT OF PROSPECTUS

Further to the announcement made on 27th January 2006 regarding the proposed pro-rata issue to existing Cardia shareholders the Prospectus was today lodged with ASIC.

A copy of the Prospectus is attached.

JOHN WILSON
Company Secretary

CARDIA TECHNOLOGIES LTD
REGISTERED OFFICE
Suite 510 Level 5 Pacific Tower 737-741 Burwood Road Hawthorn Victoria 3122 Australia
Telephone +61 3 9813 3228 Facsimile +61 3 9813 2668 Email: cardia@bigpond.com

CARDIA TECHNOLOGIES LIMITED

(ACN 064 755 237)

PROSPECTUS

Entitlements Issue of Ordinary Shares at an issue price of $0.02 (2 cents) per share on the basis of one (1) new Share for every three (3) Shares held on the Record Date and on the basis that for every new Share subscribed for Applicants will be granted one (1) free Option to acquire an ordinary share exercisable at $0.10 (10 cents) up to 5.00pm (AEST) on 31 December 2007.

THE ISSUE IS FULLY UNDERWRITTEN BY TRAYBURN PTY LTD

This is an important document that should be read in its entirety.

If you do not understand it you should consult your professional advisers without delay. The securities offered by this Prospectus are of a speculative nature.

CORPORATE DIRECTORY

DIRECTORS

Patrick John Volpe (Chairman)
Peter Pena
Yue Sheng Fu

COMPANY SECRETARY

John Howden Wilson

REGISTERED AND PRINCIPAL OFFICE

Suite 5.10
Level 5
Pacific Tower
737 Burwood Road
Hawthorn Vic 3122

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 19
307 Queen Street
Brisbane Qld 4000
Telephone: +61 7 3237 2100
Facsimile: +61 7 3229 9860

IMPORTANT DATES

EVENT	PROPOSED DATE
Record Date to determine entitlements	3 March 2006
Despatch of Prospectus	9 March 2006
Closing Date	28 March 2006
Expected date of despatch of Transaction Confirmation Statements	5 April 2006

The above dates are approximate only.

FORWARD LOOKING STATEMENTS

Various statements in this Prospectus constitute statements relating to intentions, future acts and events. Such statements are generally classified as forward looking statements and involve known and unknown risks, uncertainties and other important factors that could cause those future acts, events and circumstances to differ from the way or manner in which they are expressly or impliedly portrayed herein.

NO SECURITIES WILL BE ISSUED OR ALLOTTED ON THE BASIS OF THIS PROSPECTUS LATER THAN 13 MONTHS AFTER THE DATE THIS PROSPECTUS WAS ISSUED.

This Prospectus is dated 22 February 2006.

A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on 22 February 2006. The Australian Securities and Investments Commission take no responsibility for the contents of this Prospectus.

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ACN 064 755 237

21 February 2006

Dear Offeree,

Pursuant to this Prospectus the Company is making a non-renounceable offer of new Shares and options to Members on the Record Date to determine entitlements to the Issue (5.00pm AEST on 2 March 2006).

The proposed issue is fully underwritten by Trayburn Pty Ltd in accordance with the requirements in relation thereto set out in the Listing Rules of ASX. Trayburn Pty Ltd is an associate of mine and is underwriting the Issue on the basis that as Underwriter, it shall be entitled to be paid an underwriting commission in an amount of 5% of the amount of the Issue. This is a standard underwriting commission. Details of the underwriting are set out in Section 1.5 of the Prospectus.

The Issue will raise approximately $1,062,038 which will be applied for further development of the Company's water treatment business in its subsidiary, Aquenox Pty Ltd, and for general working capital purposes as set out in Section 6.3.

Your directors recommend the Issue to you.

You should read this Prospectus carefully and consult an appropriate professional adviser such as a stockbroker, your banker or solicitor if you do not understand any of the terms or conditions set out herein.

Any investment in the securities of the Company should be regarded as speculative and you should ensure that an investment meets your own investment parameters and risk profile before being undertaken.

Yours faithfully,

Pat Volpe
Chairman

CARDIA TECHNOLOGIES LTD
REGISTERED OFFICE
Suite 5.10, Level 5, 737 Burwood Rd, Hawthorn, Victoria Australia 3122
Telephone +61 3 9813 3228 Email: cardia@bigpond.com

DETAILS OF THE ISSUE

1. THE OFFER

Before making a decision to invest or subscribe for Securities each Applicant should read this Prospectus in full, having particular regard to risk factors, their own investment parameters and, as necessary, seek independent professional advice from appropriate advisers.

An investment in the Company should be considered as a speculative investment.

By this Prospectus, the Company offers each person who was registered as a member of the Company on the Record Date, an entitlement to subscribe for One (1) new Share for every Three (3) Shares held on the Record Date to determine entitlements to the Issue on the basis that for every New Share subscribed or applied for the Applicant will be granted free of additional cost One (1) New Option to subscribe for a Share exercisable at $0.10 up to 5.00pm (AEST) on 31 December 2007.

The terms of the New Options are set out in clause 2 below and are the same as the listed options currently trading under the ASX code "CNNO".

The New Options will rank equally in all respects with the currently listed options.

The Shares offered for subscription by this Prospectus will rank equally in all respects with all other ordinary shares on issue in the capital of the Company.

The ordinary shares issued on exercise of any of the New Options shall rank equally in all respects with each other and with all other ordinary shares on issue from the time of their issue and allotment.

1.1 Important Dates

Closing Date – Latest date for acceptance and payment in full	28 March 2006
Allotment of Shares and New Options and despatch of Transaction Confirmation Statements	5 April 2006

These dates are indicative only. The Company reserves the right to extend the Closing Date of the Issue, in which case the allotment date will change accordingly.

1.2 Entitlement and Acceptance Forms

Accompanying this Prospectus is a personalised Entitlement and Acceptance form that sets out your entitlement to Shares and associated New Options.

1.3 Payment for Share

The subscription moneys for the Shares the subject of the Issue are payable in full on application. Cheques must be made out in Australian currency.

Cheques in Australian currency forwarded to the Company in Australia must be made payable to "Cardia Technologies Limited Subscription A/c" and crossed "Not Negotiable".

1.4 Opening and Closing of the Offer

The Offer will open on 9 March 2006 and, subject to the right of the Directors to extend it, will close at 5.00pm (AEST) on 28 March 2006 (the Closing Date). The Directors expressly reserve the right to extend the Closing Date.

1.5 Underwriting

The Issue is fully and unconditionally underwritten by Trayburn Pty Ltd (an associate of Mr P Volpe, a director of the Company). The terms of the underwriting provide that the Underwriter will be paid a fee of 5% of the amount of the Issue being an amount of up to $53,102.

Under the terms of the Underwriting Agreement, to the extent that associates of the Underwriter take up entitlements to the issue, this will be in relief of the obligations of the underwriter but will not affect the Underwriter's entitlement to underwriting fees.

1.6 No Rights Trading

As the Issue is non-renounceable there will be no rights trading.

1.7 Overseas Shareholders

This Prospectus does not constitute an offer in any jurisdiction outside of Australia and New Zealand or to any person to whom it would not be lawful to issue this Prospectus. In accordance with the Listing Rules, and having regard to:

(a) the number of persons entitled to receive the Offer resident outside Australia and New Zealand;

(b) the number and value of Shares (and associated New Options) that such persons resident outside Australia and New Zealand would be offered; and

(c) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia and New Zealand,

the Directors of the Company consider that it is unreasonable to make an offer to such persons and accordingly the Company will send each person otherwise entitled to receive the offer but to whom the Offer will not be made, details of the Issue and advice that the Company will not offer Shares (and associated New Options) to that person.

Nominees applying for Shares (and associated New Options) on behalf of overseas residents are responsible for ensuring that such an application does not breach any regulation applicable to any such overseas resident.

Lodgement of Application Forms accompanied by the relevant application moneys will be taken by the Company to constitute a representation from the Applicant that no breaches of any such regulations have occurred. Applicants, who are nominees, or persons proposing to act as nominees, should seek independent advice as to how they should proceed.

1.8 ASX Quotation

Application will be made within seven days of the issue of this Prospectus for permission for the Securities issued allotted or granted pursuant to this Prospectus to be listed for quotation by ASX.

If permission is not granted for the securities offered for subscription by this Prospectus to be listed for quotation on the stock market of ASX within 12 weeks after the date of the issue of this Prospectus, the Company, in accordance with the Corporations Act 2001, will either:

(a) repay to applicants all moneys received by it;

(b) issue a supplementary prospectus advising that the securities offered for subscription by this Prospectus will not be listed on ASX and give applicants one month to withdraw their applications and be repaid in full.

No interest will be paid on any moneys repaid.

1.9 Costs and Expenses of the Issue

The total expenses of the Issue payable by the Company, including legal costs and expenses, printing costs, share registry and other costs and expenses are estimated to be $65,102. These expenses are detailed in Section 1.16 dealing with application of proceeds of the Issue

1.10 Taxation and Stamp Duty Implications

Applicants should seek their own independent advice in relation to matters relating to the operation of taxation laws in Australia and taxation and stamp duty laws in New Zealand.

The Company is unable to give advice on taxation matters generally, as each Applicant's position will relate to their own specific circumstances.

Applicants should satisfy themselves of possible taxation consequences of purchases and sales of securities by consulting their own professional tax advisers.

1.11 Action by Applicants

Duly completed Entitlement and Acceptance Forms should be lodged with the Company's Share Registry at its address set out below and in the Corporate Directory to reach the Share Registry before or on the Closing Date.

Computershare Investor Services Pty Ltd
Level 19
307 Queen Street
Brisbane Qld 4000
Telephone: +61 7 3237 2100
Facsimile: +61 7 3229 9860

1.12 Acceptance of Applications for Securities

If an Entitlement and Acceptance Form is not completed properly, or if the accompanying payment is for the wrong amount, it may still be treated as valid. The decision of the Company as to whether to treat an acceptance as valid or how to construe it will be final.

1.13 Minimum Subscription

There is no minimum subscription.

1.14 Allotment

In accordance with the provisions of the Corporations Act 2001, all subscription moneys shall, pending allotment and issue of the Shares and New Options pursuant to this Issue, be held by the Company in trust in a bank account established solely for the purpose of depositing application moneys received. Any interest earned on those moneys shall be to the Company's account. Transaction Confirmation Statements will be despatched on Wednesday 5 April 2006 unless the Closing Date is extended.

1.15 Enquiries

If you have any enquiries as to the terms of the Issue please contact **Mr John Wilson** Company Secretary Suite 5.10, Level 5 Pacific Tower, 737 Burwood Road, Hawthorn Vic 3122.

Telephone: +61 3 9813 3228. Facsimile: +61 3 9813 2668

1.16 Application of Funds

The funds raised by the Issue will be applied, first, to pay the costs of the Issue (see estimate below) and, thereafter, to meet ongoing corporate operating costs and to provide working capital.

The estimated costs of the Issue are:

Underwriting Fees	$53,102
Legal	5,000
Printing	2,000
Share Registry, postage and sundry	5,000
Total	**$65,102**

2. TERMS AND CONDITIONS OF NEW OPTIONS

The terms and conditions of the New Options are as follows:

(a) Each option entitles the holder to subscribe for 1 ordinary share in Cardia Technologies Limited ACN 064 755 237 ("**the Company**") upon the payment of $0.10 (10 cents).

(b) The options will lapse at 5.00pm (AEST) on 31 December 2007 ("**Expiry Date**").

(c) The options are transferable.

(d) There are no participating rights or entitlements inherent in these options and holders of the options will not be entitled to participate in new issues of capital that may be offered to shareholders during the currency of the option.

(e) Optionholders have the right to exercise their options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the options, and will be granted a period of at least 12 business days before books closing date to exercise the options.

(f) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return of capital) of the issued capital of the Company, the options will be reorganised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.

(g) The options shall be exercisable at any time up to 5.00pm (AEST) on the Expiry Date ("**Exercise Period**") by the delivery to the registered office of the Company of a notice in writing ("**Notice**") stating the intention of the optionholder to exercise all or a specified number of options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the shares. The Notice and cheque must be received by the Company during the Exercise Period. An exercise of only some options shall not affect the rights of the optionholder to the balance of the options held by him.

(h) The Company shall allot the resultant shares and deliver a statement of shareholdings with a holders' identification number within 5 business days of exercise of the options.

(i) The shares allotted shall rank, from the date of allotment, equally with the existing ordinary shares of the Company in all respects."

3. PRICE INFORMATION

3.1 Shares

The highest and lowest closing sale price of the Company's ordinary fully paid shares on ASX (trading under the ASX code "CNN") during the 3 months up to the date of this Prospectus and the respective dates of such sales were:

(a) Highest closing price: $0.032 on 21 November 2005

(b) Lowest closing price: $0.019 on 7 February 2006

The last market sale price of the Company's ordinary fully paid shares on ASX on the day prior to the date of this Prospectus was $0.021 on 21 February 2006.

3.2 **Options**

The highest and lowest closing sale price of the Company's Options on ASX (trading under the ASX code "CNNOA)") during the 3 months up to the date of this Prospectus and the respective dates of such sales were:

(a) Highest closing price: $0.017 on 19 January 2006

(b) Lowest closing price: $0.004 on 2 February 2006

The last market sale price of the Company's Options on ASX on the day prior to the date of this Prospectus was $0.006 on 21 February 2006.

4. SPECULATIVE NATURE OF OFFER AND PROJECTS

This Prospectus and the projects in which the Company has invested should be considered as speculative given the nature of the risks discussed in Section 11 of this Prospectus.

CAPITAL STRUCTURE AND EFFECT OF THE ISSUE ON THE COMPANY

5. CAPITAL STRUCTURE

5.1 **Existing Capital Structure**

The existing capital of the Company comprises 159,305,764 ordinary shares and 134,829,853 options to acquire ordinary shares exercisable at $0.10 at any time up until 5.00pm (AEST) on 31 December 2007.

5.2 **Capital Structure on Completion of the Issue**

On the issue and the allotment of all of the Shares and New Options pursuant to this Prospectus the capital of the Company will be 212,407,684 ordinary shares and 187,931,773 options to acquire ordinary shares exercisable at $0.10 at any time up until 5.00pm (AEST) on 31 December 2007.

6. EFFECT OF THE ISSUE ON THE COMPANY

The principal effects of the Issue on the Company will be that:

6.1 the Company will raise approximately $1,062,038 (less the costs of the Issue) which will be applied as set out in Section 6.3 below. In addition, the receipt of the subscription moneys will alter the net asset backing of each share on issue in the capital of the Company.

6.2 the capital of the Company will be that set out in 5.2 above.

6.3 the funds raised by the Issue will be applied as to $400,000 in meeting ongoing corporate and administrative costs for the Company generally and :

(a) as to approximately $550,000 to meet the ongoing operational costs of the Company's subsidiary, Aquenox Pty Ltd, for its Australian operations. These funds will be applied to meet expenditures incurred in the ordinary course of business. None of these funds are proposed to be applied for any expenditure in relation to any specific transactions. The primary effect of this expenditure will be to enable Aquenox Pty Ltd to continue operations in its ordinary course of business in Australia for a period estimated as being up to the end of January 2007.

(b) as to approximately $100,000 as working capital to meet the ongoing operations costs of the Aquenox Pty Ltd's wholly-owned subsidiaries in Hong Kong and PRC. Again, these funds will be applied to meet expenditures incurred in the ordinary course of business. None of these funds are proposed to be applied for any expenditure in relation to any specific transactions. The primary effect of this expenditure will be to enable Aquenox Pty Ltd's Hong Kong and

PRC subsidiaries to continue operations in their ordinary course of business in Australia for a period estimated as being up to the end of January 2007.

Overall, the potential effect that the raising of the funds, the subject of the Issue, is likely to have on the Company is to enable it to operate in the ordinary course of business during the 12 months period ended 31 January 2007.

The effect of the Issue on the Statement of Financial Position of the Company is set out below. The Pro-forma Statement of Financial Position is based on the Company's management accounts as at 31 December 2005. The Pro-forma statement assumes that the Issue is fully subscribed, that the costs of the Issue have been paid and that the net proceeds of the Issue have been received as cash.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited 30/06/2005 $	Unaudited Management 31/12/2005 $	Proforma 31/12/2005 $
CURRENT ASSETS			
Cash assets	387,415	169,830	1,166,766
Receivables	339,444	252,152	252,152
Other	52,870	97,445	97,445
TOTAL CURRENT ASSETS	779,729	519,427	1,516,363
NON-CURRENT ASSETS			
Other Financial Assets	281,753	251,016	251,016
Property, plant and equipment	97,296	87,082	87,082
Investments	463,952	643,254	643,254
Intangible Assets	21,367	21,367	21,367
TOTAL NON-CURRENT ASSETS	864,368	1,002,719	1,002,719
TOTAL ASSETS	1,644,097	1,522,146	2,519,082
LIABILITIES			
Payables	365,378	275,374	275,374
Provisions	25,942	20,956	20,956
TOTAL LIABILITIES	391,320	296,330	296,330
NET ASSETS	1,252,777	1,225,816	2,222,752
EQUITY			
Contributed Equity	17,752,223	17,746,690	18,743,626
Reserves	202,942	178,941	178,941
Accumulated losses	(16,597,859)	(16,678,883)	(16,678,883)
Total Parent Entity Interest	1,357,306	1,246,748	2,243,684
Outside Equity Interest in Controlled Entities	(104,529)	(20,932)	(20,932)
TOTAL EQUITY	1,252,777	1,225,816	2,222,752

DIRECTORS AND MANAGEMENT: PROFILES AND INTERESTS

Details of the directors of the Company are set out in detail in the Company's Annual Report for the year ended 2005.

Brief updated details of the directors are set out below.

7. DIRECTORS

Patrick John Volpe

Mr Volpe has been an executive director of the Company for 12 years and Chairman for the past 7 years.

Mr Volpe is also the current Chairman of A-Cap Resources Limited and BioGlobal Limited (an unlisted public company in which Cardia is a major shareholder) and a director of Dia-B Tech Limited. In the past 18 months he has been responsible for Cardia Technologies Ltd's asset divestment strategy and has been the driver leading to the listing of the A-Cap Resources Limited and Dia-B Tech Limited.

He has worked extensively in the stockbroking industry specialising in corporate restructuring, business acquisitions, investment advising and capital raisings. He has held management and financial positions with

National Australia Bank, Pacific Dunlop Limited and Ansett Transport Industries Limited. His experience covers many industries including mining, media, transport and services, manufacturing, banking and taxation.

In the past 12 years Mr Volpe has been the executive chairman of several other listed public companies, including Media Entertainment Group Limited, Mintech-8 Ltd, E-com Global Limited and AIM Resources Limited (formerly Fraser Range Limited). During this period he has gained both local and international business experience, particularly in Africa, China and other parts of Asia.

Mr Volpe is a director of, and shareholder in, Trayburn Pty Ltd, the underwriter of the Issue.

Details of his interests in the Company are set out in Sections 9 and 10.

Peter Pena

Mr Pena has been a non-executive director of the Company for 7 years. He is a barrister and solicitor of the Supreme Court of Papua New Guinea and has been in legal practice for 15 years.

Mr Pena is a corporate lawyer with a Masters Degree from Sydney University. He specialises in commercial and international business law and, after practising for a number of years in Australia, is now the principal of a legal practice in Port Moresby. He has been a director of Cardia Technologies Ltd since 1998.

Details of his interests in the Company are set out in Sections 9 and 10.

Yue Sheng Fu

Mr Yue Sheng Fu has been a non-executive director of the Company for 3 years.

Mr Fu is a major shareholder in Cardia through his controlled entity, Tony Technology (Holding) Limited. Mr Fu's primary business activities are focused on activities in Hong Kong and the People's Republic of China ("PRC") through an unlisted company, Tongli Enterprises Development Co., Ltd, which is a high-technology based enterprise specialising in the production of rare earth permanent magnetic materials and devices made therefrom. The products manufactured are used widely in the fields of electronic sonic equipment, micro motor equipment, computer, medical equipment, integrated tools, toys and other products. Mr Fu has wide experience in carrying on business in and with PRC, which experience is believed by the Board to have potential to provide ongoing benefits to the Company from time to time. As a consequence of Cardia's policy of divestment of investments, Mr Fu's company is also a significant shareholder in A-Cap Resources Limited (listed on Stock Exchange of Newcastle Limited) and of Dia-B Tech Limited (listed on ASX).

Details of his interests in the Company are set out in Sections 9 and 10.

8. DIRECTORS' INTERESTS

Except as otherwise set out herein, no Director named herein now has or during the last two years has had any interest in the promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion and no Director is (or was during the last two years) a partner of or has (or during the last two years had) any beneficial interest in, a firm which has (or during the last two years had) any interest in the promotion of or any property proposed to be acquired by the Company in connection with its formation or promotion. Further, no sums have been paid or agreed to be paid to a Director or to such firm in cash or shares or otherwise by any person (in the case of a Director) either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or the firm in connection with the promotion of the Company.

9. DIRECTORS' INTERESTS IN SECURITIES

Directors have interests in securities of the Company, both direct and indirect.

9.1 Directors' Relevant Interests in Securities

The relevant interests of the directors, and their related parties as defined in Accounting Standard AASB 1017, in securities of the Company as at the date of this Prospectus are as follows:

Directors	Relevant Interest in Securities		Entitlement	
	Ordinary Shares	Options	Ordinary Shares	Options
Patrick John Volpe	13,600,798	20,629,190	4,533,599	4,533,599
Peter Pena	205,000	NIL	68,333	68,333
Yue Sheng Fu	25,758,334	11,796,182	8,586,111	8,586,111

10. DIRECTORS' FEES, REMUNERATION AND OTHER ENTITLEMENTS

In addition to interests in equities, details of the nature and amount of each element of the emolument of and fees paid or payable for other services to each director of the Company for the period 1 July 2005 to the date of this Prospectus are set out in the table below.

Director	Annual Emoluments: Directors Fees $	Fees for Other Services $	Total $
Patrick John Volpe	33,333	103,772	137,105
Peter Pena	6,667	0	6,667
Yue Sheng Fu	16,667	0	16,667

Additionally, certain of the directors have other interests as follows:

10.1 Underwriting Fees and Commission

As disclosed in Section 1.5 the Underwriter will receive underwriting fees. Mr Volpe is a shareholder in, and director of, Trayburn Pty Ltd, the Underwriter. Trayburn Pty Ltd and Mr Volpe will indirectly participate in and benefit from payment of those underwriting fees to the extent received by that entity.

10.2 Other Related Party Transactions

Save as otherwise set out herein; the directors are involved in the following related party transactions:

Mr Patrick John Volpe

The services of Mr Volpe are provided by Trayburn Pty Ltd, which receives payment of the moneys referred to in the above table under the heading "Fees for Other Services".

RISK FACTORS

11. RISK FACTORS

The operating and financial performance of the Company may be affected by a range of risk factors. While some risks can be mitigated by the Company's plans and actions, many are beyond the control of the Company. As a consequence of these risks the Company's share price may rise or fall

It is for this reason that investment in the Company should be regarded as speculative, and the Company nor its Directors or advisors provide no guarantees, either that profitability will be achieved, or with respect to the payment of dividends, return of capital or market value.

Applicants for shares in the Company should carefully consider the risk factors set out below, as well as the other information contained in this Prospectus. If you are in doubt regarding the terms and conditions of this prospectus you should consult your stockbroker or other professional adviser.

General risks include:

Share Market Risks. Potential investors should recognise that the prices of shares fall as well as rise. Many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment.

Investment Risks Generally. Risks of a general nature relating to investment in shares and securities generally and especially where the company in which the investment is made has a small market capitalisation.

Fiscal Risks. These involve the imposition of additional taxes, imposts and other charges by government from time to time relating to revenue or cash flow. Industry profitability can be affected by changes in tax policies, the interpretation and application thereof.

Currency Exchange and Other Risks. Revenue and expenditure in overseas jurisdictions are subject to the risk of fluctuations of international currency exchange markets. Foreign taxes, limitation on repatriation of earnings, compliance with foreign accounting and business laws, and cultural differences, carry a certain amount of risk. The nature of the Company's business is such that many underlying revenue streams, if they eventuate, will likely be in foreign currency through licensing deals. Accordingly the Company will, in that circumstance, be indirectly affected by such factors.

Macro Economic and Political Factors. Apart from exchange risks there are a wide range of other macro economic and political factors beyond the control of the Company which will affect the Company's operations including the consequences of terrorist and other activities which themselves impact adversely on the global economy, demand for and supply of commodities and share market conditions and share prices generally.

Political and Other Factors. These include such as changes in levels of consumer confidence affect consumption patterns and consequently demand for a wide range of products.

Effect of Economic Cycles: Economies move and operate in a cyclical manner which may have positive or adverse effects on markets, willingness of investors to invest and, consequently, on the capacity of any company to finance its activities or to market products. If the Company requires to raise funds or commercialise any products at a time when market conditions are depressed then this may have an adverse effect on the Company's ability to achieve these objectives. A failure to achieve those objectives as necessary may result in loss and damage both to the Company and to its members as a result of diminution in the value of their securities.

Sufficiency of Funding: The Company has limited financial resources and may need to raise additional funds from time to time. Any such fund raisings will be subject to factors beyond the control of the Company and its Directors.

Litigation: The Company is not presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company may arise. However, the prospect of future litigation relating to ownership of intellectual property, licensing terms and conditions and other matters must always be regarded as possible.

Regulatory Risks: Operations by the Company may require approvals from regulatory authorities which may not be forthcoming or which may not be able to be obtained on terms acceptable to the Company. While the Company has no reason to believe that all requisite approvals will not be forthcoming Applicants should be aware that the Company cannot guarantee that any requisite approvals will be obtained. A failure to obtain any approvals would mean that the ability of the Company to develop or operate any project may be limited or restricted either in part or absolutely.

Risks related to Investment in Technology Generally: Investment in areas involving technology are generally subject to high levels of risk. Risks involve those associated with maintenance and development of intellectual property, competition, product obsolescence, the risk that research and development outcomes generally, although successful in laboratory conditions, may not be able to be replicated on a commercial basis either at all or profitably, the time frame for product development and market penetration and other risks such as relying on research personnel which may be contracted, the financial and marketing competence and ability of licensees and other persons.

Risk as to Profitability: The Company is presently unprofitable. Any ability of the Company to pay dividends will depend on it generating revenue and then deriving sufficient after-tax profits to be able to do so. At present the Company generates no revenue, it is not presently profitable and it may not at any time be so.

No Valuation: No formal or informal valuations have been completed of any of the intellectual property or other assets of the Company. The Company makes no representation as to the value of its intellectual property or any other such assets. All impending investors and their advisers should make their own assessments as to these matters after having regard to all of the matters contained in this prospectus.

Generally: The possibility that, for a wide range of reasons, the Company's present strategies, plans, policies, intentions and expectations may not be able to be implemented..

CONTINUOUS DISCLOSURE AND ADDITIONAL MATTERS

12. CONTINUOUS DISCLOSURE AND DOCUMENTS AVAILABLE FOR INSPECTION

This Prospectus is issued pursuant to Section 713 of the Act, and has adopted the special prospectus content rules for continuously quoted securities.

The Company is a disclosing entity for the purposes of Section 111AC of the Act. As such, it is subject to regular reporting and disclosure obligations which require it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected, at an ASIC office.

The Company will provide a copy of any of the following documents free of charge to any person who requests a copy during the period this Prospectus remains open:

12.1 The financial statements for the year ended 30 June 2005;

12.2 Any other financial statements lodged by the Company after the 2005 financial statements and before the lodgment of this Prospectus with ASIC ("Relevant Period"); and

12.3 The following documents used to notify ASX of information relating to the Company during the Relevant Period under provisions of the ASX Listing Rules:

30/01/2006	Commitments Test Entity-Second Quarter Report
27/01/2006	Proposed New Issue of Securities
04/01/2006	Petrochina upgrade of recycling system
30/11/2005	Results of Annual General Meeting
26/10/2005	Commitments Test Entity – First Quarter Report
26/10/2005	Notice of Annual General Meeting
24/10/2005	Change of Share Registry address
20/10/2005	Signing of Technology Franchisee Agreement with Chinese Oil Company
05/10/2005	Annual General Meeting
30/09/2005	Annual Financial Report

In addition, copies of the following documents will be available during normal office hours free of charge at the registered office of the Company being Suite 5.10, Level 5, Pacific Tower, 737 Burwood Road, Hawthorn Victoria for not less than 12 months after the date of lodgment of this Prospectus:

- this Prospectus;
- the consents of each of the Directors required pursuant to Section 720 of the Act.

13. RIGHTS ATTACHING TO SHARES

The capital of the Company comprises options to acquire ordinary shares. Full details of the rights attaching to the shares that will be issued on exercise of the Options granted pursuant to this Prospectus are set out in the Company's constitution. A copy of that constitution can be inspected at the Company's registered office during normal business hours.

A summary of the more significant rights attaching to the Company's shares is set out below. This summary is not exhaustive nor does it constitute a definite statement of the rights and liabilities of the Company's members. To obtain such a statement, Applicants should seek independent legal advice. Where a right will vary on change of status brief details of the variation is set out.

13.1 **Ranking:** The Shares will be fully paid ordinary shares and will rank equally in all respects with the existing ordinary shares in the Company.

13.2 **Partly Paid Shares and Liability for Calls:** The Company has no partly paid shares on issue.

13.3 **Reports and Notices:** Members are entitled to receive all notices, reports, accounts and other documents required to be furnished to members under the constitution of the Company, the Law and the Listing Rules.

13.4 **General Meetings:** Members are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of the Company. Members may requisition general meetings in accordance with the Law and the constitution of the Company.

13.5 **Voting:** Subject to any rights or restrictions for the time being attached to any class or classes of shares (at the present time there are none) at a general meeting of the Company every ordinary member present in person, or by proxy, attorney or representative shall on a show of hands have one vote and upon a poll every member present in person or by proxy, attorney or representative has one vote for every share held. A qualification to the above is that where a person is present at a meeting as proxy or representative for more than one member then on a show of hands that person shall have only one vote and not one vote for each person represented by him.

A member who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to the proportion that the amount paid-up bears to the total issue price of the share.

13.6 **Dividends:** The Directors may declare and authorise the distribution, from the profits of the Company, of dividends to be distributed to members according to their rights and interests.

13.7 **Winding Up:** Subject to any special or preferential rights attaching to any class or classes of shares, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the shares held by them respectively, less any amount which remains unpaid on their shares at the time of distribution.

13.8 **Transfer of Shares:** Subject to the constitution of the Company, the Law and the Listing Rules, the shares will be freely transferable.

13.9 **Future Increases in Capital:** The allotment and issue of shares is under the control of the Directors of the Company. Subject to restrictions on the allotment of shares to Directors or their Associates contained in the Listing Rules, the constitution of the Company and the Law, the Directors may allot or otherwise dispose of shares on such terms and conditions as they see fit.

13.10 **Variation of Rights:** At present the Company only has ordinary shares on issue. If shares of another class were issued, the rights, privileges and restrictions attaching to ordinary shares could be altered with the approval of a resolution passed at a separate general meeting of the holders of ordinary shares by a three-quarters majority of those holders who, being entitled to do so, vote at that meeting or with the written consent of the holders of at least three-quarters of the ordinary shares on issue, within two months of that general meeting.

13.11 **Directors:** The constitution of the Company contains provisions relating to the retirement of Directors by rotation (other than managing directors and alternate directors).

14. DIVIDENDS AND DIVIDEND POLICY

The Company has not paid dividends and its ability to pay dividends will depend on derivation of profits from operations generally.

15. DEFINITIONS

Certain expressions are used throughout this Prospectus. These have the following meanings:

"$"** and **"A$" means references to dollar amounts in Australian currency.

"the Act" means the Corporations Act 2001.

"AEST" means Australian Eastern Standard Time.

"ASIC" means Australian Securities and Investments Commission.

"ASX" means Australian Stock Exchange Limited and its controlled entities.

"Associates" has the meaning given to that term in the Act.

"Business Day" means those days other than a Saturday, Sunday, New Years Day, Australia Day, Good Friday, Easter Monday, Anzac Day, Christmas Day, Boxing Day and any other day which ASX shall declare and publish as not a Business Day.

"Company" means Cardia Technologies Limited (ACN 064 755 237).

"Directors" or **"Board"** means the Directors of the Company.

"Issue" means the issue of New Shares and Options pursuant to this Prospectus.

"Listing Rules" means the Official Listing Rules of ASX.

"Official List" means the Official List of ASX.

"New Options" means the options to acquire ordinary shares in the capital of the Company to be granted pursuant to this Prospectus.

"Prospectus" means this prospectus as modified or varied by any supplementary prospectus made by the Company and lodged with ASIC from time to time.

"Shares" means ordinary shares in the capital of the Company.

16. DIRECTORS RESPONSIBILITY STATEMENT

The Directors of the Company report that for the purposes of Section 731 of the Act, they state that they have made all enquiries that were reasonable in the circumstances and have reasonable grounds to believe that any statements by them in this Prospectus are true and not misleading or deceptive, and that with respect to any other statements made in this Prospectus by persons other than the Directors, the Directors have made reasonable enquiries and have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given the consent required by Section 716(2) of the Act and have not withdrawn that consent before lodgment of this Prospectus with ASIC. Each Director of the Company consents to the lodgment of this Prospectus with ASIC, and has not withdrawn that consent prior to this Prospectus being lodged.

This Prospectus is prepared on the basis that:

- certain matters may be reasonably expected to be known to professional advisers of the kind with whom applicants may reasonably be expected to consult; and
- information is known to Applicants or their professional advisers by virtue of any Acts or laws of any State or Territory of Australia or the Commonwealth of Australia.

This Prospectus is dated the 22nd day of February 2006.

Signed on behalf of Cardia Technologies Limited

P Volpe
CHAIRMAN

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