

ASX CODE: CNN
OTCQX CODE: CDRBY

TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED

DATE: 10 February 2012

LODGEMENT OF RENOUNCEABLE RIGHTS ISSUE PROSPECTUS

Further to earlier announcement regarding the Renounceable Rights Issue to Cardia shareholders, the Company advises that Prospectus in relation to the issue has been lodged today with ASIC.

The Copy of Prospectus is attached.

Pat Volpe
Chairman

CARDIA BIOPLASTICS LIMITED

ABN 89 064 755 237

PROSPECTUS

For the offer of a renounceable pro rata rights issue of approximately 336,351,454 New Shares on the basis of 1 New Share for every 4 existing Shares held on the Record Date at an issue price of 0.7 of a cent each to raise up to approximately \$2,350,000 with 1 free New Option for every 1 New Share subscribed for.

The Rights Issue closes at 5.00pm on 13 March 2012

The Rights Issue is partially underwritten by Patersons Securities Limited up to \$1.5 million.

Partial Underwriter and Lead Manager
Patersons Securities Limited

IMPORTANT NOTICE

The Securities offered by this Prospectus are a speculative investment and potential investors should refer to Section 7 for further details concerning the risk factors applying to the Company, its operations and the Securities.

This document is important. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser.

Neither the Company nor any other person guarantees the performance of the Securities offered pursuant to this Prospectus, or the performance of the Company, or the return of any investment.

Corporate Directory

Directors: Mr Pat Volpe (Chairman)
Mr Frank Glatz (Managing Director)
Mr John Scheirs (Non Exec. Director)
Mr Chen Yi (Non Exec. Director)

Company Secretary: Miss Rekha Bhambhani

Registered office: Unit 18/35 Dunlop Road
Mulgrave VIC 3170
Telephone (03) 9562 0122
Facsimile (03) 9562 0422

Share Registry: Advanced Share Registry Ltd *
Unit 2
150 Stirling Highway
NEDLANDS WA 6009
Telephone (08) 9389 8033
Facsimile (08) 9389 7871

Auditor: William Buck Audit (Vic) Pty Ltd
Level 1, 465 Auburn Road,
HAWTHORN EAST VIC 3123
Telephone (03) 9824 8555
Fax (03) 9824 8580

Underwriter: Patersons Securities Limited
Level 15, 333 Collins Street,
MELBOURNE VIC 3000
Telephone (03) 9242 4000
Fax (03) 9242 4099

Lawyers: Mills Oakley Lawyers
Level 6, 530 Collins Street
MELBOURNE VIC 3000
Telephone (03) 9670 9111
Fax (03) 9605 0933

Stock Exchange: ASX Limited *
Level 5,
Riverside Centre
123 Eagle Street
BRISBANE QLD 4000

Company Code: CNN

**These entities have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. They are named for information purposes only.*

TABLE OF CONTENTS

Corporate Directory	2
1 Important Dates and Important Information	4
2 Chairman's letter	6
3 Questions and Answers	7
4 Details of the Rights Issue Offer	9
5 Purpose and Effect of the Rights Issue Offer	16
6 Rights and Liabilities attaching to New Securities	21
7 Risk Factors	24
8 Continuous Disclosure Obligations	28
9 Additional Information	31
10 Director's authorisation	37
11 Glossary	38

1 Important Dates and Important Information

1.1 Important Dates

Event	Day & Date
Announcement of the Rights Issue Offer and application for quotation of securities (Appendix 3B) lodged with ASX	Thursday- 9/2/2012
Notice to existing Optionholders regarding participation in the Right Issue Offer	Friday- 10/2/2012
Lodge Prospectus with ASIC and ASX	Friday -10/2/2012
Notice sent to shareholders containing information required by Appendix 3B	Thursday- 16/2/2012
Existing Shares quoted on “ex” basis	Friday -17/2/2012
Rights trading starts	Friday -17/2/2012
Record Date to determine Entitlements to participate in the Rights Issue Offer	Thursday- 23/2/2012
Prospectus and Entitlement and Acceptance Forms despatched to Eligible Shareholders (Opening Date). Company announces that despatch has been completed.	Monday- 27/2/2012
Rights trading ends	Monday- 5/3/2012
Securities quoted on a deferred settlement basis	Tuesday- 6/3/2012
Final date and time for receipt of acceptance and payment in full (Closing Date)*	Tuesday- 13/3/2012
Company to notify ASX of under subscriptions	Friday- 16/3/2012
Despatch of holding statements	Wednesday- 21/3/2012
Deferred settlement trading ends	Wednesday- 21/3/2012
Date of quotation of Securities	Thursday- 22/3/2012

**The dates are indicative only. Subject to the ASX Listing Rules and in consultation with the Underwriter, the Directors may vary the dates without prior notice.*

Important Information

- (a) Eligible Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.
- (b) This Prospectus is dated 10 February 2012 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus.
- (c) The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with ASIC. No Securities will be allotted or issued on the basis of this Prospectus after the expiry date. Securities allotted or issued pursuant to this Prospectus will be allotted or issued on the terms and conditions set out in this Prospectus.
- (d) No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

- (e) Certain terms and abbreviations used in this Prospectus have defined meanings, which are explained in Section 11 of this Prospectus.
- (f) The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. No action has been taken to register or qualify the Securities the subject of this Prospectus or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia or New Zealand.
- (g) This Rights Issue Offer is only open to Eligible Shareholders. No offer of Securities will be made to Shareholders resident outside Australia or New Zealand. In accordance with the ASX Listing Rules, and having regard to:
 - (i) the number of holders resident outside Australia and New Zealand;
 - (ii) the number and value of New Shares the holders of Shares resident outside of Australia and New Zealand would be offered; and
 - (iii) the cost of complying with the legal requirements and the requirements of regulatory authorities in places other than Australia and New Zealand,

the Directors consider that it is unreasonable to make an offer to such persons and accordingly the Company will send each Shareholder to whom it will not make the offer details of the Rights Issue and advise that the Company will not offer Securities to that Shareholder.
- (h) The Rights Issue Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Securities.
- (i) Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia or New Zealand (other than to Eligible Shareholders).
- (j) An investment in the Company is speculative. Eligible Shareholders should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus. For further information in relation to the risk factors applying to the Company, its operations and the Securities please refer to Section 7 of this Prospectus.

2 Chairman's letter

Dear Shareholder

On behalf of the Directors of the Company, I am pleased to offer you the opportunity to participate in this Rights Issue Offer to raise approximately \$2.35 million.

The Rights Issue Offer is supported by Patersons Securities Limited as the lead manager and partial underwriter to the issue. Further details regarding Patersons' involvement in the Rights Issue Offer is set out in Sections 4.3 and 9.1 of this Prospectus.

The purpose and application of the funds to be raised by the Rights Issue Offer are detailed in section 5 of this Prospectus and I have summarised these as follows.

The primary purpose of the Rights Issue Offer is to provide funding for working capital purposes for at least up to the end of the September 2012 quarter (if fully subscribed), as the Company progresses its immediate sales opportunities along with funding the Company's development projects as the bioplastics business gains sales momentum.

In this respect, the Company has been winning business in both resins and finished goods sales, as well as extensively working on development projects with several local and international companies. Some of these projects are in market, others in commercial negotiations and others are "in market trials". Your Board believes that some of these projects will convert into sales in 2012 and 2013.

Also the Company has appointed several international distributors which are expected to contribute to an increase in sales over the next 12 months. It is anticipated that these distributors will capture a share of the growing global bioplastics market.

A large part of this new global interest in bioplastics has been driven by governments in various countries around the world introducing or supporting bans on plastic carrier bags and also from brand owners looking for alternatives such as bioplastics that contain less oil with a smaller carbon footprint. The Directors believe that the Company is well positioned to meet their needs.

The Board of Cardia looks forward to your participation in the Rights Issue Offer.

Yours faithfully,

A handwritten signature in purple ink, appearing to read 'P Volpe', with a stylized flourish at the end.

Pat Volpe

Chairman

3 Questions and Answers

Information about the Rights Issue Offer is summarised below. For detailed information, refer to sections of the Prospectus listed in the right hand column.

What is the Rights Issue Offer?	The Rights Issue Offer means the offer of approximately 336,351,454 New Shares and 336,351,454 free New Options, by means of the Rights Issue and the Shortfall Offer. The Rights Issue is partially underwritten (up to \$1,500,000 by the Underwriter).	Sections 4.1, 4.3, 4.8 and 9.1
What is the purpose of the Rights Issue Offer?	The purpose of the Rights Issue Offer is to supplement capital to the business to fund general working capital requirements of the Company to achieve anticipated growth in sales.	Section 5.2
What is the Rights Issue?	Shareholders who are registered holders as at 5pm AEDT on the Record Date (Thursday 23 February 2012) and whose address on the register is in Australia or New Zealand will receive an entitlement allocation. If you are an Eligible Shareholder, your Entitlement is to an allocation of one (1) New Share for every four (4) Shares you hold on the Record Date. One (1) free New Option will be issued for every one (1) New Share issued. Rights are renounceable and accordingly, Rights will be tradeable on the ASX. Details on how to sell your Rights are provided in this document. New Shares not subscribed for under the Rights Issue will be made available under the Shortfall Offer and can be subscribed for by, among others, Eligible Shareholders who wish to acquire more than their Entitlement.	Section 4
Can foreign Shareholders participate in the Rights Issue?	Only Eligible Shareholders will receive an allocation under the Rights Issue. The Directors will offer the Rights which would otherwise have been offered to each ineligible Shareholder to a Nominee. If there is a viable market in the Rights and a premium over the expenses of the sale can be obtained, the Nominee will sell the Rights and distribute the proceeds to ineligible Shareholders.	Important Information & Section 4.11
Can Eligible Shareholders apply for more than their	Each Eligible Shareholder will receive an entitlement to subscribe for one (1) New Share for every four (4) Shares held by them at the Record Date.	Sections 4.1, 4.4 and 4.6(b)

Entitlement?	Eligible Shareholders who have applied for their full Entitlement may apply for New Shares in excess of their pro rata Entitlement by completing relevant sections of the accompanying Entitlement and Acceptance Form. However, any such Applications may be declined or scaled back at the absolute discretion of the Company in collaboration with the Underwriter. Applications in excess of Eligible Shareholders' Entitlements will be satisfied from the Shortfall, if any.	
What is the Shortfall Offer?	Shortfall means the number of New Shares comprising the difference between the number of New Shares the subject of the Rights Issue and the number of New Shares for which valid Entitlement and Acceptance Forms have been received and accepted by the Company by the Closing Date. The Shortfall Offer (including the Rounding Up Offer) is the offer of the Shortfall to Eligible Shareholders and any other persons located and receiving this Prospectus in Australia, including such persons selected by the Underwriter. The offer of New Shares under the Shortfall Offer is a separate offer independent from the Rights Issue. The issue price of any New Shares issued under the Shortfall Offer will be the same as the issue price under the Rights Issue being, 0.7 of a cent per New Share.	Sections 4.4 and 4.8
What rights attach to the New Shares?	New Shares will have the same voting rights as existing Shares.	Section 6.1
What rights attach to the New Options?	Each New Option may be exercised at 1.5 cents at any time before 5.00pm AEDT on 30 June 2015.	Section 6.2

4 Details of the Rights Issue Offer

4.1 Details of the Rights Issue Offer

The Company is making a pro rata renounceable offer to issue approximately 336,351,454 New Shares under this Prospectus at an issue price of 0.7 of a cent per New Share to raise approximately \$2.35 million. The New Shares will be issued with 1 New Option for every 1 New Share subscribed for, at no additional cost, such that a maximum of 336,351,454 New Options are issued.

The New Shares are being offered on the basis of 1 New Share for every 4 Shares held on the Record Date. In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

The New Shares offered pursuant to this Prospectus will rank equally with existing Shares on issue. The New Options have an exercise price of 1.5 cents and an expiry date of 30 June 2015. The full terms and conditions of the New Shares and New Options are set out in section 6 of this Prospectus.

As at the date of this Prospectus, the Company has 1,345,405,814 Shares and 223,637,428 Options on issue. All Eligible Shareholders on the Record Date are entitled to participate in the Rights Issue Offer. Optionholders who exercise their Options after the date of this Prospectus but prior to the Record Date are also entitled to participate in the Rights Issue Offer.

The number of New Shares to which you are entitled as an Eligible Shareholder is shown on the accompanying personalised Entitlement and Acceptance Form.

The Rights Issue Offer is partially underwritten up to \$1.5 million by Patersons Securities Limited. Refer to section 9.1 of this Prospectus for further details of the terms of the underwriting.

Eligible Shareholders holding less than 300,000 Shares after taking up their Entitlement in full may also participate in the Rounding Up Offer described in section 4.4 below.

Eligible Shareholders who accept their full Entitlement have the opportunity to apply for additional New Shares at the same issue price of 0.7 of a cent each. The allocation of these additional New Shares will be limited to any Shortfall and allocation will be dealt with by the Directors in collaboration with the Underwriter.

4.2 Opening and Closing Dates of the Rights Issue Offer

The Opening Date of the Rights Issue Offer will be 27 February 2012 at 9.00am AEDT and the Closing Date will be 13 March 2012 at 5.00pm AEDT. The Directors (in collaboration with the Underwriter) reserve the right to close the Rights Issue Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so. Entitlement and Acceptance Forms received after the Closing Date will be rejected and Application Moneys will be returned without interest.

4.3 Underwriting

The Rights Issue Offer is partially underwritten by the Underwriter up to \$1.5 million, being 214,285,714 New Shares. A summary of the Underwriting Agreement including the fees to be paid to the Underwriter is set out in Section 9.1 of this Prospectus.

The Underwriter may appoint sub-underwriters to sub-underwrite the Rights Issue Offer at its discretion.

4.4 Details of the Rounding Up Offer

If, after taking up your Entitlement in full, you still hold less than 300,000 Shares, you may apply to round up to 300,000 Shares out of the Shortfall (if any). If you wish to apply for additional New Shares (in excess of your Entitlement) for rounding up purposes, you may do so by completing the section in the Entitlement and Acceptance Form titled "Entitlement under the Round Up Offer", enclosing your cheque for the appropriate Application Moneys and forwarding those documents to the share registry by the Closing Date (or such later date determined by the Directors in collaboration with the Underwriter and announced on ASX).

The number of New Shares which may be issued under the Rounding Up Offer is limited to the number of Shortfall Securities available under the Shortfall (if any). The Directors therefore cannot guarantee that any New Shares applied for under the Rounding Up Offer will be available for allocation.

4.5 Rights Trading

Entitlements to Securities pursuant to the Rights Issue Offer are renounceable and accordingly, Rights will be tradeable on ASX. Details on how to sell your Rights are set out in Section 4.6 below.

4.6 Eligible Shareholders – what you need to do

If you are an Eligible Shareholder, the number of New Shares and New Options to which you are entitled (your Entitlement) is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded down to the nearest whole number.

(a) If you want to take up your Rights

If you are an Eligible Shareholder and you wish to take up all or part of your Rights, you must accept the Rights Issue Offer by completing the personalised Entitlement and Acceptance Form mailed to you with this Prospectus. Your personalised Entitlement and Acceptance Form will detail your entitlement to New Shares and New Options under the Rights Issue Offer. You should complete the form in accordance with the instructions set out on the reverse side of the form.

Your completed Entitlement and Acceptance Form must be accompanied by the requisite Application Moneys calculated at 0.7 of a cent for each New Share or payment must be made via Bpay® following the instructions on your personalised Entitlement and Acceptance Form, by the Closing Date (or such later date as the Directors advise).

(b) If you want to apply for additional New Shares

Eligible Shareholders who accept their full Entitlement have the opportunity to apply for additional New Shares.

If you wish to apply for any additional New Shares under the Shortfall, complete the relevant section of the accompanying Entitlement and Acceptance Form in respect of the number of additional New Shares you wish to apply for and include an appropriate payment of the Application Moneys. A single cheque,

money order or bank draft should be used for the Application Moneys for your Entitlement and the additional New Shares being applied for. That is, the total New Shares applied for multiplied by 0.7 of a cent. Send the completed Entitlement and Acceptance Form and cheque to the Share Registry before the Closing Date.

Alternatively, if you wish to include payment for additional New Shares using Bpay®, the Share Registry may treat you as applying for as many New Shares as the cleared moneys will pay for.

The Directors, in collaboration with the Underwriter, reserve the right to allocate any Shortfall at their absolute discretion. As such, Eligible Shareholders who apply for additional New Shares may receive fewer than that applied for or none at all. In this event, any surplus Application Moneys will be refunded without interest as soon as practicable.

(c) If you wish to sell your Rights in full on ASX

If you wish to sell all of your Rights on ASX, follow the instructions on the back of the accompanying Entitlement and Acceptance Form.

You can sell your Rights on ASX from 17 February 2012. All sales on ASX must be effected by close of trading on 5 March 2012, when Rights trading ends on the ASX.

The Company does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

(d) If you wish to sell part of your Rights on ASX and take up the balance

If you wish to sell part of your Rights on ASX and take up the balance, follow the instructions on the back of the accompanying Entitlement and Acceptance Form.

You can sell your Rights on ASX from 17 February 2012. All sales on ASX must be effected by close of trading on 5 March 2012, when Rights trading ends on the ASX.

To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches the Share Registry by the Closing Date (or such later date as the Directors advise).

The Company does not accept any responsibility for any failure by your stockbroker to carry out your instructions.

(e) If you wish to transfer all or part of your Rights to another person other than on ASX

If you hold Shares on the issuer-sponsored register and you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed standard renunciation form (which can be obtained from your stockbroker or the Share Registry) signed by you (as the seller) and the buyer, together with the Entitlement and Acceptance Form completed by the buyer and the buyer's cheque or bank draft for the appropriate Application Moneys to reach the Share Registry by no later than the Closing Date (or such later date as the Directors advise).

If you are an Eligible Shareholder holding Shares on CHESS and you wish to transfer all or part of your Rights to another person other than on ASX, you should contact your sponsoring participant.

If the Share Registry receives both a completed renunciation form and a completed Entitlement and Acceptance Form in favour of the same Shareholder in respect of the same Rights, the renunciation will be given effect in priority of the acceptance.

(f) **If you do nothing**

If you are an Eligible Shareholder and you do nothing by the Closing Date, your Rights will form part of the Shortfall which will be dealt with in accordance with Section 4.8.

(g) **Form of payment**

All cheques must be drawn on an Australian Bank or Bank Draft and made payable in Australian currency to "Cardia Bioplastics Share Subscription A/c" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form, together with your cheque must be forwarded to:

By Mail:

In Person:

Advanced Share Registry Ltd	Advanced Share Registry Ltd
P O Box 1156	150 Stirling Highway
Nedlands WA 6009	Nedlands WA 6009

If you elect to pay via Bpay®, you must follow the instructions for Bpay® set out in the Entitlement and Acceptance Form. If you elect to pay via Bpay®, you will not need to return your completed Entitlement and Acceptance Form.

Completed Entitlement and Acceptance Forms or payment by Bpay® must be received by no later than 5.00pm AEDT on the Closing Date.

4.7 Minimum subscription

There is no minimum subscription for the Rights Issue Offer.

4.8 Shortfall

If you do not wish to take up any part of your Entitlement or trade your Rights under the Rights Issue Offer, you are not required to take any action. However, your percentage shareholding in the Company will be diluted. That part of your Entitlement not taken up or traded will form part of the Shortfall.

The Shortfall will be dealt with by the Directors in collaboration with the Underwriter. Both the Company and the Underwriter will use all reasonable endeavours to place the Shortfall Securities, being any other Securities which may form part of a Shortfall pursuant to the Rights Issue and which are not underwritten. The allocation of such securities will be made on a first come-first serve basis and in the event of a dispute, the decision of the Directors will be final.

The offer of the Shortfall (including the Rounding Up Offer) are separate offers pursuant to this Prospectus. The issue price of any New Shares

allocated pursuant to the Shortfall shall be 0.7 of a cent, being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus and will include 1 New Option for every 1 New Share allotted.

In the event that the Shortfall or part of the Shortfall is not dealt with by the Underwriter for any reason, the Directors reserve the right to issue the Shortfall at their discretion.

Shortfall Securities will only be issued if the Rights Issue Offer is undersubscribed and will only be issued to the extent necessary to make up any Shortfall. If the Company receives applications for Shortfall Securities that would result in the Rights Issue Offer being oversubscribed then the Company will not accept such oversubscriptions and will reject applications at its absolute discretion.

The Directors reserve the right to reject any application for Shortfall Securities or to allot a lesser number of Shortfall Securities than applied for. Application Moneys received but not applied towards subscriptions for Shortfall Securities will be refunded as soon as practicable. No interest will be paid on Application Moneys held and returned. Furthermore, the Company will not issue Shortfall Securities where to do so would result in a breach of the Corporations Act or the ASX Listing Rules.

The Company will ensure that no person, entity or Shareholder will, through the allocation of Shortfall Securities, acquire a holding of, or (in the case of existing Shareholders) increase their holding to, an amount in excess of 19.9% of all the Shares on issue following the completion of the Rights Issue Offer.

4.9 Allotment of Securities

Securities issued pursuant to the Rights Issue Offer will be allotted as soon as practicable after the Closing Date and otherwise in accordance with the ASX Listing Rules. Where the number of Securities issued is less than the number applied for, or where no allotment is made under the Shortfall, surplus Application Moneys will be refunded without any interest to the Eligible Shareholders as soon as practicable after the Closing Date.

Until allotment and issue of the Securities or payment of refunds pursuant to this Prospectus, the Application Moneys will be held in trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Moneys will be for the benefit of the Company and will be retained by it irrespective of whether allotment and issue of the Securities takes place.

4.10 ASX Listing

The Company will make application to ASX within 7 days following the date of this Prospectus for Official Quotation of the Securities offered pursuant to this Prospectus. If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not allot the Securities and will repay all Application Moneys (where applicable) as soon as practicable, without interest.

A decision by ASX to grant Official Quotation of the Securities is not to be taken in any way as an indication of ASX's view as to the merits of the Company, or the Securities.

4.11 Ineligible Shareholders

The Company has decided that it is unreasonable to make offers under the Rights Issue Offer to Shareholders with registered addresses outside Australia and New Zealand having regard to:

- (a) the number of Shareholders in those places;
- (b) the number and value of the New Shares they would be offered; and
- (c) the cost of complying with the legal and regulatory requirements in those places.

Accordingly, the Rights Issue Offer is not being extended to, and does not qualify for distribution or sale, and no New Shares will be issued under the Rights Issue Offer to Shareholders having registered addresses outside Australia and New Zealand. This Prospectus is sent to those Shareholders for information purposes only.

The Directors will offer the Rights which would otherwise have been offered to each of those Shareholders to a nominee approved by ASIC (**Nominee**). The Company will announce the identity of the nominee once approved by ASIC. If there is a viable market in the Rights and a premium over the expenses of the sale can be obtained, the Nominee will sell the Rights. Any sale will be at prices and otherwise in a manner determined by the Nominee in its sole discretion. The Nominee will not charge the Company any fees in acting in this capacity other than the recovery of any expenses in relation to the sale.

Neither the Company nor the Nominee will be held liable for failure to sell the Rights or to sell the Rights at any particular price. The proceeds of the sale will be distributed to Shareholders for whose benefit the Rights are sold in proportion to their Shareholding (after deducting costs).

If there is no viable market for the Rights, the Rights of Shareholders with registered addresses outside Australia and New Zealand will be allowed to lapse.

4.12 CHESS and Cardia Sponsorship

The Company participates in CHESS. ASX Settlement, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules. Holders of Securities will not be issued a certificate but will be issued and sent a confirmation of their allotment of their holding of Securities.

If you are a sponsored holder in CHESS, you will be sent a confirmation notice by the Share Registry which will set out the number of Securities issued to you under this Prospectus and provide details of your HIN (holder identification number).

If you are registered on the issuer sponsored sub-register, your holding statement will contain the number of Securities issued to you under this Prospectus and your SRN (security holder reference number).

A CHESS holding statement or issuer sponsored holding statement will otherwise be sent to Shareholders or Optionholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders or Optionholders may request a statement at any other time; however a charge may be made for additional statements.

4.13 Privacy Act

Shareholders provide personal information to the Company (directly or indirectly to the Company's Share Registry). The Company collects, holds and will use that information to service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

4.14 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers. Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences connected with an investment in the Securities in the Company.

4.15 Enquiries

Any questions concerning the Rights Issue Offer should be directed to the Company Secretary, Miss Rekha Bhambhani on +61 3 9562 0122.

5 Purpose and Effect of the Rights Issue Offer

5.1 Background

The Company develops, manufactures and markets sustainable resins and finished products derived from renewable resources for the global packaging and plastic products industries. The Company holds a provisional patent portfolio to drive its mission to be an international supplier of technically advanced sustainable resins and finished products made from renewable resources.

The Company has its headquarters and global applications development centre in Melbourne, Australia. Its product development centre and its resin and finished goods manufacturing plant is in Nanjing, China. A joint venture plant for the production of finished films is in the process of being established in Malaysia. The Company has representative offices located in Europe, Malaysia, China and the Americas. These offices complement a network of leading distributors across Australia, the Americas, Asia and Europe.

The Company's growth is fuelled by the global trend towards sustainable packaging. The Company gives customers the choice of using sustainable Cardia Biohybrid™ resins or compostable resins for their packaging or plastic product applications. As a service to customers, the Cardia team offers design, development and production of ready to use finished goods, such as film and bag products. The Company's materials are suitable for film, injection moulding, blow moulding, foam, extrusion and coating applications.

The Company has also focused on development projects with several local and international companies under confidential development agreements. Some of these projects have progressed to Memorandum of Understanding stage with others now being in commercial negotiations after in market trials having been completed. Whilst no assurances can be given as to the success of converting these projects from development to successful commercial outcomes, any number of conversions would result in a substantial and positive effect on the Company's sales and cash flows.

The Company has developed both flexible and rigid packaging products and by working with global companies has been able to provide reliable bioplastics solutions, technology and finished products. These efforts were noticed with an announcement in 2011 by Nestle that the Company is their development partner for renewable and sustainable bioplastics packaging.

The Company has been successful in supplying brand owners either direct or through distribution partners or converters. Some of these brand owners include McDonalds, KFC, Jusco, BOC Gas, Nature Organics, K-Mart trials, Brisbane City Council, Penrith City Council trials, and many others.

In December 2011 and January 2012, the Company confirmed the supply of its kitchen waste bags to householders in four city districts of Shanghai Pudong, Hangzhou West Lake, Yuhang & Nanjing in China as part of a six month trial.

Since 2008, the Company has won many awards. Some of the achievements include the AustCham China Business Excellence Award 2008 and the 2009 Clean Equity Monaco Conference Award for Excellence in Environmental Technology Commercialisation and in 2008, the Company

won an exclusive supply contract of compostable packaging to the Beijing 2008 Olympics and Paralympics.

The Company has a portfolio of provisional patents covering its Compostable and Cardia Biohybrid™ products and applications, as well as its development of novel biodegradable and compostable plastics made from carbon dioxide (Polypropylene carbonate (PPC)) and renewable resources. The Company also established a subsidiary fully focused on the next generation of CO2S bioplastics.

The manufacturing facilities of the Company are in one of the world's most efficient manufacturing districts; Nanjing, China and can now manufacture up to 7,200 tonnes per year of its proprietary resin products and convert these resins into finished goods that include flexible film and bags at its in-house film and bag making facilities.

The Company will also be able to increase its finished goods capacity by 1,500 tonnes by April 2012 as a result of the manufacturing joint venture established in Malaysia for finished bioplastics films and bag manufacturing. This new facility will allow the Company to manufacture finished films/bags both in China and Malaysia.

5.2 Purpose of the Rights Issue Offer

The purpose of the Rights Issue Offer is to supplement capital to the business to fund general working capital requirements of the Company to achieve anticipated growth in sales. If the Rights Issue is fully subscribed and assuming no existing Options are exercised, then the issue will raise \$2.35m before costs. This will provide sufficient funds to cover working capital costs to the end of September 2012.

Assuming the Rights Issue and Shortfall Offer are not fully subscribed, no existing Options are exercised prior to the Record Date and assuming only the partial underwritten amount of \$1,500,000 is raised, then this will provide sufficient working capital funds to at least the end of June 2012.

5.3 Use of Funds

The net proceeds from the Rights Issue Offer will be used to fund the Company for general working capital requirements allowing for the current minimum inventory levels of raw materials, finished goods (\$1.5 million) commensurate to the current scale of the Company's global operations and to allow the Company to maintain enough cash liquidity to continue with its operations.

The net proceeds from the Rights Issue Offer if fully subscribed (i.e. less the expenses as detailed in Section 9.6 of this Prospectus) will be approximately \$2.11 million and combined with the current cash on hand will have sufficient cash to fund working capital through to the end of September 2012.

Assuming the Rights Issue and Shortfall Offer are fully subscribed, the funds raised will be allocated as follows:

Item	\$	% of funds raised
Development Projects	560,000	23.83
Expand International sales and marketing team	200,000	8.51
IP maintenance and applications	200,000	8.51
Other General working capital	1,153,849	49.10
Cost of Issue	236,151	10.05
Total	2,350,000	100

Note: the funds have been budgeted for the above purposes but this may vary. It is possible that additional funds exceeding the funds at hand after the issue may be required. Also refer to Section 7 (Risk Factors).

Assuming the Rights Issue and Shortfall Offer are not fully subscribed and assuming only the partial underwritten amount of \$1.5 million is raised, the funds will be allocated as follows:

Item	\$	% of funds raised
Development Projects	315,000	21
Expand International sales and marketing team	115,000	7.67
IP maintenance and applications	115,000	7.67
Other General working capital	770,096	51.33
Cost of Issue	184,904	12.33
Total	1,500,000	100

Note: the funds have been budgeted for the above purposes but this may vary. It is possible that additional funds exceeding the funds at hand after the issue may be required. Also refer to Section 7 (Risk Factors).

If the underwritten amount of \$1.5 million is the minimum raised then the Company will have sufficient cash to fund the Company's operations to the end of June 2012.

5.4 Effect on capital structure

The effect of the offers of Securities under this Prospectus on the capital structure of the Company is set out below.

Particulars	Ordinary Shares	Options (Expiry 30 June 2012)*	Options (Expiry 30 June 2015)
Securities currently on issue	1,345,405,814	223,637,482	-
Securities offered pursuant to the Rights Issue Offer	336,351,454	-	336,351,454
Total	1,681,757,268	223,637,482	336,351,454

* CNNOA options exercisable at 1.5 cents, expiring 30 June 2012. It should also be noted that if 30 June 2012 Options are exercised by the Option expiry date, the Optionholder will be entitled to receive a piggy back Option. Assuming all the Options are exercised in this period, the Company will issue a total of 223,637,428 piggy back Options exercisable at 2 cents at any time before 30 June 2013.

Assuming no existing Options are exercised prior to the Record Date, the issue of New Shares under this Prospectus will raise approximately \$2.35 million, before expenses. In addition to the issue of the New Shares, if all New Options are exercised prior to the Option Expiry Date, the Company will raise approximately \$5 million in addition to the amount raised by the issue of New Shares.

In the event that all Options on issue are exercised by the relevant Option exercise dates, the capital structure of the Company will be as follows:

Particulars	Ordinary Shares	Cumulative Ordinary Shares on occurrence of each event
Ordinary Shares currently on issue	1,345,405,814	1,345,405,814
New Shares offered pursuant to this Right Issue Offer	336,351,454	1,681,757,268
Issue of Ordinary shares if all CNNOA options are exercised before expiry date (30 June 2012)	223,637,482	1,905,394,750
Issue of Ordinary shares if all piggyback options are exercised before expiry date (30 June 2013)	223,637,482	2,129,032,232
Issue of Ordinary shares if all New Options are exercised before expiry date (30 June 2015)	336,351,454	2,465,383,686
Total	2,465,383,686	

5.5 Effect on financial position

Set out below is the un-audited pro forma statement of financial position of the Company as at 30 June 2011 which presents the audited financial

position as at 30 June 2011, as audited by William Buck Audit (VIC) Pty Ltd and the unaudited statement of financial position as at 30 September 2011 which has been adjusted for the impact of the proposed Rights Issue Offer.

	Audited 30/06/2011	Unaudited Accounts 30/09/2011	Proforma 30/09/2011
	\$	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4,154,064	2,580,429	4,745,525
Trade and other receivables	690,209	2,305,743	2,305,743
Inventories	1,064,645	1,382,477	1,382,477
TOTAL CURRENT ASSETS	5,908,918	6,268,649	8,433,745
NON-CURRENT ASSETS			
Plant and equipment	689,988	687,067	687,067
Financial assets	3,027,000	3,027,000	454,140
Intangible assets	6,565,950	6,565,950	6,565,950
TOTAL NON-CURRENT ASSETS	10,282,938	10,280,017	7,707,157
TOTAL ASSETS	16,191,856	16,548,666	16,140,902
CURRENT LIABILITIES			
Trade and other payables	893,239	1,469,034	1,469,034
Short-term provisions	180,100	229,297	229,297
TOTAL CURRENT LIABILITIES	1,073,339	1,698,331	1,698,331
TOTAL LIABILITIES	1,073,339	1,698,331	1,698,331
NET ASSETS	15,118,517	14,850,335	14,442,571
EQUITY			
Issued capital	40,091,115	40,091,115	42,256,211
Reserves	1,376,349	1,611,963	(288,890)
Accumulated losses	(26,406,631)	26,909,169	(27,581,176)
Parent entity interest	15,060,833	14,793,909	14,386,146
Non controlling interest	57,684	56,426	56,426
TOTAL EQUITY	15,118,517	14,850,335	14,442,571

Notes:

- (1) *In preparing the pro forma accounts no assumptions have been made other than that the Company will raise \$ 2,165,096 after costs from the Rights Issue Offer, which will result in an increase in cash and cash equivalents (current asset) and corresponding increase in issued capital (equity) by the amount raised. The Company will apply the funds raised for the purposes disclosed in section 5.3 of the Prospectus.*
- (2) *The Proforma Balance sheet has been adjusted to provide for write-down of the Company's investment in Bioglobal .The investment value in Bioglobal has been valued down to \$244,140. The resultant loss of \$2,572,860 in value of investment has been recognised through Equity (Revaluation Reserve)- \$1,900,853 and balance of \$672,007 through the profit & loss account.*

6 Rights and Liabilities attaching to New Securities

6.1 Rights attached to New Shares

New Shares will, once issued, rank *pari passu* with existing Shares. The rights attached to Shares are:

- (a) set out in the Company's Constitution which may be examined free of charge by appointment between 9.00am and 5.00pm on normal business days at the registered office of the Company; and
- (b) in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Set out below is a summary of the principal rights attaching to Shares:

(a) *General meetings*

Members are entitled to be present in person, or by proxy or representative to speak and vote at general meetings of the Company. Members may requisition general meetings in accordance with the Corporations Act and the Constitution of the Company.

(b) *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 and the Corporations Act.

(c) *Voting rights*

At a general meeting of the Company every ordinary member present in person, or by proxy or representative shall on a show of hands, have one vote and upon a poll every member present in person or by proxy or representative has one vote for every Share held and a fraction of a vote (equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) for that Share, ignoring any amounts paid in advance of a call) for each partly paid share. 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.

(d) *Issue of further Shares*

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 Constitution, the Corporations Act, and the ASX Listing Rules, the Directors may allot or otherwise dispose of Shares on such terms and conditions as they see fit.

(e) *Variation of rights*

The Company may vary or cancel the rights attaching to any class of Shares only if the variation or cancellation is permitted by the Corporations Act and is approved by special resolution of each of the Shareholders holding Shares of the relevant class.

- (f) *Winding up*

Subject to the Corporations Act, the Company's Constitution and 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.
- (g) *Dividends*

The Directors may determine that a dividend or other distribution is or will be payable, subject to the Company's Constitution and Corporations Act.
- (h) *Transfer of Shares*

Subject to the Constitution of the Company and the Corporations Act the New Shares will be freely transferable.
- (i) *Reduction of Capital*

The Company may only reduce its capital in such manner as may be permitted by the provisions of the Corporations Act and the ASX Listing Rules from time to time.
- (j) *Directors*

The Constitution of the Company contains provisions relating to the rotation of Directors (other than the managing director).

6.2 Terms and Conditions of New Options

The following is a summary of the rights and liabilities attaching to the New Options offered by this Prospectus:

- (a) Each New Option entitles the holder to, subject to any Shareholder approval under Item 7 of section 611 of the Corporations Act (if required), subscribe for 1 Share in the Company at the exercise price of 1.5 cents.
- (b) Each New Option will expire at 5.00pm AEDT on 30 June 2015 (**Option Expiry Date**).
- (c) Each Share allotted as a result of the exercise of an New Option will rank in all respects pari passu with the existing Shares in the Company on issue at the date of allotment.
- (d) New Options do not have any voting rights at general meetings of the Company.
- (e) Subject to the Constitution of the Company and the Corporations Act, the New Options will be freely transferable and it is intended that application will be made to ASX for Quotation of the New Options.
- (f) An Optionholder may exercise Options at any time prior to the Option Expiry Date by submitting the relevant Option exercise form to the Company's Share Registry. Forms for exercising New Options are available from the Company's share registry, the Company's website or by contacting the Company directly.
- (g) New Options issued by the Company do not entitle the Optionholder to participate in new issues by the Company.

- (h) In the event of any reconstruction (including a consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of holders of New Options will be changed to the extent necessary to comply with the ASX Listing Rules at the time of the reorganisation.

7 Risk Factors

7.1 Speculative nature of investments

The below list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The below factors, and others not specifically referred to below, may in the future materially affect the financial performance of the Company and the value of its Securities.

Therefore, the Securities carry no guarantee with respect to the payment of dividends, returns of capital or their market value. An investment in the Company is speculative. You should consult your professional advisers before deciding whether to invest.

7.2 Key risks

- (a) *On-going capital requirements for the Company*
If the Company requires access to further funding at any stage in the future, the Company may be adversely affected in a material way if, for any reason, access to that capital is not available. There can be no assurance that additional funds will be available. If additional funds should be raised by issuing equity securities, this might result in dilution to the interests of then existing Shareholders.
- (b) *Volatility of petroleum prices*
The traditional plastics market is subject to fluctuations in petroleum prices. This hydrocarbon is a critical raw material in the development and manufacturing of plastics. Recently, these prices have been volatile and moved increasingly toward conditions that are supportive of the bioplastics market. With the bioplastic market currently commanding a premium price, any fall in petroleum prices could render bioplastics less competitive as the gap between bioplastics and traditional plastics pricing narrows.
- (c) *Limited operating history*
The Company has only commenced sales of its products within the past three years, and continues to develop and launch new product lines. Therefore, the Company is subject to all of the risks inherent in a new business enterprise. Additionally, with a limited operating history, it makes it difficult to evaluate the Company's financial performance and prospects. As such, period to period comparisons of results from operations may not be meaningful.
- (d) *Commercial success depends on widespread market acceptance of bioplastics*
The market for bioplastics is a relatively young industry and is still developing. The Company's success is dependent on consumers' acceptance of these plastic products as well as the successful commercialisation of its plastics produced with the Company resins by third parties.
- (e) *Ability to recycle existing plastics improves*
Established product manufacturers could improve their ability to recycle their existing products or develop new environmentally friendly products which could render the Company's technology less competitive. Any improvements or increased recycling of plastic products could lessen its harmful environmental impact, and have an adverse affect on the Company's business.

- (f) *Profitability*
The Company is not presently profitable and may never be so. The ability of the Company to pay dividends will depend on it generating revenue and the overall financial position of the Company.
- (g) *Contract Risks*
The Company operates through a series of contractual relationships with various parties. All contracts carry risks associated with the performance by the parties thereto of their obligations both as to financial performance and technical capacity and as to the time frames in which operations are carried out and in relation to the quality of work performed. There will be contract risks including relating to the purchase of capital equipment and feedstocks, the maintenance and operation of facilities in China and in respect of all other aspects of its operations.

7.3 Risks associated with Securities

- (a) *Securities Investment*
You should be aware that there are risks associated with investment in securities of companies listed on a stock exchange. The value of securities can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets, variations in the operating costs and costs of capital replacement which the Company may in the future require. Accordingly, assuming that the Securities are granted Official Quotation by ASX, they may trade on ASX at higher or lower prices than the issue price.
You should consider whether Securities are a suitable investment for you before deciding to invest in the Securities. If in doubt about investing in securities you should consult your stockbroker, accountant, lawyer or other professional adviser immediately.
- (b) *Dilution*
The interests of Eligible Shareholders who do not participate in the Rights Issue in full and ineligible Shareholders will be diluted as a result of the Company undertaking the Rights Issue.
- (c) *New Options may be “out of the money”*
The New Options are currently “out of the money” and may remain so until the Option Expiry Date.

7.4 Economic risks

- (a) *Economic risk and external market factors*
Factors, such as, but not limited to, political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, exchange rates, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may all have an adverse impact on the Company's operating costs, profit margins and share price. These factors are beyond the control of the Company and it cannot, to any degree of certainty, predict how they will impact on the Company.
- (b) *War and terrorist attacks*
War or terrorist attacks anywhere in the world could result in a decline in economic conditions worldwide or in a particular region.

There could also be a resultant material adverse effect on the business, financial condition and financial performance of the Company.

(c) *Foreign exchange risk*

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. Fluctuations in exchange rates may adversely affect the Company and the price of its Shares. The Company does not at present have any currency hedging in place.

7.5 General risks

(a) *Ability to retain and attract personnel*

The Company's success depends, in part, on its ability to identify, attract, motivate and retain suitably qualified management personnel. Competition for qualified staff is strong. The inability to access and retain the services of a sufficient number of qualified staff could be disruptive to the Company's development efforts or business development and could materially and adversely affect its operating results.

(b) *Litigation*

Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

(c) *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 Eligible Shareholders 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.

(d) *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.

(e) *Intellectual Property Rights*

Obtaining, securing and maintaining rights to technology and patents are an integral part of the Company's business. Competition

in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Additionally, success may depend on the Company enforcing and defending its intellectual property against third-party challengers. Because the patent position of companies such as the Company can be highly uncertain and frequently involve complex legal and factual questions, the breadth of claims did not allow nor can their enforceability be predicted. There can be no assurance that any patents which the Company may own, access or control will afford the Company commercially significant protection of its technology or its products or have commercial application.

(f) *No Valuation*

No formal or informal valuations have been completed on 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.

(g) *Impairment of Assets*

The assets of the Company such as goodwill may be subject to impairment. Such impairment would affect the underlying net assets of the Company.

(h) *Regulatory changes*

The Company and many of its product applications that are sold into end markets are regulated by various national and local regulations. Changes in those regulations could result in additional costs, seizures, confiscations, recall or fines, any of which could prevent the Company from development and distribution of its products.

(i) *External Suppliers*

The Company relies on a number of external suppliers for the provision of services and feedstocks. There can be no assurance given that the failure of an external supplier(s) will not adversely affect the business of the Company.

(j) *Operational Risks*

These include the possibility of the risk of unexpected mechanical failure or equipment breakdown resulting in loss of production and additional expense generally, unexpected interruption to or imposition of onerous conditions on access, industrial disputes and resultant increases in costs of operation. The availability and pricing of transport and freight may also lead to a cessation of business either temporarily or permanently.

8 Continuous Disclosure Obligations

8.1 Nature of this Prospectus

This Prospectus is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act. This enables listed disclosing entities to issue a prospectus with less rigorous disclosure requirements if:

- (a) the securities offered by the prospectus are in a class of securities that have been quoted securities at all times in the 3 months before the date of the prospectus; and
- (b) the company is not subject to certain exemptions or declarations prescribed by the Corporations Act.

Securities are quoted securities if:

- (a) the company is included in the official list of ASX; and
- (b) the ASX Listing Rules apply to those securities.

The information in this Prospectus principally concerns the terms and conditions of the Rights Issue Offer and the information necessary to make an informed assessment of:

- (a) the effect of the Rights Issue Offer on the Company; and
- (b) the rights and liabilities attaching to the New Securities offered by this Prospectus.

As the Company has been listed on ASX since 21 November 1996, a substantial amount of information concerning the Company has previously been notified to ASX and is therefore publicly available.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. You should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the New Shares. Information can be accessed from ASX or via the Company's website at <http://www.cardiabioplastics.com>.

8.2 Regular reporting and disclosure obligations

The Company is a disclosing entity under the Corporations Act. It is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specified events and matters as they arise for the purposes of ASX making that information available to the stock market conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information of which it becomes aware concerning the Company which a reasonable person would expect to have a material effect on the price or value of securities in the Company.

The Company is also required to prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an auditor's report.

All announcements made by the Company are available from ASX.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of the ASX (as applicable from time to time throughout the 12 months before the issue of this Prospectus) which require the Company to notify ASX of information about specified events or matters as they arise, for the purpose of the ASX making that information available to the market.

The Company believes there is no other information that Shareholders or investors would reasonably require for the purposes of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of the Company and the rights and obligations attaching to the New Shares under this Prospectus, which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules.

8.3 Your right to obtain copies of the Company's documents

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

During the period that the Rights Issue Offer remains open, the Company will provide copies of the following to any person on request, free of charge:

- (a) the Company's annual financial report for the year ended 30 June 2011 (being the last annual financial report that has been lodged with ASIC before lodgement of this Prospectus);
- (b) any continuous disclosure notices used to notify ASX of information relating to the Company between 29 September 2011 (being the date of lodgement of the financial report referred to in paragraph (a) with ASIC) and the date of lodgement of this Prospectus, being the following:

Date	Title of notice as lodged with ASX
17/10/2011	Malaysian Government's- Biotechnology Corporation Grant- BioNexus Status
28/10/2011	Notice of Annual General Meeting
28/10/2011	Quarterly Report- 30 September 2011
29/11/2011	AGM Presentation
29/11/2011	Results of Annual General Meeting
19/12/2011	Europe's Polyden Folien to launch Bio-packaging films using Cardia's technology
22/12/2011	Issue of shares to employees
23/12/2011	Investments in Bioglobal Limited
23/1/2012	Cardia supplies three more city districts in China with Cardia's renewable Biohybrid TM kitchen waste bags to householders
31/1/2012	Request for Trading Halt
31/1/2012	Quarterly Report- 31 December 2011
2/2/2012	Suspension from Official Quotation.
8/2/2012	Investors Presentation
9/2/2012	Cardia to raise \$2.35 million

8.4 Documents available for inspection

The following documents are available for inspection during normal business hours at the Company's registered office :

- (a) this Prospectus;
- (b) the Company's Constitution; and
- (c) the consents referred to in section 9.5 of this Prospectus.

9 Additional Information

9.1 Underwriting Agreement

Pursuant to the Underwriting Agreement, the Underwriter has agreed to partially underwrite the Rights Issue Offer for 214,285,714 New Shares and 214,285,714 New Options.

Pursuant to the Underwriting Agreement, the Company has agreed to:

- (a) pay the Underwriter an underwriting fee of 6% on the underwritten amount of the Rights Issue, being \$90,000 plus GST;
- (b) pay to the Underwriter a placement fee of 6% (less any fees payable to other brokers who may place such securities) based on the value of the Shortfall Securities not underwritten but which are placed;
- (c) pay the Underwriter a corporate advisory fee of \$10,000 per calendar month (or part thereof) in arrears for an initial term of three (3) months from the Closing Date (unless a longer term is agreed between the Company and the Underwriter), payable in cash or Shares at the Underwriter's discretion. If the Underwriter elects to accept Shares, the Shares will be issued at a 15% discount to the volume weighted average price in the 5 days preceding the date the relevant fee is invoiced.
- (d) pay the Underwriter a lead manager fee of \$60,000 (exclusive of GST); and
- (e) in the event that the Company or the Underwriter terminates the Underwriting Agreement for the Underwriter to act as lead manager and underwriter to the Rights Issue (except where such termination is by the Company in accordance with the Underwriting Agreement (see below)), pay the Underwriter a termination fee of \$60,000.

In addition, the Company has agreed to pay all the Underwriter's reasonable out of pocket expenses of and incidental to the Rights Issue (including legal expenses and professional fees).

In 2011, the Underwriter was paid a gross fee of \$334,364.91 (inclusive of GST) relating to corporate advisory and capital raising services provided to the Company.

The obligations of the Underwriter to underwrite the Rights Issue Offer are subject to certain events of termination. These events of termination include (but are not limited to) the following events:

- (a) the All Ordinaries Index (IRESS XAO.ASX) or the S&P/ASX 200 (IRESS:XJO.ASX) or the S&P/ASX Small industrials (IRESS:XSI.ASX) as published by ASX is at any time after the date of the Underwriting Agreement, 7.5% or more below its respective level as at the close of business on the Business Day prior to the date of the Underwriting Agreement;
- (b) the Shares finish trading on the ASX under the ASX code of "CNN" on any trading days with a closing price that is less than 0.7 of a cent;.
- (c) Official Quotation has not been granted for all the New Shares and New Options by the shortfall notice deadline date or, having been granted, is subsequently withdrawn, withheld or qualified;

- (d) it transpires that there is a statement in the Prospectus that is misleading or deceptive or likely to mislead or deceive, or that there is a material omission from the Prospectus (having regard to the provisions of section 713 of the Corporations Act) or if any statement in the Prospectus becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Prospectus is or becomes misleading or deceptive or likely to mislead or deceive;
- (e) an application is made by ASIC for an order under section 1324B or any other provision of the Corporations Act in relation to the Prospectus, the shortfall notice deadline date has arrived, and that application has not been dismissed or withdrawn;
- (f) ASIC gives notice of its intention to hold a hearing under section 739 or any other provision of the Corporations Act in relation to the Prospectus to determine if it should make a stop order in relation to the Prospectus or ASIC makes an interim or final stop order in relation to the Prospectus under section 739 or any other provision of the Corporations Act;
- (g) the Takeovers Panel makes a declaration that circumstances in relation to the affairs of the Company are unacceptable circumstances under Pt 6.10 of the Corporations Act;
- (h) there is an outbreak of hostilities or a material escalation of hostilities (whether or not war has been declared) after the date of the Underwriting Agreement involving one or more of Australia, New Zealand, Indonesia, Japan, Russia, the United Kingdom, the United States of America, or the Peoples Republic of China, Israel or any member of the European Union, or a terrorist act is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (i) an event occurs which gives rise to a material adverse effect (as defined in the Underwriting Agreement) in the reasonable opinion of the Underwriter;
- (j) a prescribed occurrence (as defined in the Underwriting Agreement) occurs;
- (k) an event of insolvency occurs in respect of the Company;
- (l) a judgment in an amount exceeding \$20,000 is obtained against the Company or any of its subsidiaries and is not set aside within 10 days;
- (m) there is a change in the composition of the Board or a change in the senior management of the Company before completion of the Rights Issue Offer without the prior written consent of the Underwriter; and
- (n) a force majeure event affecting the Company's business or any obligation under the Underwriting Agreement lasting in excess of 7 days occurs.

The Company may without cost or liability to itself and without prejudice to any rights for damages arising out of any breach by the Underwriter of its representations, warranties or obligations under the Underwriting Agreement, by notice in writing given upon or at any time prior to the completion date (being the date upon which allotment of the last of the New

Shares and New Options occurs), terminate its obligations under the Underwriting Agreement if any of the following events occur:

- (a) default by the Underwriter under the Underwriting Agreement; or
- (b) any representation, warranty or undertaking given by the Underwriter in the Underwriting Agreement is or becomes untrue or incorrect.

The Underwriting Agreement also contains a number of indemnities, representations and warranties from the Company to the Underwriter that are considered standard for an agreement of this type.

If the Underwriter is required to subscribe for the entire amount of the underwritten Securities, then its relevant interest in the Company could potentially reach approximately 13.7% of the issued capital in the Company. The Underwriter has informed the Company that it has sub-underwriting commitments from sub-underwriters for all the underwritten New Shares and New Options, and that none of the sub-underwriters would (alone or with their associates) receive or hold relevant interests in 20% or more of the issued voting shares of the Company after completion of the Rights Issue Offer. Accordingly, the Company does not anticipate that entry into and implementing the Underwriting Agreement would result in a change of control of the Company. Furthermore none of the Directors have entered into sub-underwriting arrangements with the Underwriter.

9.2 Directors' interests and benefits

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director of the Company, and no firm in which a Director or proposed Director of the Company is a partner, holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Rights Issue Offer, or
- (c) the Rights Issue Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or proposed director of the Company:

- (a) to induce them to become, or to qualify them as, a Director; or
- (b) for services rendered by them in connection with the formation or promotion of the Company or in connection with the Rights Issue Offer.

Directors are not required under the Company's Constitution to hold any shares in the Company.

The table below shows the interest of each Director (whether held directly or indirectly) in securities of the Company as at the date of this Prospectus:

Director	Shares	Options
Mr Pat Volpe	120,333,334	-
Dr Frank Glatz	14,962,334	500,000
Dr John Scheirs	6,592,224	-
Mr Chen Yi	18,500,000	-

Directors may hold the relevant interests in Shares and Options shown above directly, or through holdings by companies, trusts or other persons with whom they are associated.

9.3 Related party transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus other than as set out below. All related party transactions set out below have been entered into on arm's length terms.

The Company, on an as needs basis, receives consultancy services from Excelpas Pty Ltd, a company controlled by Dr John Scheirs, a Director of the Company. An amount of \$10,295 (excluding GST) was paid by the Company to Excelpas Pty Ltd for the 6 month period to December 2011 (\$18,644, excluding GST for the year ended 30 June 2011) for these consultancy services.

The Company has entered into a non-exclusive distribution agreement with Bio-Mart Pty Ltd (a company controlled by the children of Mr Pat Volpe, Chairman of the Company) on identical commercial terms that apply to all distributors of the Company. No commercial transactions have occurred to date with Bio-Mart Pty Ltd pursuant to the non-exclusive distribution agreement.

On 10th January 2011, the Company has also entered into sub-lease agreement with Botswana Metals Limited ("BML") in relation to the shared occupation of office premises. Mr. Volpe is Chairman and the major shareholder of BML. BML has invoiced the Company \$ 44,917 for rent of office premises for the 14 months period up to August 2012 (\$ 18,206 inclusive of GST for the 6 month period to 30 June 2011).

9.4 Interests of other persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no promoter of the Company holds, or held at any time during the last 2 years before the date of this Prospectus, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Rights Issue Offer; or
- (c) the Rights Issue Offer,

and no amounts have been paid or agreed to be paid and no benefit has been given or agreed to be given to any of these persons for services rendered by them in connection with the formation or promotion of the Company or in connection with the Rights Issue Offer.

Legal advisers, Mills Oakley Lawyers, are entitled to receive professional fees of approximately \$10,000 (excluding GST) in connection with the Rights Issue Offer calculated in accordance with their normal hourly fees.

As discussed in Section 9.1, the Underwriter will be paid a commission of 6% on the underwritten amount, \$60,000 as management fees, corporate advisory fees and any applicable placement fees. Expenses will also be reimbursed.

9.5 Consents

Each of the parties referred to in this section:

- (a) has not authorised or caused the issue of this Prospectus;
- (b) does not make, or purport to make, any statement in this Prospectus other than as specified in this section;
- (c) has not made any statement on which a statement in this Prospectus is based, other than as specified in this section; and
- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus other than the reference to its name and the statement (if any) included in this Prospectus with the consent of that party as specified in this section.

Mills Oakley Lawyers have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as legal advisers to the Company in respect of the Rights Issue Offer in the form and context in which they are named.

William Buck Audit (Vic) Pty Ltd have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as auditors to the Company in respect of the Rights Issue Offer in the form and context in which they are named.

Patersons Securities Limited have given and, at the time of lodgement of this Prospectus, have not withdrawn their written consent to being named in this Prospectus as lead manager and underwriter in respect of the Rights Issue Offer, in the form and context in which they are named.

9.6 Expenses of the Rights Issue Offer

The estimated costs of the Rights Issue Offer are:

	Amount (\$)
ASIC fees	2,068
ASX fees	7,836
Underwriting and management fees	150,000
Legal expenses	10,000
Printing and other expenses	15,000
TOTAL	184,904

These expenses are payable by the Company.

9.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest:	1.3 cents per Share	29 & 30 November 2011
Lowest:	0.8 cents per Share	12 January 2012

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 0.8 cents on 9 February 2012.

9.8 Litigation

Neither the Company nor any of its subsidiaries are presently involved in litigation and the Directors are not aware of any basis on which any litigation against the Company or any of its subsidiaries may arise.

9.9 Taxation implications

The Directors do not consider that it is appropriate to give Shareholders or other potential Eligible Shareholders advice regarding the taxation consequences of applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders or other potential Eligible Shareholders. Potential Eligible Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of subscribing for New Shares offered pursuant to this Prospectus.

9.10 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic Application Form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic Application Form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on +61 3 9562 0122 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

New Shares and New Options will only be issued on receipt of an Application Form issued together with this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

10 Director's authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that, in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and, on that basis, have reasonable grounds to believe that persons making the statement or statements were competent to make such statements. Those persons have given their consent to the statements being included in this Prospectus, in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC or, to the Directors' knowledge, before any issue of the New Shares and New Options pursuant to this Prospectus.

Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with section 720 of the Corporations Act and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company pursuant to a resolution of the Board.

Dated: 10 February 2012



Pat Volpe
Director

11 Glossary

AEDT	means Australian Eastern Daylight Savings Time.
Application Form	means an Entitlement and Acceptance Form either attached to or accompanying this Prospectus.
Application Moneys	means money received by the Company in respect of applications.
ASX	means ASX Limited ABN 98 008 624 691.
ASX Clear Operating Rules	means the official clearing rules of the ASX Clear Pty Limited ABN 48 001 314 503.
ASX Listing Rules	means the official listing rules of the ASX.
ASX Settlement	means ASX Settlement Pty Limited ABN 49 008 504 532.
ASX Settlement Operating Rules	means the official settlement rules of ASX.
Board or Board of Directors	means the board of directors of the Company.
Business Day	means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Melbourne, Australia.
CHESS	means Clearing House Electronic Subregister System operated by ASX Settlement.
Closing Date	means the closing date for receipt of an Entitlement and Acceptance Form under this Prospectus as set out in Section 1 (unless extended).
Company or Cardia	means Cardia Bioplastics Limited ABN 89 064 755 237
Constitution	means the Company's constitution as at the date of this Prospectus.
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Directors	means the directors of the Company as at the date of this Prospectus.
Electronic Prospectus	means the electronic copy of this Prospectus located at The Company's website at www.cardiabioplastics.com .
Eligible Shareholders	means a Shareholder whose registered address is in Australia or New Zealand and who is a Shareholder at 5.00 pm (AEDT) on the Record Date.
Entitlement	means the entitlement of an Eligible Shareholder to participate in the Rights Issue Offer.
Entitlement and Acceptance	means the application form entitled "Entitlement

Form	and Acceptance Form” either attached to or accompanying this Prospectus.
Listing Rules	means the listing rules of the ASX.
New Options	means the free attaching Options issued with the New Shares under this Prospectus, on the terms set out in Section 6.2 of this Prospectus.
New Shares	means the Shares offered pursuant to this Prospectus.
Opening Date	means the opening date for receipt of Application Forms under this Prospectus as set out in Section 1.
Option	means an option to acquire a Share.
Optionholder	means the holder of an Option.
Option Expiry Date	means has the meaning given to that term in Section 6.2(b) of this Prospectus.
Privacy Act	means <i>Privacy Act 1988</i> (Cth).
Prospectus	means this prospectus.
Quotation and Official Quotation	means the official quotation on ASX.
Record Date	means the date as at which Rights will be determined, as set out in the timetable in Section 1.
Right	means a right to subscribe for an Entitlement pursuant to this Prospectus.
Rights Issue and Rights Issue Offer	means the renounceable rights issue offer to Eligible Shareholders as further detailed in Section 4.1 of this Prospectus.
Rounding Up Offer	means the offer to round up shareholdings to 300,000 Shares as set out in Section 4.4 of this Prospectus.
Securities	means the New Shares and the New Options.
Share	means a fully paid ordinary shares in the capital of the Company.
Shareholder	means the holder of a Share as recorded in the register of the Company.
Share Registry	means Advanced Share Registry Services Limited.
Shortfall	means the number of Securities comprising the difference between the Securities the subject of the Rights Issue Offer, and the number of Securities for which valid applications have been received and accepted by the Company by the Closing Date.
Shortfall Offer	The offer of the Shortfall to Eligible Shareholders or other persons located and receiving this Prospectus in Australia.

Shortfall Securities

means the number of New Shares and New Options comprising the Shortfall.

Underwriter

means Patersons Securities Limited (ABN 69 008 896 311).

Underwriting Agreement

means the underwriting agreement dated 9 February 2012 entered between the Company and the Underwriter, as summarised in section 9.1 of this Prospectus.