CARDIA TECHNOLOGIES LIMITED

ACN 064 755 237

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

DATE: **28th February 2007**

HALF –YEAR REPORT 31st DECEMBER 2006

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
REGISTERED OFFICE
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CARDIA TECHNOLOGIES LTD AND ITS CONTROLLED ENTITIES

ACN 064 755 237

HALF-YEAR REPORT 31 DECEMBER 2006

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the 30 June 2006 Annual Report.

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APPENDIX 4D

RESULTS FOR ANNOUNCEMENT TO THE MARKET

(Comparative figures being the half year ended 31 December 2005)

				$
Revenue from ordinary activities	Down	**87.45%**	to	**70,710**
Loss from ordinary activities after tax attributable to members	Up	**728.98%**	to	**(1,527,719)**
Net loss for the half year attributable to members	Up	**728.98%**	to	**(1,527,719)**

Dividends/Distributions

It is not proposed to pay dividends.

NTA Backing

	Consolidated Entity	
	2006 $	2005 $
Net tangible asset backing per ordinary share	**0.0157**	0.0086

Associated Company

Name of entity	Bioglobal Ltd
Percentage holding	35%
Share of profit/(loss) of the entity	**$92,177** (31 Dec 2005 : $179,301)

Brief Explanation of the above figures

Reduction in revenue for the period was principally due to the fact that the previous years figure included one-off items totally $434,337.

This reduction in revenue along with a charge of $936,000 for the issue of 12,000,000 shares to the Directors and Company Secretary in recognition of their services to the Company and approved by the shareholders at the 2006 Annual General Meeting and a decrease in the share of net profit of the Associated Company, have contributed to the increased net loss for the period.

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 2006

Contents

Corporate Directory

Directors:	Patrick John Volpe (Chairman) Robin Gerald Armstrong 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 Website: www.cardia.com.au
Share Registry:	Computershare Investor Services Pty Limited Level 19, CPA Building 307 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 Securities Exchange Level 6, Riverside Centre 123 Eagle Street BRISBANE QLD 4000

DIRECTORS' REPORT

Your Directors submit the financial report of the economic entity for the half-year ended 31st December 2006.

DIRECTORS

The following persons were Directors of Cardia during or since the end of the half-year.

Patrick John Volpe
Peter Pena
Robin Gerald Armstrong (Appointed 15 September 2006)
Yue Sheng Fu (Resigned 15 September 2006)

REVIEW OF OPERATIONS

In the six months to 31 December 2006 Cardia has maintained its strategy of identifying and developing new technology opportunities and mineral exploration.

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 focus continued to be on its water treatment and recycling subsidiary – Aquenox P/L.

During the period, Aquenox focussed on developing a more compact and competitively-priced Commercial Greywater System. Known as the Aquenox 'ETG', market response has been positive with the first units having already been despatched.

The technology footprint of the 'ETG' was identified as being suitable for downscaling so as to develop a domestic greywater treatment system. The domestic system is still in its developmental stage with the first prototype expected to be ready for EPA / Dept Human Services trials during first Qtr '07.

Aquenox has also continued to focus on industrial applications and is working with a number of major clients across a range of industries including Mining, Chemical and Food & Beverage, requiring large & complex customised solutions.

In China, the Company continues to pursue marketing opportunities through its relationships with Sinopec, Petrochina and ZTE. Through the Shenzhen office, the Company has focussed on researching the sourcing of components and materials for its new Commercial and Domestic Grey Water Systems.

During the period, the water shortages in Australia have however led to a greater focus on the local market.

In addition to its own product development, Aquenox has sought complementary agency lines so as to broaden the water treatment solutions it is able to offer in the market place. Heightened activity in this area of business development is anticipated early in 2007."

Agricultural Biotechnology

During the period the Company continued to hold an interest in agricultural biotechnology through its 35% holding in unlisted Associated Entity Bioglobal Ltd.

The principal activity of Bioglobal continues to be the use of naturally-based chemical products for crop protection, animal health and environmental insecticide markets. Cardia has no immediate plans to dispose of the balance of its interest in Bioglobal, but it would be prepared to do so at the right price.

DIRECTORS' REPORT

Natural Pharmaceuticals

There was no further progress during the period on plans for Natural Pharmacy Pty Ltd in which the Company holds 66% of the issued capital. Natural Pharmacy receives an annual royalty payment from the Australian and New Zealand operations of Transherb Extracts Pty Limited. An amount of $ 32,505.83 was received in October 2006.

Mineral Exploration

As one of its 5 principal business units Cardia remains interested in considering new exploration opportunities when and if they occur. To this end in June 2006 it lodged exploration applications for coal, coal bed methane, base and precious metals and radioactive minerals in Botswana.

No acknowledgement of the receipt of these applications has, as yet, been received from the Botswana Geological Survey Department and there is no certainty that any of the applications will be successful.

The Company continues to hold 2,986,805 ordinary fully paid shares in A-Cap Resources Limited received in May 2006 as reimbursement of past expenditure incurred by Cardia on the Botswana tenements assigned to A-Cap in December 2003.

Biotechnology – Medical

As at 31st December 2006 Cardia held 3,137,539 ordinary shares in Dia-B Tech Ltd – 2.8% of the issued capital of that Company – and remains interested in pursuing any further investment opportunities which may occur in medical research.

Corporate

Options Issue

Following the placement of 30 million shares in May 2006 raising $ 600,000 the issue of a similar number of free options on a 1:1 basis was approved by shareholders on 30 August 2006 and made on 6 September 2006.

Intial Issue of Securities by Aquenox Pty Ltd

As a further step in the proposed public listing of Aquenox Pty Ltd announced in May 2006, on 10th November 2006, the Company announced a non –renounceable entitlements issue of ordinary shares in Aquenox to Cardia shareholders.

The new issue will be on a 1:3 basis at an issue price of 1 cent per share raising close to $ 850,000.

In addition , and to avoid discriminating against Cardia optionholders, the Company announced on 14 November that subject to the approval of Cardia shareholders it would also issue Aquenox options to Cardia optionholders on a 1:3 basis at an issue price of 1/10 cent per option raising a further amount of approx $ 72,644.

Share Issue to Directors and Company Secretary

On 29 November 2006 the shareholders approved the issue of fully paid ordinary shares, free of cost, to Mr P J Volpe (10,000,000), Mr Peter Pena (1,500,000) and Mr John Wilson (500,000) by way of remuneration for services provided to the Company .The shares were issued on 6 December 2006.

Change of Directors

On 15 September 2006, Mr Yue Sheng Fu resigned as a Director due to business commitments in China and Mr Robin Armstrong was appointed to the Board.

EVENTS SUBSEQUENT TO REPORTING DATE

Aquenox Pty Ltd converted to public company status on 9th February 2007, apart from this change, in the interval between the end of the half –year and the date of this report, there has not arisen 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 DECLARATION

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

This report is signed in accordance with a resolution of the Directors made on 28 February 2007..

P.J. VOLPE
Director

Dated this 28 February 2007
Hawthorn, Victoria

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

Bentleys mri
Thinking ahead

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AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF CARDIA TECHNOLOGIES LTD

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2006 there have been:

a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Bentleys MRI

BENTLEYS MRI
CHARTERED ACCOUNTANTS

MARTIN FENSOME
PARTNER

Dated in Melbourne on this 28 day of February 2007

CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Economic Entity	
	31/12/2006	31/12/2005
	$	$
Revenue from ordinary activities	**70,710**	563,202
Raw materials and consumables used	**(114,367)**	(157,153)
Office expenses	**(102,911)**	(113,711)
Listing expenses	**(34,695)**	(13,490)
Employee benefits expenses	**(1,290,988)**	(315,539)
Depreciation expenses	**(18,679)**	(17,933)
Travel and Marketing expenses	**(29,172)**	(61,107)
Professional fees	**(12,674)**	(24,696)
Research and Development ,Exploration and Patents	**(44,564)**	(64,130)
Other expenses from ordinary activities	**(33,608)**	(75,437)
Share of net profits (losses) of associates	**92,177**	179,301
Loss before income tax expenses	**(1,518,771)**	(100,693)
Income tax expenses/ (credit)	**-**	-
Loss after income tax expense	**(1,518,771)**	(100,693)
Loss attributable to minority equity interest	**(8,948)**	(83,597)
Loss attributable to members of the parent entity	**(1,527,719)**	(184,290)
Overall Operations :		
Basic earnings per share (cents per share)	**(0.63)**	(0.12)
Diluted earnings per share (cents per share)	**(0.35)**	(0.07)

The accompanying notes form part of these financial statements

CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2006

	Economic Entity	
	31/12/2006	30/06/2006
	$	$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**750,570**	1,333,545
Trade and other receivables	**140,233**	132,556
Tax assets	-	166,681
Inventories	**184,319**	87,803
TOTAL CURRENT ASSETS	**1,075,122**	1,720,585
NON-CURRENT ASSETS		
Investments accounted for using the equity method	**343,013**	250,835
Plant and equipment	**58,812**	64,356
Financial assets	**2,696,479**	955,429
TOTAL NON-CURRENT ASSETS	**3,098,304**	1,270,620
TOTAL ASSETS	**4,173,426**	2,991,205
CURRENT LIABILITIES		
Trade and other payables	**314,579**	291,223
Short-term provisions	**36,700**	19,393
TOTAL CURRENT LIABILITIES	**351,279**	310,616
TOTAL LIABILITIES	**351,279**	310,616
NET ASSETS	**3,822,147**	2,680,589
EQUITY		
Issued capital	**20,252,768**	19,316,768
Reserves	**2,109,655**	385,326
Accumulated losses	**(18,575,860)**	(17,048,141)
Parent entity interest	**3,786,563**	2,653,953
Minority equity interest	**35,584**	26,636
TOTAL EQUITY	**3,822,147**	2,680,589

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Issued Share Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translation Reserve	Revaluation Reserve	Minority Interests	Total Equity
	$	$	$	$	$	$	$
Balance at *1.7.2005*	17,752,223	(16,619,226)	273,633	(70,691)	-	(104,529)	1,231,410
Shares/Options issued during the period	-	-	-	-	-	-	-
Transaction costs	(5,533)	-	-	-	-	-	(5,533)
Asset revaluation reserve	-	-	-	-	214,956	-	214,956
Movement of foreign currency translation reserve	-	-	-	27,874	-	-	27,874
Profit/(Loss) attributable to members of parent entity	-	(184,290)	-	-	-	-	(184,290)
Share of results and movement in minority equity interest	-	-	-	-	-	83,597	83,597
Balance at *31.12.2005*	**17,746,690**	**(16,803,516)**	**273,633**	**(42,817)**	**214,956**	**(20,932)**	**1,368,014**
Balance at *1.7.2006*	19,316,768	(17,048,141)	273,633	(50,504)	162,197	26,636	2,680,589
Shares/Options issued during the period	936,000	-	-	-	-	-	936,000
Transaction costs	-	-	-	-	-	-	-
Asset revaluation reserve	-	-	-	-	1,741,050	-	1,741,050
Movement of foreign currency translation reserve	-	-	-	(16,721)	-	-	(16,721)
Profit/(Loss) attributable to members of parent entity	-	(1,527,719)	-	-	-	-	(1,527,719)
Share of results and movement in minority equity interest	-	-	-	-	-	8,948	8,948
Balance at *31.12.2006*	**20,252,768**	**(18,575,860)**	**273,633**	**(67,225)**	**1,903,247**	**35,584**	**3,822,147**

The accompanying notes form part of these financial statements

CONDENSED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2006

	Economic Entity	
	31/12/2006	31/12/2005
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and service tax)	45,976	263,820
Payments to suppliers and employees (inclusive of goods and service tax)	(639,597)	(930,746)
Interest received	24,734	9,557
Net cash provided by (used in) operating activities	(568,887)	(657,369)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current assets	(14,156)	(1,350)
Repayment of borrowing from related parties	-	113,918
Loans to other related parties	-	-
Sale of Investments	-	309,120
Net cash provided by (used in) investing activities	(14,156)	421,688
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	-
Shares and options issue cost	-	(5,533)
Proceeds from borrowings	-	-
Repayment of borrowings	-	-
Net cash provided by (used in) financing activities	-	(5,533)
Net decrease in cash held	(583,043)	(241,214)
Cash at ***1 July 2006***	1,333,545	387,415
Effect of exchange rates on cash holding in foreign currencies	68	(923)
Cash at ***31 December 2006***	750,570	145,278
Non-Cash Financing and Investing Activities On 6 December 2006, 12,000,000 shares have been allocated to Directors and the Company Secretary of the Company in recognition of their services to the Company.	936,000	-

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2006

NOTE 1 BASIS OF PREPARATION

The half-year condensed financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Cardia Technologies Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

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

Reporting Basis and Conventions

The half year report has been prepared on an accruals basis and is based on historical costs modified by revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Going Concern Assumption

The company experienced operating losses and negative operating cash flows during the six months to 31 December 2006. 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 activities and
- in accessing additional capital
- in selling its investment portfolio in full or part.

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

- its ability to dispose of its holding of 2,986,805 fully paid ordinary shares in the publicly listed A-Cap Resources Ltd –valued at over $3 million on 31 December 2006.
- the continuing 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.

The management of the consolidated entity has demonstrated a successful track record in the above and able to meet all payment obligations as they fall due. 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 2006.

(a) Principles of Consolidation

A controlled entity is any entity controlled by Cardia Technologies Limited whereby Cardia Technologies Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. All controlled entities have a June financial year end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The charges for current income tax expense are based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(d) Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	**Depreciation Rate**
Plant and Machinery	13% to 33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

(e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(f) Financial Instruments

Recognition
Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables
Loans and receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments
These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets
Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial Liabilities
Non-derivative financial liabilities are recognized at amortized cost, comprising original debt less principal payments and amortization.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognized in the income statement.

(g) Impairments of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.
Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.
Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognised group's share of post-acquisition reserves of its associates.

(i) Intangibles

Goodwill
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Patents and trademarks
Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life .

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technically feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.
Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(j) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.
Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.
Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.
- Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(k) Employee Benefits

Provision is made for the group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(l) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(n) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight –line basis.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. No impairment has been recognised in respect of plant and

Key Estimates- Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of plant and equipment.

Key Judgements- Doubtful Debts Provisions

Receivables from wholly –owned entities have been entirely provided for as the entities have negative net asset positions for the period ended 31 December 2006. There were no other significant key judgements made by the Directors.

NOTE 2: OPERATING LOSS FROM ORDINARY ACTIVITIES

	31/12/06	31/12/05
	$	$
The loss from ordinary activities before income tax has been arrived at after considering the following major items of Revenue, gains and expenses		
Revenue from ordinary Activities		
Revenue from sale of goods	**16,425**	119,308
Interest	**24,734**	9,557
Gain on sale of Bioglobal Shares	**-**	278,384
Royalty Income	**29,551**	35,953
Debt Forgiveness	**-**	120,000
Share of associates' net profit/(loss)	**92,177**	179,301
Expenses		
Cost of goods sold	**114,367**	157,153
Depreciation on plant and equipment	**18,679**	17,933
Rental expenses relating to operating leases	**32,043**	18,407
Research, development, and patents	**44,564**	64,130
Employee Benefits	**1,290,988**	315,539

NOTE 3 SEGMENT INFORMATION
PRIMARY REPORTING – BUSINESS SEGMENTS

	Environmental		Corporate		Other		Eliminations/ Unallocated		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$	$	$
Revenue	17,073	119,308	24,086	278,384	-	-	29,551	155,953	70,710	553,645
Share of associates net profits of equity accounted associates and joint venture entities	-	-	-	-	-	-	-	-	92,177	179,301
Total segment revenue	17,073	119,308	24,086	278,384	-	-	29,551	155,953	162,887	732,946
Unallocated revenue	-	-	-	-	-	-	-	-	-	9,557
Total revenue	17,073	119,308	24,086	278,384	-	-	29,551	155,953	162,887	742,503
Segment result	(439,296)	(501,006)	(1,194,827)	101,111	-	-	115,352	299,202	(1,518,771)	(100,693)
Unallocated expenses net of unallocated revenue									-	-
Profit/(loss) before income tax									(1,518,771)	(100,693)
Income tax expense									-	-
Profit/(loss) after income tax									(1,518,771)	(100,693)
Net Profit/(loss) attributable to outside equity interests									(8,948)	(83,597)
Net Profit/(loss) attributable to members of Cardia Technologies Ltd									(1,527,719)	(184,290)

NOTE 4 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 5 EVENTS SUBSEQUENT TO REPORTING DATE

In the interval between the end of the half –year and the date of this report, other than the conversion of Aquenox Pty Ltd to public company status, there has not arisen 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.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 8 to 18.

a) comply with Accounting Standard, AASB 134: Interim Financial Reporting and the Corporations Regulations; and

b) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half year ended on that date.

In the Directors' opinion 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 28 February 2007.

P J VOLPE
Director

Dated this 28th day of February 2007.
Hawthorn, Victoria

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL

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Thinking ahead

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INDEPENDENT AUDITORS REVIEW REPORT TO THE MEMBERS OF CARDIA TECHNOLOGIES LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half year consolidated financial report of Cardia Technologies Ltd ("the company"), which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half year ended on that date, notes to the financial statements, other selected explanatory notes and the directors declaration.

Director's Responsibility for the Half Year Financial Report

The director's of the company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the company, ARSE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO CARDIA TECHNOLOGIES LTD CONTINUED

Independence
In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of the company on 28 February 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

Conclusion
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 consolidated financial report of Cardia Technologies Ltd is not in accordance with the Corporations Act 2001 including:

a) giving a true and fair view of the company's financial position as at 31 December 2006 and of its performance for the half year ended on that date; and

b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001; and

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BENTLEYS MRI
CHARTERED ACCOUNTANTS

MARTIN FENSOME
PARTNER

Dated in Melbourne on the 28 of February 2007

Quality Endorsed Company