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NON-RENOUNCEABLE RIGHTS ISSUE

OFFER DOCUMENT

A pro-rata non-renounceable rights issue to Eligible Shareholders of 1 New Share for every 3 Shares held at 30 August 2010 at an issue price of \$0.015 per New Share to raise up to **\$3.7** Million before costs of the Offer.

This document is not a prospectus. It does not necessarily contain all of the information that a prospective investor would find in a prospectus or which may be required in order to make an investment decision regarding, or about the rights attaching to, the New Shares offered by this document.

This is an important document that requires your immediate attention. It should be read in its entirety. You may wish to consult your professional adviser about its contents.

The New Shares offered under this Offer Document have not been registered under the US Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any US Person, except pursuant to applicable exceptions from registration.

If you do not lodge an Entitlement and Acceptance Form by 20 September 2010, you will not be entitled to be issued New Shares in Cardia Bioplastics Limited.

Important Information

The Corporations Act was amended to introduce the ability for listed companies to make a pro-rata entitlement offer of securities to existing shareholders without a disclosure document. The Offer to which this Offer Document relates complies with the requirements of section 708AA of the Corporations Act as notionally modified by ASIC Class Order 08/35 and accordingly, this Offer Document is not required to be lodged or registered with ASIC.

This Offer Document is provided for information purposes and is not, and does not purport to be, a prospectus or other disclosure document for the purposes of the Corporations Act. Accordingly, this Offer Document does not contain all of the information which would otherwise be required to be disclosed in a prospectus or other disclosure document, and does not necessarily contain all of the information which a prospective investor may require to make an investment decision.

This Offer Document is dated **20 August 2010**. This Offer Document is not a prospectus and has not been lodged with ASIC. Neither ASIC nor ASX, nor any of their officers or employees, take responsibility for this Offer or the merits of the investment to which this Offer relates. Before deciding whether to apply for New Shares you should consider whether they are a suitable investment for you in the light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading this Offer Document, you have any questions about the Offer, you should contact your stockbroker, accountant or other professional adviser.

The potential tax effects of the Offer will vary between investors. All investors should satisfy themselves of any possible tax consequences by consulting their own professional tax advisers.

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement and Acceptance Form, sent to Eligible Shareholders with this Offer Document.

This Entitlement Offer is made only to those Eligible Shareholders with registered addresses in Australia and New Zealand and only those Eligible Shareholders will be offered New Shares. No action has been taken to permit the offer of New Shares under this Offer Document in any jurisdiction other than Australia and New Zealand. In particular, the New Shares have not been and will not be registered under the US Securities Act and may not be offered, sold or delivered within the US or to or for the account or benefit of any US person. The distribution of this Offer Document in any jurisdiction other than Australia or 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 may constitute a violation of applicable securities laws.

This Offer Document does not constitute an offer of New Shares in any jurisdictions where, or to any person to whom, it would be unlawful to issue this Offer Document or make such an offer.

Future Performance and forward looking statements

Applicants should note that the past share price performance of Cardia Bioplastics provides no guidance as to its future share price performance.

Any forward looking statements in this Offer Document are based on Cardia Bioplastics current expectations about future events. They are subject to known and unknown risks, uncertainties and assumptions, many of which are outside the control of Cardia Bioplastics and its Board, which could cause actual results, performance and achievements to differ materially from future results, performance and achievements expressed or implied by any forward looking statements in this Offer Document.

Disclaimer

No person is authorized to give any information, or to make any representation in connection with the Offer that is not contained in this Offer Document. Any information or representation that is not in this Offer Document may not be relied on as having been authorized by Cardia Bioplastics in connection with the Offer.

Terms used in this Offer Document are defined in Section 7.

Key dates

| EVENT | DATE |
|--|-----------------------------|
| Announcement of Offer and Appendix 3B lodged with ASX | Thursday 19 August 2010 |
| Offer document lodged with ASX | Friday 20 August 2010 |
| Letter to Shareholders | Monday 23 August 2010 |
| Ex-Date – The date on which existing shares commence trading to participate in the Offer | Tuesday 24 August 2010 |
| Record date- the date for determining entitlements of eligible shareholders to participate in the offer. | Monday 30 August 2010 |
| Offer document sent to shareholders- Offer opens | Friday 3 September 2010 |
| Closing date (5pm AEST) * | Monday 20 September 2010 |
| Securities quoted on a deferred settlement basis | Tuesday 21 September 2010 |
| Rights issue short fall notified to ASX | Thursday 23 September 2010 |
| Despatch date (deferred settlement trading ends) | Tuesday 28 September 2010 |
| Normal trading resumes | Wednesday 29 September 2010 |

These dates are subject to change and are indicative only.

Cardia Bioplastics Limited reserves the right to amend this time table including, subject to the Corporations Act and ASX Listing Rules, to extend the Closing Date.

* The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. The date that the New Shares are expected to commence trading on the ASX may vary with any change to the Closing Date.

Letter from the Chairman

On behalf of the Directors of Cardia, I am pleased to offer you the opportunity to participate in a pro-rata non-renounceable rights issue in Cardia as announced by the Company on Thursday 19th of August 2010.

In view of the recent progress in the Company's development projects, sales and marketing activities and the need for further working capital funding, the Directors wish to provide the opportunity to Eligible Shareholders to invest through this Rights Issue. Each shareholder eligible to participate in the Rights Issue will be entitled to subscribe for 1 New Share in the capital of the Company for every 3 existing Shares registered in their name at the record date (30 August 2010).

This pro-rata non-renounceable Rights Issue will raise up to \$3,707,983 (before costs) if fully subscribed to through the issue of 247,198,862 new fully paid ordinary shares (subject to the issue of any further shares pursuant to the exercise of any options in cash prior to the Record Date).

The New Shares will be issued at a cost of 1.5 cents per share compared to the Company's five day Volume Weighted Average Price of 1.7 cents. Cardia's shares were trading at 1.5 cents on the ASX prior to the date of the announcement of the Rights Issue.

The Rights Issue is not underwritten and Eligible Shareholders will be able to apply for additional shares above their Entitlement. If there still remains a shortfall, the Board will seek to place these shares not taken up by Shareholders under the Rights Issue within two months of the closing of this rights issue. Shareholders, who do not participate fully in the Offer, will have their shareholdings diluted with respect to their right to future earnings and net assets of Cardia.

The net proceeds from the Rights Issue will be used for the following purposes:

- to fund current and new development projects;
- to fund the manufacturing and distribution activities of the Company;
- expansion of the sales and marketing team of the Company;
- maintenance of its existing provisional patents portfolio ,accreditations and application for new patents; and
- for general working capital requirements.

The funds raised in the Rights Issue, if fully subscribed for along with the proposed asset sale of the Company's investment in Bioglobal Limited, which was announced on 18 August 2010, if all Bioglobal shares are sold, can potentially raise up to \$6.9million for the Company (before costs).

Funds are required by the Company to fund the working capital requirements of the Company as described above, as the business has started to increase its sales and manufacturing volumes.

Since merging Biograde Limited into the Company in 2009, the Company has spent considerable funds to establish a global sales presence, develop a provisional patent portfolio and set up manufacturing facilities including not only resin production but also the production of finished

goods. The Company has now established offices and development centres in several locations with representation now in China, Australia, United Kingdom, Europe and the USA along with Asian countries such as Malaysia. Cardia has also focused on development projects with several local and international companies under confidential development agreements, which is a lengthy process, Some of these projects have progressed to Memorandum of Understanding stage with others being now in commercial negotiations after in market trials having been completed.

The process from concept to market acceptance and launch can take up to two years. The Company has developed both flexible and rigid packaging products and Cardia is now being acknowledged by global companies as a quality and reliable provider of bioplastics solutions, technology and finished products.

In respect to its standard finished goods products, the Company has been successful in supplying either direct to the client or through distribution partners or converters, brand names such as McDonalds, KFC, BOC gas, Penrith City Council trials, K-Mart trials, Brisbane City Council, Jusco and many others.

Recently Cardia won a contract to supply bio nappies to Ben's Land, and other environmentally responsible product supplier into the retailers markets of the USA and Europe.

Beifa, the largest stationery and pen supplier in China is in negotiations with Cardia for the supply of resin.

Cardia has won many awards since commencing business in 2002. Some of the achievements include the AustCham China Business Excellence Award 2008 and the 2009 CleanEquity Monaco Conference Award for Excellence in Environmental Technology Commercialisation. In 2008, Cardia won an exclusive supply contract of compostable packaging to the Beijing 2008 Olympic and Paralympics.

Cardia is currently working with one of China's largest petroleum companies, CNOOC Green Materials Co Limited, a company controlled by China National Offshore Oil Corporation ("CNOOC") and has filed provisional patents on its development of novel biodegradable and compostable plastics made from carbon dioxide (Polypropylene carbonate (PPC)) and renewable resources.

The manufacturing facilities are in Nanjing, China, one of the world's most efficient manufacturing hubs. This facility can now manufacture up to 4,500 tonnes of its proprietary resin products. In-house film and bag making facilities were established during the year which can now convert these resins into flexible film and bags.

The Rights Issue will allow the Company to pursue its strategy to win market share in this new and exciting Bioplastics market.

I recommend you seek independent investment advice from your stockbroker, accountant or other professional advisor before making any investment decision.

A handwritten signature in purple ink that reads "P Volpe". The signature is written in a cursive style with a large, looping "P" and a stylized "Volpe".

Yours faithfully
Pat Volpe
Chairman.

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NON RENOUNCEABLE RIGHTS ISSUE

1. KEY INFORMATION

The information set out in this section is not intended to be comprehensive and should be read in conjunction with the full text of this Offer Document.

1.1 Offer

Cardia Bioplastics is making a pro-rata non-renounceable rights issue offering Eligible Shareholders 1 New Share for every 3 Shares held by them as at the Record Date, at an issue price of \$0.015.

The Closing Date and time for acceptances and payments is 5.00pm on Monday 20 September 2010.

The details of the Entitlement Offer are set out in full in Section 2.

1.2 What you need to do

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded up to the nearest whole Share. You may do one of the following:

- take up your Entitlement in full;
- take up part of your Entitlement and allow the balance to lapse;
- take up all of your Entitlement and subscribe for additional New Shares in excess of your Entitlement; or
- allow all or part of your Entitlement to lapse.

See section 3 for detailed instructions on what you need to do.

1.3 Purposes of the Offer and use of proceeds

The purpose of the Entitlement Offer is to raise funds for the working capital requirements of the Company's Bioplastics business.

The purpose of the Offer and use of proceeds are discussed fully in Section 4.

1.4 Effects of the Offer on the capital of Cardia Bioplastics

The following table shows the proposed capital structure of the Company on completion of the Offer if the Rights Issue under this Offer Document is fully subscribed.

| SHARES | NUMBER |
|---|-------------|
| Existing Shares on issue at the date of this announcement | 741,596,587 |
| Number of New Shares to be issued under the Offer | 247,198,862 |
| Total Shares on issue after the Offer | 988,795,449 |

1.5 Risk factors

An investment in Cardia Bioplastics involves general risks associated with an investment in the share market. The price of the New Shares may rise or fall.

There are also a number of risk factors, both specific to Cardia Bioplastics and of a general nature, which may affect the future operating and financial performance of Cardia Bioplastics and the value of an investment in Cardia Bioplastics. The specific and general risk factors are described in section 5. Before deciding to invest in Cardia Bioplastics, prospective investors should consider those factors carefully.

2. DETAILS OF THE OFFER

2.1 The Offer

Cardia Bioplastics is making a pro-rata non-renounceable rights issue offering Eligible Shareholders 1 New Share for every 3 Shares held.

The issue price of \$0.015 per New Share is payable in full on making an Application.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements will be rounded up to the nearest whole Share.

If the Offer is fully subscribed, the total number of New Shares issued under the Offer will be approximately 247,198,862. After subscription for all the New Shares, the gross proceeds (before the costs of the Offer) will be approximately \$3.7 million.

The Rights Issue is not underwritten and therefore the Offer may not be fully subscribed. In that case the directors reserve the right to place any Shares not taken up by Eligible Shareholders under the Offer within 2 months of the closing of the Offer in accordance with the Corporations Act 2001.

The closing date and time for acceptances and payments is 5.00 pm AEST on Monday 20 September 2010. (Subject to any extension by the Directors and the ASX Listing Rules)

2.2 Who is entitled to participate in the Entitlement Offer

Every shareholder registered as the holder of fully paid Shares in Cardia Bioplastics at 7.00pm AEST on the Record Date, whose registered address is in Australia or New Zealand, is entitled to participate in the Entitlement Offer. The number of New Shares to which each Eligible Shareholder is entitled is shown in the accompanying Entitlement and Acceptance Form.

Eligible Shareholders may also apply for New Shares in excess of their Entitlement. Please note that New Shares in excess of Entitlements will only be allocated to Eligible Shareholders if there are sufficient New Shares from Eligible Shareholders who do not take up their full Entitlement. Oversubscriptions will be allocated to Eligible Shareholders proportionately in accordance with their shareholding and any excess funds received from Eligible Shareholders will be refunded after the closure of the Offer in accordance with the Corporations Act.

2.3 Rights Trading

This Entitlement Offer is made on a non-renounceable basis such that Eligible Shareholders may not sell or transfer all or part of their Entitlement.

2.4 Placement of Shortfall

A Shortfall arises if the actual number of applications received for New Shares under the Issue is less than the number of New Shares offered under the Offer.

Any Shortfall will first be offered to Eligible Shareholders at the time of those Eligible Shareholders receiving the Rights Issue. Eligible Shareholders may apply for additional New Shares in respect of any potential Shortfall on the Entitlement and Acceptance Form, which accompanies this Offer. Should any potential Shortfall be oversubscribed by the Eligible Shareholders, the amount of oversubscription will be reduced proportionately and any excess amount paid by Eligible Shareholders will be refunded.

For any remaining Shortfall that has not been taken up by Eligible Shareholders, the Directors reserve the right to place the short fall within 2 months of the closing of the Offer in accordance with the Corporations Act.

2.5 Minimum Subscription

There is no minimum subscription for the Offer.

2.6 ASX quotation

Cardia Bioplastics will make an application to ASX for admission of the new shares to quotation on ASX within 7 days after the date of this Offer Document.

If the New Shares are not admitted to Official Quotation on the ASX within three months after the date of this Offer Document, or such longer period as is permitted by the Corporations Act, none of the New Shares will be granted. In that circumstance, all Applications will be dealt with in accordance with Section 724 of the *Corporations Act*.

2.7 Issue of New Shares

New Shares will be issued as soon as practicable after the Closing Date and holding statements are anticipated to be despatched on Tuesday 28 September 2010.

Issue of New Shares under this Offer Document will only be made after permission for their quotation on the ASX has been granted.

Application Monies will be held in a subscription account until the New Shares are issued. This account will be established and kept by Cardia Bioplastics on behalf of each participating Eligible Shareholder and Applicant.

Interest earned on the Application Monies will be for the benefit of Cardia Bioplastics, and will be retained by Cardia Bioplastics irrespective of whether New Shares are issued.

2.8 Commission on Placement of Shortfall

In the event that Eligible Shareholders do not apply for any or all of the potential Shortfall, the Company may have to pay commission to holders of an Australian Financial Services Licence ("AFSL") or equivalent should any shortfall be placed through those AFSL holders or equivalent pursuant to the right to place any Shortfall, as reserved by the Directors.

The placement of any shortfall is discussed more fully in Section 6.2.

2.9 Foreign Shareholders

This Entitlement Offer is made only to shareholders with a registered address in Australia or New Zealand as at the Record Date.

Cardia Bioplastics is of the view that it is unreasonable to make the Entitlement Offer to other overseas Shareholders (ie those without registered addresses in Australia or New Zealand) (**Foreign Shareholders**) having regard to:

- the number of Foreign Shareholders;
- the number and value of New Shares that would be offered to Foreign Shareholders; and
- the cost of complying with overseas legal requirements.

Accordingly, the Offer is not being made, and no New Shares will be issued to, any shareholders whose registered address is in a country other than Australia or New Zealand.

Where this Offer has been sent to shareholders domiciled outside Australia or New Zealand and where the country's securities code and/or legislation prohibits or restricts in any way the making of the offers contemplated by this Offer, this Offer is provided for information purposes only.

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

Return of a duly completed Entitlement and Acceptance Form will be taken by Cardia Bioplastics to constitute a representation that there has been no breach of such regulations.

2.10 Privacy Statement

If you complete an application for New Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your need as a shareholder and to facilitate corporate communications to you as a shareholder.

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, authorized securities brokers, print service providers, mail houses and Company's share registry.

You can access, correct and update the personal information that is held about you. If you wish to do so please contact the Company's share registry at the relevant contact numbers set out in this Offer Document.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if the information required on the application for New Shares is not provided, the Company may not be able to accept or process your application.

3. WHAT YOU NEED TO DO

3.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (Entitlement) is shown on the accompanying Entitlement and Acceptance Form.

If you take up your full Entitlement under the Entitlement Offer, you will not have your shareholding in Cardia Bioplastics diluted.

As an Eligible Shareholder, you may:

- take up all your Entitlement (refer section 3.2);
- take up part of your Entitlement and allow the balance to lapse (refer section 3.3);
- take up all of your Entitlement and subscribe for additional New Shares in excess of your Entitlement (refer section 3.4) ; or
- allow all or part of your Entitlement to lapse (refer section 3.5)

Non-qualifying Foreign Shareholder may not take any of the steps set out in section 3.2-3.5. See Section 2.9 above.

3.2 Taking up all of your Entitlement

If you wish to take up all of your Entitlement, complete the accompanying Entitlement and Acceptance Form for the New Shares, in accordance with the instructions set out in that form.

You should then forward your completed Entitlement and Acceptance Form together with your Application Monies, in accordance with section 3.6 to reach the Company's Share Registry no later than the Closing Date.

3.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement and allow the balance to lapse, complete the accompanying Entitlement and Acceptance Form for the number of New Shares you wish to take up, and follow the steps required in accordance with section 3.2. If you take no further action, the balance of your Entitlement will lapse.

3.4 Taking up all of your Entitlement and subscribing for additional New Shares in excess of your Entitlement

If you wish to take up all of your Entitlement, refer to section 3.2 above. In addition to taking up all of your Entitlement, you may apply for additional New Shares in excess of your Entitlement. Should you wish to apply for additional New Shares, then applications for additional New Shares under this Offer must be made on the Entitlement and Acceptance Form which accompanies this Offer. You must complete the Entitlement and Acceptance Form and fill in details in respect of the additional number of New Shares exceeding your Entitlement that you wish to subscribe for in accordance with the instructions referred to on the Entitlement and Acceptance Form.

3.5 Allow all or part of your Entitlement to lapse

If you do not take up your full entitlement, your shareholding in Cardia Bioplastics will be diluted with respect to your right to future earnings and net assets of Cardia Bioplastics.

3.6 How do I accept all or part of my Entitlement?

You may accept your Entitlement following the despatch of this Offer (expected to be Friday 3 September 2010).

Cardia Bioplastics will accept Applications until the Closing Date.

You should read this Offer in its entirety before deciding to complete and lodge your Entitlement and Acceptance Form.

You may make payment of your Application Monies by cheque, bank draft or money order.

You should complete your personalized Entitlement and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies drawn on an Australian branch of an Australian bank for the Issue Price of the New Shares for which application is made. All cheques must be payable to "Cardia Bioplastics Share Subscription Account" and crossed "Not Negotiable". Do not forward cash or money orders. Receipts for Application Monies will not be issued.

Payment for the New Shares must be made in full at the price of 1.5 cents per New Share. The Company will present the cheque on or around the day of receipt of the Entitlement and Acceptance Form. Accordingly, if a cheque is not

honoured upon its first presentation, the Directors reserve the right to reject the relevant Entitlement and Acceptance Form.

If the amount of your cheque for the Application Monies (or the amount for which those cheque(s) clear in time for allocation) is insufficient to pay for the number of New Shares you have applied for in your Entitlement and Acceptance Form, you may be taken to have applied for such lower number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares in your Entitlement and Acceptance Form).

If the amount that you pay is more than the amount payable for your full Entitlement, you will be taken to have applied for additional New Shares.

Should the applications for additional New Shares by Eligible Shareholders exceed the shortfall if any, then such oversubscribed shortfall will be reduced proportionately and amount calculated as received in excess will be refunded after the closure of this Offer in accordance with the Corporations Act.

Completed Entitlement and Acceptance Forms and accompanying cheques, bank drafts or money orders must be returned to the following address and received no later than 5.00pm AEST on the Closing Date.

By Mail

Advanced Share Registry Ltd
P O Box 1156,
Nedlands
Western Australia-6009

By Delivery

Advanced Share Registry Ltd
150 Stirling Highway,
Nedlands
Western Australia-6009

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required.

Acceptance of Applications under the Entitlement Offer

Lodgement of a completed Entitlement and Acceptance creates a legally binding contract between the Applicant and the Company for the number of New Shares applied for and is not revocable. The Entitlement and Acceptance Form does not need to be signed to be a binding acceptance of New Shares. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as valid. The Directors' decision as to whether to treat the acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is Final.

4. PURPOSE OF THE OFFER

4.1 Purpose of the Offer and use of proceeds

The purpose of the Offer is to raise additional cash for working capital required for its Bioplastics business, in particular to fund:

- development projects currently undertaken with major retail and packaging companies with significant global brand ownership and corporate profile. Cardia is currently under confidentiality obligation not to disclose these development projects;
- future development projects;
- the manufacturing and distribution activities of the Company;
- expansion of the sales and marketing team of the Company ;
- maintenance of its existing provisional patents portfolio ,accreditations and application for new patents;
- general working capital requirements.

5. RISK FACTORS

5.1 Overview

There are a number of factors, both specific to Cardia Bioplastics and of a general nature, which may affect the future operating and financial performance of Cardia Bioplastics and the outcome of an investment in Cardia Bioplastics. There can be no guarantees that Cardia Bioplastics will meet its stated objectives, that forecasts will be met or that forward looking statements will be realized.

This section describes certain, but not all, risks associated with an investment in Cardia Bioplastics. Prior to making an investment decision, prospective investors should carefully consider the following risk factors, as well as the other information contained in this Offer Document or of which they are otherwise aware.

5.2 Risk factors

(a) Share Market

Share market conditions may affect the quoted New Shares regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- economic conditions and general economic outlook;
- changes in Australian and international stock markets;
- interest rates, inflation rates and currency fluctuations;
- changes in investor sentiment towards particular market sectors;

- taxation, government and monetary policies;
- the demand for, and supply of capital; and
- war, terrorism or other hostilities.

(b) Economic Factors

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market prices. The Company's future possible profitability and the market price of its quoted New Shares can be affected by these factors, which are beyond the control of the Company and its Directors.

(c) Government Policy

Changes in Government, monetary policies, taxation and other laws and actions can have a significant influence on the outlook for companies and the returns to investors.

(d) Effect of Economic Cycles

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

(e) Investment Risks Generally

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

(f) Reliance on Key Executives

The success of the Company is dependent upon a number of highly qualified and experienced personnel, the loss of whose services could materially and adversely affect the Company and impede the achievement of its business goals. The failure to retain and attract key highly qualified personnel could materially affect Cardia Bioplastics' financial position.

(g) Sufficiency of Funding

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

(h) Litigation

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

(i) Regulatory Risks

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

(j) 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.

(k) Risk as to Profitability

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

(l) No Valuation

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

(m) 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.

6. ADDITIONAL INFORMATION

6.1 Reliance on Offer Document

This Offer Document has been prepared pursuant to section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document was lodged with the ASX on Friday, 20 August 2010.

Section 708AA of the Corporations Act (as modified by ASIC Class Order 08/35) requires companies to lodge with the ASX a Cleansing Notice. The Company lodged a Cleansing Notice with the ASX on Friday, 20 August 2010.

In deciding whether or not to accept the Offer, you should rely on your own knowledge of the Company, refer to the documents lodged and the disclosures made by the Company on ASX (which are available on the ASX website at www.asx.com.au and seek advice from your financial or professional advisor.

6.2 Placement of Shortfall

This Offer is not underwritten.

ASIC Class Order 08/35 modifies sections 708AA and 1012DAA so that shortfall offers will come within the disclosure exemption provided that the initial rights issue itself complied with the disclosure exemption. The Entitlement and Acceptance Form enclosed permits Eligible Shareholders to subscribe for additional New Shares in-excess of their entitlement and as such constitutes an offer to Eligible Shareholders to participate in any shortfall of the New Shares.

The Directors of Cardia Bioplastics reserve the right to place any New Shares not taken up by Eligible Shareholders through their entitlement or their entitlement to any shortfall of the New Shares. This means that any shortfall of New Shares not taken up by Eligible Shareholders may be placed by the Directors to other parties not requiring disclosure under the Corporations Act and subject to any other relevant provisions of the Corporations Act.

6.3 Interests of the Directors

The interests of the Directors and their related parties in the securities of the Company at the date of this Offer Document are as follows:

| Director | Note | Ordinary Shares | Listed Options |
|---------------|------|-----------------|----------------|
| Patrick Volpe | (a) | 90,498,297 | 74,859,047 |
| Frank Glatz | (b) | 12,262,334 | 4,800,000 |
| John Scheirs | | 6,592,224 | 6,492,224 |
| Chen Yi | | 16,000,000 | 16,000,000 |

- (a) Mr. Patrick Volpe holds 57,164,963 shares and 41,525,713 options in the name of Vermar Pty Ltd in which he is a Director and principal shareholder and 33,333,334 shares and 33,333,334 options are held by GrowthTech International Pty Ltd, a company in which he is also a Director and holds 28% of the shares on issue.
- (b) Dr. Frank Glatz has an indirect interest in 3,262,334 ordinary shares and 1,800,000 options.

The Directors, as far as they are Shareholders registered as at the Record Date, may or may not subscribe for any or all of their full entitlement of New Shares pursuant to this Offer Document.

6.4 Obtaining copies of Documents

Cardia Bioplastics will provide free of charge to any person who asks before the Offer closes, a copy of:

- the annual financial report of Cardia Bioplastics for the year ended 30 June 2009 being the most recently lodged annual financial report of Cardia Bioplastics before the date of this Offer Document;
- the half-year financial report of Cardia Bioplastics for the year ended 31 December 2009 being the most recently lodged half-year financial report of Cardia Bioplastics before the date of this Offer Document; and,
- any continuous disclosure notices given by Cardia Bioplastics to the ASX after the lodgement of the annual financial report of Cardia Bioplastics for the year ended 30 June 2009 with ASIC and before lodgement of a copy of this Offer Document with the ASX.

6.5 CHESS

The New Shares will participate from the date of commencement of quotation in the Clearing House Electronic Subregister System ("CHESS"), operated by ASX Settlement

and Transfer Corporation Pty Ltd. They may be held in uncertified form (i.e. no share certificate will be issued) on the CHESS sub register under sponsorship of a broker or on the issuer-sponsored sub register. New Shares subscribed for under the Entitlement Offer must be allotted to the registered holder in accordance with the applicable Entitlement and Application Form.

If you wish to hold your Shares on the CHESS subregister under sponsorship of a broker, you should provide your HIN (“Holder Identification Number”) in the space provided in the Entitlement and Acceptance Form accompanying this Offer Document. If you do not provide an HIN, your Shares will be held on the issuer-sponsored subregister. Arrangements can be made at any subsequent time to convert your holding from the issuer-sponsored subregister to the CHESS subregister under sponsorship of a broker or vice versa by contacting Cardia Bioplastics or your broker.

6.6 Taxation

Shareholders should be aware that there may be taxation implications of participating in the Offer. Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

6.7 Withdrawal of Entitlement Offer

The Directors reserve the right to withdraw all or part of the Offer at any time prior to the issue of New Shares, in which case the Company will refund Application Monies in accordance with the Corporations Act without payment of interest.

6.8 Governing Law

This Offer Document, the Offer and the contracts formed on acceptance of applications are governed by the laws of Victoria, Australia. Each applicant for New Shares submits to the exclusive jurisdiction of the courts of Victoria, Australia.

7. DEFINED TERMS

ABN means Australian Business Number;

AEST means Australian Eastern Standard Time;

Applicant means an Eligible Shareholder who submits an Entitlement and Acceptance Form;

Application Monies means the monies received from Applicants in respect to their Application;

ASIC means the Australian Securities and Investments Commission;

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532);

ASX means the Australian Securities Exchange;

ASX Listing Rules means the Official listing rules of ASX;

Board means the board of directors of Cardia Bioplastics;

Business Day means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, and any other day that ASX declares is not a business day;

Cardia Bioplastics or Cardia means Cardia Bioplastics Limited (ABN 89 064 755 237);

Closing Date means the last date for accepting an offer for New Shares, being 20th September 2010;

Company means Cardia Bioplastics Limited;

Constitution means the constitution of the Company;

Corporations Act means the Corporations Act 2001 (Cth);

Directors means the directors of Cardia Bioplastics;

Eligible Shareholders means a person who is a shareholder of Cardia on the Record Date who is not a Foreign Shareholder;

Entitlement means the non-renounceable right of an Eligible Shareholder to subscribe for New Shares pursuant to this Offer Document as set out in section 2.1;

Entitlement and Acceptance Form means the personalized form attached to or accompanying this Offer Document;

Entitlement Offer means the offer of Entitlements to New Shares pursuant to this Offer Document;

Foreign Shareholder means a Shareholder described in section 2.9;

Issue Price means \$0.015 per New Share;

New Shares means, where the context requires, Shares to be issued pursuant to the Offer;

Offer means the Entitlement Offer;

Offer Document means this document, including the Entitlement and Acceptance Form;

Official Quotation means official quotation by ASX in accordance with the Listing Rules;

Opening Date means the date on which the Offer opens and on which the Offer Document is sent to Shareholders, being Friday 3 September 2010;

Record Date means on Monday 30 August 2010;

Right mean the right to subscribe for 1 New Share for every 3 Shares held on the Record Date and 'Rights' has a corresponding meaning;

Rights Issue means the issue of New Shares upon receipt of valid acceptances under this Offer;

Share means an ordinary share in the capital of Cardia Bioplastics and 'Shares' has a corresponding meaning;

Share Registry means Advanced Share Registry (ABN 14 127 175 946);

Shortfall means the number of New Shares for which applications in response to Entitlements under the Offer Document have not been received by the Closing Date.

8. CORPORATE DIRECTORY

DIRECTORS

Patrick John Volpe (Chairman)
Frank Peter Glatz (Managing Director)
John Scheirs
Chen Yi

COMPANY SECRETARY

Rekha Bhambhani

REGISTERED OFFICE

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737 Burwood Road
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Telephone (03) 9813 3228
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Website: www.cardiabioplastics.com

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MELBOURNE, VIC 3000

SHARE REGISTRY

Advanced Share Registry Ltd
150 Stirling Highway,
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Western Australia 6009
Telephone: + 61 8 93898033
Facsimile: + 61 8 9389 7871