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TO: **COMPANY ANNOUNCEMENTS OFFICE**
ASX LIMITED

DATE: **30 September 2013**

2013 ANNUAL REPORT

Attached is the 2013 Annual Report of Cardia Bioplastics Limited and its Controlled Entities.

Rekha Bhambhani
Company Secretary

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CARDIA BIOPLASTICS LIMITED
AND ITS CONTROLLED ENTITIES

ACN 064 755 237

ANNUAL REPORT 2013

Directors:	Patrick John Volpe (Chairman) Frank Peter Glatz (Managing Director) John Scheirs (Resigned 14 May 2013) Richard Tegoni (Appointed 21 December 2012) Chen Yi
Company Secretary:	Rekha Bhambhani
Registered Office:	Unit18, 35 Dunlop Road, Mulgrave VICTORIA 3170 Telephone (03) 95620122 Facsimile (03) 95620422 Email: info@cardiabioplastics.com
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Auditors:	William Buck Level 20, 181 William Street, MELBOURNE, VIC 3000
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Stock Exchange:	Australian Securities Exchange Exchange Centre 20 Bridge Street, Sydney NSW 2000

Dear Shareholders,

I present to you Cardia Bioplastics Limited's ("Cardia" or "the Company") Audited Annual Report for the year ended 30 June 2013, in another year aimed at progressing the company forward as an international bioplastics manufacturer, supplier and marketer of both resin and finished products.

During the year, Mr Richard Tegoni joined the Board of Cardia as a non-executive Director whilst Dr. John Scheirs resigned from the Cardia Board but remains as a Director of the CO2Starch Pty Ltd subsidiary (100% owned by Cardia) and is available as a technical advisor to the Company.

In respect to our financial performance, revenues from ordinary activities for the FY2013 were at $5,050,075 up by 17% compared to the FY2012.

Operating Loss from operations for the FY2013 was down by 58.48% to $1,621,095 compared to last year but included a tax credit for R&D expenses of $749,432 (FY2012- $342,033). The cost reduction program implemented in June 2012 had a positive impact on reducing operating loss of the business and cash flow requirements.

Overall the Consolidated Net Loss for the FY2013 was ($3,060,140) and included an impairment of goodwill of $1,439,045. This result was a 34.33% improvement over FY2012 result of ($4,699,660).

Our strategy continued with having local country presence in various international locations globally that provides opportunities to access major markets, as Cardia establishes its global brand with expectation of increased sales momentum in the coming years. Cardia's strategy is now clearly focused in three business segments that include:

Films & Packaging that continues to work with established brand owners and convertors internationally. The strategy is to convert conventional packaging into bioplastic packaging and through joint development work with these customers win long term contracts for the supply of resins and films.
Carrier Bags that are marketed directly by Cardia or through joint branding with distributors and/or customers. The main driver in this segment is Government and Environmental regulations that promote the use of compostable products and products that have a lower carbon footprint (use less oil).
Waste Management Products where Cardia has won contracts in the FY2013 following several years of development and trial work. This market is expected to contribute to sales growth in the FY2014 as several projects near trial completion.

The Managing Director's report that follows covers the details of product sales performance, commercialisation and technology advances in the FY2013. The opportunities in the three market segments that are expected to contribute to sales and cash flow in the coming year are also reviewed.

In line with the above, Cardia's strategy going into the 2014 year, will be to continue to focus on converting our project development pipeline book into long term commercial sales contracts. This development pipeline book represents projects with major brand owners and global packaging manufacturers and remains attractive. Also the expected growth in the carrier bag & films and organic waste management business is gaining momentum as the customers we are working with, are expected to make a decision on converting to bioplastics. If these materialise in the FY2014, they will have potentially a significant contribution to sales growth.

Whilst sales improved for the second consecutive financial year, they are still well under what would be required to bring Cardia to break even. Cardia is still at the cross-roads of its own development cycle where it will require funding for working capital whilst our sales book needs to increase to a level that can cover our operational and other costs. Our strategy of securing long-term contracts with global leaders in the plastic packaging industry remains unchanged and is supported by our marketing efforts in the three market segments of films & packaging, carrier bags, and organic waste management products.

To fund Cardia's working capital requirements, existing and new shareholders were asked to participate in share issues that raised $1,299,002 (before costs) during the year. It is expected that additional capital will again be needed in the FY 2014 in order to fund working capital requirements of the company, if the company is to operate as a going concern.

Simply, our company needs cash to fund its operations until it can convert its projects and marketing of products into sufficient sales with margins to cover these costs. Whilst it is expected for sales to increase in the FY2014, if these do not materialise, then the company will review all of its funding and cost restructuring options.

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Other achievements during the year included a research partnership agreement on the CO2 starch blending technology with the University of Sydney, Australia with approved funding from Australian Research Council -details provided later in this report.

Cardia has a total of 62 employees of which 53 are located in China and the balance around the world.

Cardia remains well positioned to take advantage of any global industry shift towards the use of new bioplastics. Whilst the change is slow – this year again indicated that the shift is starting to grip with Cardia's recent contracts with global companies confirming this. If the move to bioplastics gains momentum, Cardia is perfectly positioned to capitalise immediately.

I wish to once again thank our shareholders for their most valuable support.

Pat Volpe
Chairman

The Directors present their report on the consolidated entity consisting of Cardia Bioplastics Limited ("Cardia" or the "Company") and the entities it controlled ("the Group") at the end of, or during, the year ended 30 June 2013.

DIRECTORS

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

Patrick John Volpe (Chairman)

Frank Peter Glatz (Managing Director)

Richard Tegoni (Appointed 21 December 2012)

John Scheirs (Resigned 14 May 2013)

Chen Yi

COMPANY SECRETARY

The Company Secretary is Rekha Bhambhani, B.Com, ACIS, ASA, ACA (ICAI), DISA (ICAI) who was appointed to the position on 10 August 2010. Miss Rekha Bhambhani has been Chief Financial Officer of Cardia for last 7 years and has also worked as an assistant with the previous Company Secretary- Mr John Wilson on company secretarial matters. Prior to that, she has worked in accounting and finance positions in India for more than 8 years.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the consolidated entity consisted of developing the Group's five business units, namely:

- Environmental Technology;
- Biotechnology Medical;
- Biotechnology Agricultural;
- Natural Pharmaceuticals;
- Mineral Exploration.

OPERATING RESULTS

The consolidated loss for the year attributable to the members of the Group was:

	2013 $	2012 $
Loss for the year after income tax	**(3,060,140)**	(4,659,660)
Loss/(Profit) attributable to non-controlling interests	**2,467**	17,234
Net Loss attributable to members of the Company	**(3,057,673)**	(4,642,426)

DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividends have been paid or declared since the end of the last financial year.

REVIEW OF OPERATIONS:

The Company maintained its principal 5 business segments with the majority of activities directed towards the operations of the Bioplastics business.

The Company's equity interest in its biotechnology agricultural business-Bioglobal Limited was further diluted to 3.90% of the issued capital of that Company, following issue of 75 million ordinary shares during the year by that Company.

Cardia has maintained its equity interest in P-Fuel Limited. P-Fuel Limited is the business focused on converting waste plastics and waste oils to diesel.

No activity was recorded in the mining exploration business segment for the year.

The details of the principal business activities during the year are below.

SUBSIDIARIES:

Cardia continued to hold 100% ownership in the following subsidiaries during the year and up to the date of this report:

CO2Starch Pty Ltd

Mr. Pat Volpe and Dr. John Scheirs remained the Directors of the Company.

During the year, CO2Starch Pty Ltd (CO2S) has entered into a strategic research partnership with the University of Sydney, Australia with approved funding from the Australian Research Council (ARC).

The partnership has been formed to design and develop a world-first clean technology for the synthesis and purification of a biohybrid and biodegradable polymer. The development of this technology aims to reduce the level of heavy metals, in particular zinc glutarate (ZnGA) used in the production of sustainable resin PPC polymers, to an acceptable level required to meet international compostability accreditation.

The development of this breakthrough clean technology will transform Cardia's bioplastic starch blended products which are used in the plastics and packaging industry, into a multi-purpose and global "green friendly" product that can be used across many other applications and products. The first application targeted to extend is into biomedical products and regenerative medicine with the aim to develop a cost-effective biomimetic (Biomimetic refers to human-made processes, substances, devices, or systems that imitate nature) product that has the potential to be used to treat many bone diseases such as osteoporosis that affects over 3.8 million Australians.

As a partner organization- CO2Starch Pty Ltd has agreed to provide financial and in-kind contributions over the three years term of the agreement. The terms of the funding agreement remain confidential.

Subject to the research achieving milestones, CO2Startch Pty Ltd can earn exclusive marketing and distribution rights to the commercial application of the research after funding any IP patent costs resulting from the research. These costs are not part of the research funding.

During the year, the Board also continued to seek the business opportunities for its starch blending with PPC technology with the objective of adding value to the business and increasing its operational activities.

U.S.A subsidiary: Cardia Bioplastics LLC

Mr. James Beck continued to be the Managing Director of the USA subsidiary during the year. James has been with Cardia managing the American market segment since his appointment in April 2009.

Further details on sales and business activities for this segment have been included under the "Operational Review".

Cardia Bioplasticos (Brasil) Ltda

Mr. Joao Paulo Mignot continued to manage the business operations of the Latin American countries with initial focus on Brazil.

During the year, several Brazilian States have implemented bans of standard plastic carrier bags and are currently formalising legislation. Cardia has commenced small sales of carrier bags to Brazilian retailers. These bag sales are expected to accelerate.

The Company has recorded first sales in August 2013 through its Brazilian Subsidiary.

Further details on sales and business activities for this segment have been included under the "Operational Review".

REVIEW OF OPERATIONS (CONTINUED)

Cardia Bioplastics Malaysia Sdn Bhd

BIOTECHCORP
BIONEXUS
STATUS COMPANY

Mr. Iqbal Huq continued as the Manager of the Malaysian subsidiary to manage sales and business activity for Malaysia.

The manufacturing joint venture with RNZ Green Bio Sdn Bhd (RNZ) did not progress as RNZ could no longer fund these operations. As a result, Cardia took back all the manufacturing rights for finished goods in Malaysia and the brand 'Cardia Bioplastics Manufacturing Malaysia" and joint venture was terminated in September 2012 Quarter.

The termination of the joint venture had no financial impact on the statement of financial position of Cardia Bioplastics Limited, as the Company was not required to make any cash contribution to the joint venture.

Further details on sales and business activities for this segment have been included under the "Operational Review".

Cardia Bioplastics (Australia) Pty Ltd

The major operational activities of the company were in its bioplastics business and the Managing Director Dr. Frank Glatz's review of those activities is as follows:

Operational Review

The Financial Year 2013 has seen significant progress for Cardia in sales, commercialisation and technical development. In addition to posting a record performance in terms of sales for any one year, several product launches and technological developments were delivered and communicated to the market. This highlights the momentum of Cardia's business development and the strengthening global demand for Cardia's proprietary bioplastics solutions in its target market segments of Carrier Bags, Film & Packaging and Waste Management Products.

Sales

Cardia posted record sales revenues of $5,050,075 for FY2013, representing a 17% increase over the previous financial year. Total sales revenues included $1,878,095 sales revenues from wholesale material trading sales, a new revenue stream that Cardia expanded during the year.

Cardia delivered an improved sales performance in particular to customers in the Asian market that convert plastic products and packaging for their international customers. Wholesale material trading sales was the major contributor in achieving this improved sales performance in the Company's Asian geographical market segment.

With a growing list of potential long-term customers, the Company is making significant headway towards establishing itself as a global manufacturer and supplier of renewable resins and finished goods to the plastics and packaging industries.

Cardia accelerated its traction in global commercialisation during FY2013 converting a number of its product developments into global sales. The Company executed several long-term supply agreements with large international customers, City Councils and market-leading brand owners. This included contracts with Breville Group, Shanghai Pudong City District and a large US hygiene company. These agreements are the culmination of a lengthy and rigorous sales development process. This process validates the environmental offering of Cardia products, their cost-competitiveness and that they meet the specific requirements of customers' product applications.

In addition to growing sales with new customers, the Company maintained material business contracts with established key customers such as Brisbane City Council and several Chinese City Councils.

Cardia is focused on leveraging its expertise and positioning in its target market segments of Carrier Bags, Films & Packaging, and Waste Management Products. The Company acquired several new customers in these segments and delivered initial sales to them during the FY2013. Cardia progressed its strategy to change over market leaders and large packaging users to Cardia's sustainable packaging products. Securing product supply to these companies provides Cardia with the opportunity to grow significantly along with these organisations. For example, Sealed Air has expanded Cardia's product use over time across geographical regions and a second product

REVIEW OF OPERATIONS (CONTINUED)

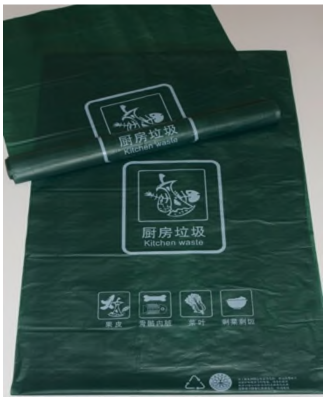
line. In addition, having a track record of supply with a global leader encourages regional companies to follow this trend and convert their packaging to Cardia's sustainable product offering.

Following achievement of initial sales, revenue growth over the next 12 months is expected to include:

- Carrier bag and waste management product sales in Brazil.
- Compostable bag sales in Western Australia, Queensland and Tasmania triggered by regulatory changes in Australia at State Government and Local Council level.
- Sales of new Biohybrid™ packaging films developed for the water distribution industry to customers in Canada, Norway and Australia.
- Sales of organic waste management products in Europe and USA.
- Selected Australian retailers expanding use and retailing of Cardia waste management products.
- Malaysia organic waste management project (at final stage of approval from Government Authorities).

Cardia expanded its portfolio of commercial product applications and communicated various product launches with customers. Cardia formed partnerships with leading packaging companies to develop their specific market segments with sustainable packaging. This included the partnership with Alto Packaging to innovate and deliver high performance packaging solutions with an improved environmental profile to the Australasian food industry. Highland Plastics (USA) announced their cooperation with Cardia on sustainable, injection moulded packaging systems for consumer and institutional applications. Custom Bioplastics (USA) commenced marketing their new Bio-buddy dog waste bags using Cardia Biohybrid™ technology. Packaging users such as the Pancake Parlour Restaurants and ECOCARE™ communicated their changeover to Cardia's sustainable bioplastic packaging. As these product launches convert to market demand for Cardia Bioplastics products, it is expected that Cardia will expand its sales and secure further long-term supply contracts with its various development partners.

The following sales contracts have been delivered and communicated to the market in FY2013:



Cardia Bioplastics secures an exclusive annual supply contract into Shanghai

The agreement is to supply an estimated $1.2 million per annum of Cardia's Biohybrid™ renewable kitchen waste bags to approximately 20% of householders in this region. This contract win follows the successful six-month trial of Cardia's products in this region earlier this year. Pudong is one of four City Councils in China that has conducted waste management trials using Cardia products. The other three Councils in trial phase are Nanjing, Hangzhou and Yuhang and Cardia is looking to expand into other provinces of China. Penetrating into this crucial market opens up significant opportunities for Cardia to grow and expand its global distribution of organic waste management products. Shanghai Pudong is one of China's highest profile development areas and represents a key financial and commercial hub for the entire country.

Breville goes green with Cardia compostable Juicer bags for its Juicer Products

Breville Group, a global designer and manufacturer of small kitchen appliances will purchase and market Cardia's compostable "juicer bags" as part of its Juicer accessory offering to consumers. Breville's launch in the USA has implemented the 100% compostable "the Clean & Green™" juicer pulp bag, with its Juice Fountain® range of juice extractors to encourage environmentally-friendly waste disposal practices. The agreement is expected to generate consistent sales revenue for Cardia.

Cardia Bioplastics wins $500K hygiene products contract for American market

Cardia entered into an annual supply deal with a leading American diaper products company – the contract is expected to generate at least US$500,000 per annum. Using the hygiene films made from the Biohybrid™ technology, the American diaper products company now offers an environmentally sensitive diaper that is less dependent on finite resources. To complete the eco-friendly product offering, the diapers are packed in an outer packaging also made using Cardia Biohybrid™ technology.

REVIEW OF OPERATIONS (CONTINUED)

The following partnerships and product launches with leading packaging companies have been communicated to the market in FY2013. It is expected that these developments will lead to regular, long-term supply contracts as product sales eventuate.

Major alliance formed with leading plastic packaging company

Cardia Bioplastics entered into a new partnership with Alto Packaging to innovate and deliver high performance packaging solutions with an improved environmental profile to the food industry. The alliance with Alto Packaging, one of the leading rigid plastic packaging companies in Australasia, is a milestone achievement for Cardia that creates significant future growth opportunities for the Company. It is further validation of Cardia's unique patented resin technology and places the Company to expand its commercial roll-out.

U.S. injection moulding manufacturer Highland Plastics selects Cardia's unique Bioplastics Technology

Cardia Bioplastics and Highland Plastics announced their cooperation on sustainable packaging systems for consumer and institutional applications. This collaboration followed a joint marketing launch at the West Pack Trade Show 2013 in Anaheim, USA. Highland Plastics is a USA manufacturer of injection moulded food grade plastic packaging for consumer and institutional applications and will now offer innovative packaging products with reduced dependence on finite oil resources and lower carbon footprint in line with a clear commitment to offering sustainable products and manufacturing processes now possible by the use of Cardia Biohybrid™ unique resin technology.

Custom Bioplastics (U.S.A) to market the new Bio-buddy dog waste bag using Cardia Biohybrid™ technology

Cardia Bioplastics Limited and USA-based Custom Bioplastics LLC announced the launch by Custom Bioplastics of the new "Bio-buddy™ dog waste bag" developed using Cardia's new and unique Biohybrid™ technology. The new "Bio-buddy™ dog waste bag" is now being manufactured and marketed into the USA and online by Custom Bioplastics, an established USA manufacturer of blown and cast film plastic packaging located in the Pacific Northwest. The "Bio-buddy™ dog waste bag" is offered as a new lower carbon footprint alternative to conventional oil-based dog waste bags. The number of dog waste bags used in the U.S.A runs into the hundreds of millions annually. Governments and pet owners are looking for a sustainable and renewable alternative to the conventional dog waste bag that is now available with the "Bio-buddy™ dog waste bag".

LOVELY! THE PANCAKE PARLOUR®

Pancake Parlour Restaurants lead the way with a "go green strategy"

The Melbourne Pancake Parlour Restaurants lead the way with a "go green strategy" to lower their carbon footprint using Cardia's environmentally friendly customer carrier bags and in-store waste management for garbage bags. The go green strategy will allow The Pancake Parlour to lower its carbon footprint by no longer providing conventional carrier bags to its customers and will no longer use conventional waste garbage bags in its restaurants. Instead, Cardia will supply compostable carrier bags to The Pancake Parlour restaurants and these bags will be given to customers for the take-away business. The restaurants will also introduce Cardia's Biohybrid™ waste garbage bags that use less oil and have a lower carbon footprint, for use in its kitchens.

Cardia consolidates another partnership – in the skin care industry

Cardia Bioplastics partnered with ECOCARE™ to produce organic and biodegradable facial wipes enclosed within renewable content packaging – a world first. The partnership with ECOCARE™, an emerging Australian company dedicated to the development of organic environmentally-friendly skin care products, adds more diversity to Cardia's growing portfolio, as the Company continues to identify new applications for potential sales opportunities.

Selected Australian retailers commenced retailing of Cardia Bioplastics waste management products

Selected Australian retailers commenced retailing of Cardia Bioplastics' comprehensive range of compostable waste management products. Products include:

- 8L and 30L Kitchen Tidy Bags;
- 50L, 80L, 120L and 240L Garbage Bin Liners;
- Dog Waste and Nappy Bags

Advances in Cardia Bioplastics Commercialisation

During the FY2013 Cardia made solid headway in its path to global commercialisation. A number of projects with global consumer goods companies and packaging producers progressed, with several products entering or edging closer to commercialisation phase. Initial sales have already been achieved with the large packaging companies, brand owners and Councils who are currently either at 'in-market' validation stage or conducting extensive pilot studies with Cardia technology products. For example, a global consumer goods company changed over one of their product lines in the South American market to exclusive Cardia Bioplastics packaging. As these targeted business development activities progress to market launch and ramp-up stage, it is expected that they will contribute to Cardia's business success and deliver significant resin supply contracts to the Company over the next 12 months.

The following 'in-market validation' activities with a global consumer goods company were communicated to the market in FY2013.

Key milestone achieved in commercialisation of Biohybrid technology

A leading multi-national consumer goods company has commenced 'in-market validation' of their personal care products packaging, which is made from Cardia's renewable Biohybrid™ resin technology. This is a major milestone event for Cardia – it validates the performance and commercial viability of the renewable resin technology and pushes the Company further along its path to global commercialisation.
The undisclosed multi-national brand owner is a global leader in the hygiene and personal care markets. The Company is collaborating with Cardia in order to improve the environmental profile of their product packaging, via the integration of Cardia's renewable Biohybrid™ resin technology.

Advances in Cardia Bioplastics Technology

During the financial year 2013, Cardia Bioplastics made further developments in its bioplastics technology, strengthening its Intellectual Property position. Cardia now owns an intellectual property portfolio of 11 patent families, including 100 submitted and/or registered patents for Bioplastics formulations, processes and applications for global packaging products.

Furthermore, in FY2013, Cardia developed a new range of food contact packaging resin products, made from the patented Biohybrid™ technology. These new products are fully recyclable, comply with both US FDA standards and EU regulations and meet Islamic Halal laws regarding food safety and quality. These product certifications not only validate Cardia's patented technologies, but also open up a large number of potential market opportunities for the Company, in both food packaging and the large worldwide Muslim community.

REVIEW OF OPERATIONS (CONTINUED)

The following advances in Cardia Bioplastics technology and product certifications were communicated during the FY2013:

Cardia Bioplastics receives Halal certification

Cardia Bioplastics has received Halal certification for its range of sustainable Biohybrid™ resins. Derived from renewable products, these Biohybrid™ resins now have formal acknowledgement of compliance with Islamic laws regarding safety and quality, allowing them to be used by the 1.6 billion-strong Muslim community worldwide. Halal certification has the potential to boost global sales and underpins future growth potential..

Press Releases for all the above communications on sales contracts, advances in commercialization and technology are available on Cardia's website.

Manufacturing

Cardia's manufacturing plant, located in Nanjing (China), has the capacity to produce 7,200 tonnes of bioplastic resin per annum.The plant operates under strict production and quality processes which have been recognised with ISO9001 Quality Certification and the China Environmental Label. The plant has low operating costs and is highly scalable.

Cardia Bioplastics' own film and bag production at the Nanjing manufacturing plant has enabled the Cardia Bioproducts team to attract and win business and provide better service to their global film and bag customers.

The Nanjing-based manufacturing plant is shown in the photos below.

Employees:

Cardia has a total of 62 employees of which 53 are located in China and the balance around the world.

REVIEW OF OPERATIONS (CONTINUED)

INVESTMENTS
As at 30 June 2013, the Company held the following material investments:

- **Bioglobal Limited**: 18,780,000 ordinary shares in unlisted entity Bioglobal Ltd, the ownership interest diluted from 4.63% to 3.90% of the issued capital of that Company following issue of 75 million shares during the year by that Company.

- **P-Fuel Limited**: Cardia has 5,250,000 ordinary shares (following a 3 for 4 capital reconstruction) representing 5.2% of the issued capital of P-Fuel Limited.

The Company held other investments which were immaterial in value and/or were inactive during the year.

Your Board will remain active in reviewing all proposals that have the potential to add value to shareholders in line with Cardia's five principal businesses.

PATENTS AND TRADE MARKS:
The Company continued to invest funds into securing its IP position and now has a family of 11 patents covering around 100 applications in various stages of the granting process. The patents cover formulations, processes and application developments for their uniqueness and novelty.

All patents are held in the name of Tristano Pty Ltd. (100% subsidiary company of Cardia Bioplastics (Australia) Pty Ltd).

CO2Starch patents have been assigned to CO2Starch Pty Ltd last year.

Cardia also has 4 trademarks granted and at least 2 in application awaiting granting.

OTHER MATTERS

- Effective 21 December 2012, Mr. Richard Tegoni was appointed as a non-executive Director of the Company. Mr.Tegoni comes with a very rich experience in Finance & Banking and Sales & Marketing acquired through his prior roles with various companies including Optus Communication. Mr.Tegoni is currently acting as a Chief Operating Officer and Company Secretary of Melbourne University Publishing Ltd. Further information on Mr.Tegoni is included under "Information on Directors" on page 15 of this Report.
- On 14 May 2013, Dr John Scheirs resigned as a Director of Cardia Bioplastics to focus on his personal business interests. Dr Scheirs was a long-standing Director of the Company and was instrumental in the development of the Company's patent portfolio amongst other valuable contributions to the Company. He will remain involved as a Director of the Company's 100% owned subsidiary CO2Starch Pty Ltd.

SECURITIES ISSUED

- In July 2012, the Company has issued 72 ordinary shares on exercise of similar number of options expiring 30 June 2015. Exercise price per option received was 1.5cents ($1).
- On 26th July 2012, the Company lodged Prospectus with ASIC for the grant of 366,296 piggyback options to the option holders who exercised their June 2012 Cardia Options. The terms for the issue of Piggyback options were included in Cardia's Renounceable Rights Issue Prospectus dated 5 May 2011. A total 110,308 Piggyback Options were issued on 21 August 2012 based on the acceptances received from the 16 Offerees by the closing date of the Prospectus.

  The terms of piggyback option entitled the holder to subscribe for one ordinary share in the Company at the exercise price of 2 cents on or before the expiry date of 30 June 2013.

- In December 2012, Cardia was successful in raising $799,000 to be used for working capital purposes. A total of $399,000 was raised via a Share Purchase Plan (SPP) offered to shareholders and a further $400,000 was raised through share placement under ASX listing rule 7.1 to Mr Richard Tegoni and his related parties.

  A total of 399.5M new shares were issued via the two raisings (SPP and placement) at an issue price of $0.002 cents per share.

- In May 2013, the Company has further raised $500,000 (before costs) to be used for working capital purposes. The funds were raised via a share placement offered to sophisticated investors pursuant to the Company's placement capability under ASX Listing Rules 7.1 and 7.1A.The terms of offer included issue of 200 million fully paid ordinary shares at an issue price of $0.0025 per share with one free new option for every two new shares subscribed.
  200 million fully paid ordinary shares were issued on 22 May 2013, ulitising the Company's available placement capacity. 100 million free attaching new options were issued in July 2013, following shareholders' approval in the General Meeting that was held on 10 July 2013. New Options have an exercise price of $0.0035 and an expiry date of 15 July 2014. New Options issued are unlisted securities.

- On 24 May 2013, the Company has issued 35 ordinary shares on exercise of similar number of piggy back options. Exercise price per option received was 2cents ($1).
  Balance of 110,273 unexercised piggyback options lapsed at the expiry date of 30 June 2013.

- On 25 September 2013, the Company has raised further $200,000 by issue of 80 million ordinary shares at an issue price of ($0.0025) 0.25cents per share. Ordinary shares were issued to professional and sophisticated investors under the approval given by shareholders at the general meeting held on 10th July 2013.

The total numbers of securities on issue as at date of this report.

Ordinary Fully Paid Shares	2,246,557,931
Options expiring 30 June 2015 (Exercise Price 1.5 cents each)	221,285,642
Unlisted Options expiring 15 July 2014 (Exercise Price 0.35 cents each)	100,000,000

The Company had 1,567,057,844 fully paid ordinary shares and 221,285,714 options on issue at 30 June 2012, all of which were listed.

FINANCIAL POSITION

The net assets of the consolidated entity were $8,229,085 as at 30 June 2013 compared to $9,948,687 as at 30 June 2012, a decrease of $1,719,602. This decrease has resulted primarily due to the following reasons:

Capital Raising (net of costs) during the year	$1,249,149
Valuation of Bioglobal Investments at fair value in accordance with AASB 139. -Refer Note 13(a) to the Financial statements	$131,460
Impairment of Intangible Assets-Refer Note 15 to Financial Statements	($1,439,045)
Loss from Operating Activities for the year	($1,621,095)
Foreign currency translation differences for foreign operations	($40,071)

The Directors consider the group to be in a stable financial position.

EARNINGS (LOSS) PER SHARE

	2013 $	2012 $
Basic Earnings (Loss) Per Share	**(0.0017)**	(0.0033)
Diluted Earnings (Loss) Per Share	**(0.0017)**	(0.0033)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**1,794,201,731**	1,404,323,961
Weighted average number of ordinary shares and options used in the calculation of diluted earnings per share	**1,794,201,731**	1,404,323,961

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

Share and Option Issues
Shares and Options Issued during the year have been disclosed in "Securities Issued" under "Review of Operations".

Cost Restructure

Cardia has transitioned from the resource-intensive product development phase to global product commercialisation with a focus on its target market segments of Carrier Bags, Films & Packaging, and Waste Management Products. The Board of Cardia Bioplastics conducted a strategic review of the Company's global activities and costs in line with its cash position and as a result, implemented a cost restructuring program which took effect in June 2012. This program had a positive impact on reducing operating loss of the business and cash flow requirements for the financial year 2013. It is expected that the Company will continue with the same cost restructure unless operations warrant otherwise.

AFTER BALANCE DATE EVENTS

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years

- Following shareholders' approval in the General Meeting that was held on 10 July 2013, 100 million free attaching new options were issued in July 2013 to the investors who had participated in share placement that took place in May 2013. New Options have an exercise price of 0.35 cents and an expiry date of 12 months from date of issue (15 July 2014). New Options issued are unlisted securities.
- At the same general meeting, shareholders also approved to issue up to a maximum of 430 million ordinary shares to sophisticated and professional investors at an issue price of 0.25 cents per share.
- In July 2013, the Company has raised short term finance of USD 100,000 via unsecured loan to fund working capital requirements of its Brazilian market segment. Unsecured loan is on a maximum 4 months expiry term and carries a monthly simple interest rate of 2.5%. On 18 September 2013, the Company repaid 50% of this loan at USD52, 918 including accrued interest of USD2,918.
- On 25 September 2013, the Company has raised further $200,000 by issue of 80 million ordinary shares at an issue price of 0.25cents ($0.0025) per share. Ordinary shares were issued to professional and sophisticated investors under the approval given by shareholders at the general meeting held on 10 July 2013.

FUTURE DEVELOPMENTS

Cardia will continue to focus on its principal business activities and will monitor its performance on its bioplastics business whilst at the same time continue to review any new business opportunities relating to its other principal activities.

In respect to its bioplastics business, the Company will focus to accelerate its sales with the expectation that the gross margin from expected sales will contribute to cashflow for the working capital requirements of the company. If sales expectations are not met, the Company will need further additional funds to cover its working capital requirements for the same period. Should any capital raising fall short of the company's requirements, then asset sales and additional cost cutting measures may be implemented by the Board. The Board will continue to seek a strategic cornerstone investor as part of its capital raising agenda.

ENVIRONMENTAL REGULATIONS

The Group's operations are not subject to any significant environmental regulations under the law of the Commonwealth or the States.

INFORMATION ON DIRECTORS

Patrick John Volpe *B.Bus(Acc), P.G.(Tax), CPA*	Experience:	Executive Director for 17 years Chairman for 13 years Non Executive Chairman effective 1/6/2012 Background in mining, media, transport, manufacturing, banking and stockbroking with a particular emphasis on corporate, restructuring, business acquisitions, investment advising and capital raisings and international business and management skills.
	Age:	55
	Special Responsibilities:	Corporate finance and investment, Acquisitions and mergers. Member of Audit & Compliance Committee
	Interest in Shares & Options:	150,416,649 Ordinary Shares 30,083,315 Options over Ordinary Shares
	Directorships held in other Listed Entities:	Botswana Metals Limited (appointed Chairman 19 Jan 2007), Genesis Resources Limited (appointed non-executive director 11 May 2012), Cohiba Minerals Limited (appointed non-executive director 24 July 2013) and was the Chairman of A-Cap Resources Ltd until 12th January 2010.
Dr Frank Peter Glatz *Ph D, M.Sc, MBA*	Experience:	Appointed 1 May 2009 Background in the Fast Moving Consumer Goods (FMCG) companies, plastic industry with particular emphasis on development of new technologies and packaging applications.
	Age:	49
	Special Responsibilities:	As Managing Director is responsible for the general management of the Company and for international marketing.
	Interest in Shares & Options:	21,952,917 Ordinary Shares 1,490,583 Options over Ordinary Shares
	Directorships held in other	Has not held a directorship in any other listed entity over the last 3 years
Dr John Scheirs *Ph D, Applied Chemistry*	Experience:	Appointed 16 March 2009 Resigned 14 May 2013 Specialist in plastic recycling and polymer degradation. Author of leading books "Polymer Recycling Science, Technology and Applications" and "Compositional and Failure Analysis of Polymers."
	Age:	47
	Special Responsibilities:	Technical Advisor
	Interest in Shares & Options:	6,592,224 Ordinary Shares
	Directorships held in Other	

	Listed Entities:	Has not held a directorship in any other listed entity over the last 3 years
Richard Tegoni *MBA (AGSM), Diploma in Mortgage Broking, Diploma in Financial Markets (SIA)*	Experience:	Appointed 21 December 2012 Experience in Finance & Banking and Sales & Marketing
	Age:	45
	Special Responsibilities:	Non Executive Director
	Interest in Shares & Options:	228,231,445 Ordinary Shares
	Directorships held in Other Listed Entities:	Has not held a directorship in any other listed entity over the last 3 years
Chen Yi *B.Sc (USA),Diploma in International Trading(Beijing)*	Experience:	Appointed 1 May 2009 Background in Sales
	Age:	33
	Special Responsibilities:	The Chinese operations
	Interest in Shares & Options:	18,500,000 Ordinary Shares
	Directorships held in Other Listed Entities:	Has not held a directorship in any other listed entity over the last 3 years

DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors and the Audit and Compliance Committee held during the year ended 30 June 2013 and the number of meetings attended by each Director.

Director	Board Meetings		Audit & Compliance Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
P J Volpe	14	14	2	2
F P Glatz	14	14	-	-
J Scheirs	13	13	-	-
R Tegoni	6	6		
Chen Yi	14	14	-	-
Rekha Bhambhani (Company Secretary)	14	14	2	2

REMUNERATION REPORT (AUDITED)

Remuneration Policy

The Group's policy for determining the nature and amount of remuneration of board members and senior executives of the Group is as follows:

- The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service and particular experience of the individual concerned.
- All key management personnel receive a base salary and superannuation. Fringe Benefits and performance incentives are negotiated with the employees depending upon their duties and responsibilities and their area of expertise.

REMUNERATION REPORT(CONTINUED)

- Performance Incentives are generally paid once predetermined key performance indicators have been met.
- Incentives are paid in the form of a bonus as a percentage of base salary.

Key management personnel receive a superannuation guarantee contribution/social security payments required by the government of the respective region and do not receive any other retirement benefits.

Upon retirement, key management personnel are paid employee benefit entitlements accrued to the date of retirement. Termination payments are generally not payable on resignation or dismissal for serious misconduct

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

The Board's policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board collectively determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, and duties and accountability. Independent external advice is sought when required. No such advice was sought during the year.

The maximum amount of fees that can be paid to non executive directors is approved by shareholders.

Although no executive options are currently on issue, any options issued in the future and not exercised before or on the date of termination will automatically lapse.

Performance-based Remuneration
The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of incentive payments based on the achievement of revenue targets return linked with profitability targets. The performance-related proportions of remuneration based on these targets are included in the following table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration
The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. To achieve this aim, performance based bonus incentives based on key performance indicators have been introduced.

With the focus of the company's business activities being to expand the Bioplastics business, the Company believes that this policy is effective.

Performance in relation to the KPIs is assessed annually, with bonus incentives being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

Employment details of members of key management personnel and other executives:

Group Key Management Personnel	Position held as at 30 June 2013 and any change during the year	Contract Details (Duration & Termination)	Proportions of remuneration package related to performance	Proportions of remuneration package not related to performance
Patrick Volpe	Chairman	No Fixed Term Non Executive Chairman-1/6/2012	-	100%
Frank Glatz	Managing Director	No Fixed Term	20%	80%
John Scheirs	Non Executive Director	No Fixed Term Resigned 14 May 2013	-	100%
Richard Tegoni	Non Executive Director	No Fixed Term Appointed 21 December 2012	-	100%
Chen Yi	Non Executive Director & General Manager-China Operations	No Fixed Term	-	100%
G Ward	General Manager	24 months contract from 5th July 2010 Termination -4/7/2012	-	100%
Chen Chan Ping	Technical Director ,China Operations	No Fixed Term	-	100%
R Bhambhani	Chief Financial Officer & Company Secretary	No Fixed Term	-	100%

REMUNERATION REPORT(CONTINUED)

Terms of employment require that the relevant group entity provide the contracted person with a minimum period of notice (one to three months) prior to termination of contract. Similarly a contracted person has to provide minimum period notice (one to three months) prior to the termination of their contract. In the instance of serious misconduct the Company can terminate employment at any time.

Changes in Directors and Executives subsequent to year-end
There were no changes in Directors and Executives subsequent to year-end.

Remuneration Details for the year ended 30 June 2013
The following table of benefits and payment details, together with the components of remuneration for each member of the key management personnel of the consolidated group for the financial year.

2013

Name	Short term Benefits		Post Employment	Equity-settled share-based payments	Termination Payments	Total
	Salary and Fees	Non-monetary benefits	Superannuation or Equivalent	Shares		
	$	$	$	$	$	$
P J Volpe	54,500	-	-	-	-	54,500
F P Glatz	159,021	18,408	14,312	-	-	191,741
J Scheirs	27,500	-	2,475	-	-	29,975
R Tegoni	15,000	-	-	-	-	15,000
Chen Yi	74,128	-	7,519	-	-	81,647
G Ward	2,117	-	1,164	-	10,820	14,101
R Bhambhani	86,668	-	7,800	-	-	94,468
Chen Chan Ping	54,948	-	-	-	-	54,948
Total	473,882	18,408	33,270	-	10,820	536,380

2012

Name	Short term Benefits		Post Employment	Equity-settled share-based payments	Termination Payments	Total
	Salary and Fees	Non-monetary benefits	Superannuation or Equivalent	Shares (I)		
	$	$	$	$	$	$
P J Volpe	288,333	-	34,364	-	142,533	465,230
F P Glatz	277,450	7,586	24,970	-	-	310,006
J Scheirs	46,667	-	4,200	-	-	50,867
Chen Yi (I)	78,883	-	10,800	-	-	89,683
G Ward	161,365	-	12,385	26,250	-	200,000
A Fernando	92,508	4,061	10,037	15,000	32,603	154,209
R Bhambhani	93,333	-	8,400	-	-	101,733
Chen Chan Ping	54,800	-	10,800	-	-	65,600
Total	1,093,339	11,647	115,956	41,250	175,136	1,437,328

(I) 3,281,250 Ordinary Shares were issued to Mr. Ward at an issue price of $0.008 each (net of tax basis) and 300,000 Ordinary shares were issued to Mr. Fernando at an issue price of $0.05 each. The number and fair value of shares issued to Mr. Ward and Mr. Fernando was in accordance with the terms of their respective employment contracts.

REMUNERATION REPORT(CONTINUED)

Cash Bonuses, Performance-related Bonuses

There was no performance related remuneration paid during the year.

Options Issued as part of remuneration for the year ended 30 June 2013.

No options were issued during the year as part of remuneration. For Shares and Options held by Key Management Personnel, please refer Note 6 to the Financial Report.

OPTIONS

A total of 107 shares were issued on the exercise of options during the year and up to date of this report.

The Company has listed 221,285,642 options trading under ASX Code CNNOB. These options are exercisable at 1.5 cents at any time up to 30 June 2015.

The Company also has 100,000,000 unlisted options. These options are exercisable at 0.35 cents at any time up to 15 July 2014.

At the date of this Report there were 321,285,642 unissued ordinary shares of the Company under option.

INDEMNIFICATION AND INSURANCE OF DIRECTORS & OFFICERS

The Company has agreed to indemnify all the current Directors and Officers of the Company and of its controlled entities against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company agrees to meet the full amount of any such liabilities, including costs and expenses.

The Company has paid an annual premium to insure the Directors' and Officers against liabilities incurred in their respective capacities. Under the policy, details of the premium are confidential.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

During the year the Company did not employ its auditor on assignments additional to their statutory audit duties.

AUDITOR'S INDEPENDENCE DECLARATION

The lead Auditor's Independence Declaration for the year ended 30 June 2013 has been received and can be found on page 20.

This report of the Directors incorporating the Remuneration Report is signed in accordance with a Resolution of the Board of Directors.

Pat Volpe
Director
Dated this 30th day of September 2013
Mulgrave, Victoria

William Buck

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

I declare that, to the best of my knowledge and belief during the year period ended 30 June 2013, there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

William Buck

William Buck Audit (VIC) Pty Ltd
ABN 59 116 151 136

J.C. Luckins
Director

Dated in Melbourne on this 30th day of September, 2013

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

This statement reflects Cardia Bioplastics Limited's corporate governance policies and practices as at 30 June 2013 and which were in place throughout the year.

The Board's philosophy is to adopt practices that are consistent with the best practice recommendations of the ASX Corporate Governance Council and in the best interests of the Company. The governance practices are reviewed regularly.

A description of the Company's main corporate governance practices is set out below.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board's role is to govern the Company rather than to manage it. In governing the Company; the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

The Board's responsibilities include:

- Leadership of the organisation
- Strategy formulation
- Overseeing planning activities
- Shareholder liaison
- Monitoring compliance and risk management
- Company finances
- Human resources
- Remuneration policy

The Board has delegated the responsibility for management of the Company to the Managing Director and senior management who implement the Board's strategies and compliance activities. The Board constantly monitors the performance of the Managing Director and senior management in their undertaking of these duties.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

The Board has been formed so that it has an effective mix of personnel who are committed to discharging their responsibilities and duties, and being of value to the Company. The Board comprises of 4 directors.

The Constitution requires a minimum number of three Directors .The maximum number of Directors is fixed by the Board but may not be more than 10, unless the members of the Company, in general meeting, resolve otherwise. The names of the Directors, and their qualifications and experience are stated on Pages 15-16 along with the term of office held by each.

There are no Directors on the Board at present that could be classified as 'Independent'. The Board considers, however that given the size and scope of the Company's operations at present, it has the relevant experience in the industry and is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its Shareholders from a both a long-term strategic and an operational perspective. The number of independent Directors on the Board is likely to increase as the Company develops and the Board believes that it can attract appropriate independent directors with the necessary industry experience.

However, where any Director has a material personal interest in a matter, in accordance with the *Corporations Act 2001,* the Director will not be permitted to be present during discussion of the matter or to vote on it. The enforcement of this requirement aims to ensure that the interest of shareholders, as a whole, is pursued and that neither their interest nor the Director's independence is adversely affected.

The Company does not have a Nomination Committee because the Board considers that selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board.

The Board is responsible for evaluating its performance and that of individual Directors and key executives and in doing so may engage independent external advisors if thought appropriate to do so. The Company has not established a formal process to evaluating the performance of the Board, its committees and individual directors, however the performance of the Board, the directors, officers and employees is monitored on a regular basis by the Board, with appropriate feedback and necessary training given to those parties.

Directors collectively or individually have the right to seek independent professional advice at the Company's expense, subject to the prior approval of the Chairman; to assist them to carry out their responsibilities. All advice obtained is made available to the Full Board.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Due to the size of the Company and the resources available to it, the Board does not consider that a formal Code of Conduct for directors and other key executives is appropriate. Rather, it is agreed by the Board that all officers of the Company will act ethically and in the best interests of the Company.

The Company has a Securities Trading Policy that regulates the dealings by directors, officers and employees, in shares, options and other securities issued by the Company.

The policy has been formulated to ensure that directors, officers, employees and consultants who work on a regular basis for the Company are aware of the legal restrictions on trading in company securities while in possession of unpublished price-sensitive information.

The Board has not formalised a Diversity Policy due to the size of the Company, however the Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefitting from all available talent.

The proportion of women representation in Cardia Bioplastics currently is as follows:

Women represented on the Board – 0%
Women represented in senior executive positions- 1%
Women represented in the whole organisation- 26%

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTIING

The Managing Director and Chief Financial Officer have provided written declarations to the Board confirming that the Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with the relevant accounting standards.

As the Company is small with a team of 4 Directors, it has not established a series of committees to address specific areas of corporate governance such as risk management, strategic review, operations and remuneration but has established an Audit and Compliance Committee.

The members of the Committee at the date of this report are Patrick Volpe (Non Executive Chairman) and Rekha Bhambhani (Company Secretary). The Audit and Compliance Committee was established by the Board to give additional assurance regarding the quality and reliability of financial information used by the Board and financial information provided by the Company pursuant to its statutory reporting requirements. The members of the Committee meet formally twice a year and on an adhoc basis as required.

The Board selected the members of the Audit and Compliance Committee on the basis that they are considered to have the most expertise in the area and are therefore not necessarily independent or non-executive directors.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the Australian Securities Exchange (“ASX”) as well as communicating with the ASX. In accordance with the ASX’s ‘Listing Rules’ the Company immediately notifies the ASX of information concerning the Company:

1. That a reasonable person would or may expect to have a material effect on the price or value of the Company’s securities; and
2. That would, or would be likely to influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company’s securities.

Due to the size of the Company, it achieves compliance with ASX ‘Listing Rules’ disclosure requirements without the need for formal policies and procedures, however there are specific processes followed by the Board and officers with regard to ensuring the Company complies with its disclosure requirements.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Due to the size of the Company, it does not have a formal policy regarding the promotion of effective communications with shareholders and encouraging their participation at general meetings.

The Company respects the rights of its Shareholders, and to facilitate the effective exercise of these rights, the Company is committed to:

1. Communicating effectively with shareholders through ongoing releases to the market via the ASX and the Company's website, and the general meetings of the Company;
2. Giving shareholders ready access to balanced and understandable information about the Company and Corporate Proposals;
3. Making it easy for shareholders to participate in general meetings of the Company; and providing appropriate notice periods and disclosure for general meetings;
4. Requesting the External Auditor to attend the Annual General Meeting and be available to answer shareholder's questions about the conduct of the audit, and the preparation and content of the Auditor's Report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

The Company has not established formal policies for the oversight and management of material business risks. Due to the size of the Company and the size of the Board, the Board monitors all key areas of the Company's risk management on an ongoing basis and keeps shareholders informed of any changes in the risk profile of the Company.

The Board has delegated the responsibility of designing risk management and internal control systems to the Managing Director and senior management who manage the Company's material business risks and report to the Board on the effectiveness of those systems.

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively however the Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying ,assessing monitoring and managing risk in the Company.

The Board seeks assurance from the Managing Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporation Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material aspects in relation to financial reporting risks and discloses accordingly.

The declarations have been received by the Board, in accordance with the recommendation of the Corporate Governance Council.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Due to the size of the Company, it has not established a Remuneration Committee and it currently uses independent external consultants to determine the level and components of remuneration for the directors. The Company has sixty two employees. The remuneration paid to executive directors and senior executives is distinguished from that paid to non-executive directors.

Non-Executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of non-executive directors. Non-executive directors do not receive performance based bonuses and do not participate in Equity Schemes of the Company without prior shareholder approval.

Current remuneration details are disclosed on pages 16-19 in the Directors' Report.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Economic Entity 2013 $	2012 $
Sales from main operations	3	**3,172,480**	3,980,443
Wholesale material trading sales		**1,878,095**	320,700
		5,050,575	4,301,143
Cost of Sales (main operations)		**(2,699,846)**	(3,431,347)
Cost of Purchase (Wholesale material)		**(1,805,075)**	(309,136)
		(4,504,921)	(3,740,483)
Gross Profit		**545,654**	560,660
Other Income	3	**783,164**	407,963
Administrative Expenses		**(600,783)**	(692,657)
Employment Benefits		**(1,006,032)**	(1,982,644)
Marketing & Distribution Expenses		**(312,540)**	(518,803)
Research & Development Expenses & Patent Costs		**(873,249)**	(1,367,967)
Depreciation & Amortisation		**(136,912)**	(118,842)
Net Foreign Exchange (Losses)/Gains		**166,457**	(109,797)
Other Expenses		**(89,913)**	(82,319)
Impairment-Trade Receivables		**(96,941)**	-
Loss from operating activities		**(1,621,095)**	(3,904,406)
Impairment-Financial Assets		**-**	(755,254)
Impairment-Intangible Assets		**(1,439,045)**	-
Loss before income tax	5	**(3,060,140)**	(4,659,660)
Income Tax Expense		**-**	-
Loss for the year after tax		**(3,060,140)**	(4,659,660)
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Net change in fair value of available for sale financial assets		**131,460**	(1,900,853)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations		**(40,071)**	13,035
Income tax on other comprehensive income		**-**	-
		91,389	(1,887,818)
Total comprehensive income for the year		**(2,968,751)**	(6,547,478)
(Loss)/Profit attributable to :			
Members of the Company		**(3,057,673)**	(4,642,426)
Non Controlling Interest		**(2,467)**	(17,234)
Loss for the year after tax		**(3,060,140)**	(4,659,660)
Total comprehensive income attributable to :			
Members of the Company		**(2,966,284)**	(6,530,244)
Non Controlling Interest		**(2,467)**	(17,234)
Total comprehensive income for the year		**(2,968,751)**	(6,547,478)

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

Earnings per share

-Basic earnings per share (cents per share)	**8**	**(0.17)**	(0.33)
-Diluted earnings per share (cents per share)	**8**	**(0.17)**	(0.33)

The accompanying notes form part of these financial Statements.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	Notes	ECONOMIC ENTITY 2013 $	2012 $
Current Assets			
Cash and cash equivalents	**9**	**1,231,477**	1,362,618
Trade and other receivables	**10**	**1,169,390**	943,886
Inventories	**11**	**1,449,010**	1,319,426
Total Current Assets		**3,849,877**	3,625,930
Non-Current Assets			
Financial Assets	**13**	**502,353**	370,893
Plant and Equipment	**14**	**628,801**	686,967
Intangible Assets	**15**	**5,126,905**	6,565,950
Total Non-Current Assets		**6,258,059**	7,623,810
Total Assets		**10,107,936**	11,249,740
Current Liabilities			
Trade and other payables	**16**	**1,788,975**	1,205,052
Short term provisions	**17**	**56,113**	60,026
Total Current Liabilities		**1,845,088**	1,265,078
Non Current Liabilities			
Long term provisions	**18**	**33,763**	35,975
Total Non Current Liabilities		**33,763**	35,975
Total Liabilities		**1,878,851**	1,301,053
Net Assets		**8,229,085**	9,948,687
Equity			
Issued Capital	**19**	**42,717,912**	41,468,763
Reserves	**20**	**(420,080)**	(511,469)
Accumulated Losses		**(34,106,730)**	(31,049,057)
Parent Entity Interest		**8,191,102**	9,908,237
Non Controlling Interest		**37,983**	40,450
Total Equity		**8,229,085**	9,948,687

The accompanying notes form part of these financial Statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

Economic Entity

	Issued Share Capital	Accumulated Losses	Foreign Currency Translation Reserve	Revaluation Reserve	Capital Reserve	Parent Entity Interest	Non Controlling Interests	Total Equity
	$	$	$	$	$	$	$	$
Balance at *1.7.2011*	40,091,115	(26,406,631)	(509,733)	1,900,853	(14,771)	15,060,833	57,684	15,118,517
(Loss)/Profit for the Year	-	(4,642,426)	-	-	-	(4,642,426)	(17,234)	(4,659,660)
Other Comprehensive income/(deficit) for the year	-	-	13,035	(1,900,853)	-	(1,887,818)	-	(1,887,818)
Total comprehensive income/(deficit) for the year	-	(4,642,426)	13,035	(1,900,853)	-	(6,530,244)	(17,234)	(6,547,478)
Transactions with owners in their capacity as owners								
Shares/Options issued during the year	1,595,747	-	-	-	-	1,595,747	-	1,595,747
Cost of Capital	(218,099)	-	-	-	-	(218,099)	-	(218,099)
Repatriation of Capital Reserve to Foreign Currency Gains and Losses	-	-	(14,771)	-	14,771	-	-	-
Balance at *30.06.2012*	**41,468,763**	**(31,049,057)**	**(511,469)**	**-**	**-**	**9,908,237**	**40,450**	**9,948,687**
Balance at *1.7.2012*	**41,468,763**	**(31,049,057)**	**(511,469)**	**-**	**-**	**9,908,237**	**40,450**	**9,948,687**
(Loss)/Profit for the Year	**-**	**(3,057,673)**	**-**	**-**	**-**	**(3,057,673)**	**(2,467)**	**(3,060,140)**
Other Comprehensive income/(deficit) for the year	**-**	**-**	**(40,071)**	**131,460**	**-**	**91,389**	**-**	**91,389**
Total comprehensive income/(deficit) for the year	**-**	**(3,057,673)**	**(40,071)**	**131,460**	**-**	**(2,966,284)**	**(2,467)**	**(2,968,751)**
Transactions with owners in their capacity as owners								
Shares/Options issued during the year	**1,299,000**	**-**	**-**	**-**	**-**	**1,299,000**	**-**	**1,299,000**
Cost of Capital	**(49,851)**	**-**	**-**	**-**	**-**	**(49,851)**	**-**	**(49,851)**
Balance at *30.06.2013*	**42,717,912**	**(34,106,730)**	**(551,540)**	**131,460**	**-**	**8,191,102**	**37,983**	**8,229,085**

The accompanying notes form part of these financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2013	Notes	ECONOMIC ENTITY 2013 $	2012 $
Cash Flows from Operating Activities			
Receipts from customers (inclusive of goods and services tax)		**4,699,375**	3,983,891
Payments to suppliers and employees (inclusive of goods and services tax)		**(6,905,106)**	(8,414,464)
Interest received		**10,794**	62,437
Research & Development Tax Credits received		**770,710**	342,033
Net Cash Outflow from Operating Activities	**25**	**(1,424,227)**	(4,026,103)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(10,981)**	(106,223)
Net Cash Outflow from Investing Activities		**(10,981)**	(106,223)
Cash Flows from Financing Activities			
Proceeds from issues of ordinary shares and options		**1,299,002**	1,554,497
Payment of share and options issue costs		**(49,853)**	(218,099)
Net Cash Inflow from Financing Activities		**1,249,149**	1,336,398
Net Decrease in Cash and Cash Equivalents Held		**(186,059)**	(2,795,928)
Cash and Cash Equivalents at the Beginning of the Financial Year		**1,362,618**	4,154,064
Effect of exchange rates on cash holding in foreign currencies		**54,918**	4,482
Cash and Cash Equivalents at the End of the Financial Year	**9**	**1,231,477**	1,362,618

The accompanying notes form part of these financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial reporting Standards.

The financial statements cover the economic entity of Cardia Bioplastics Limited and controlled entities.

Cardia Bioplastics Limited is a listed public company, incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

Reporting Basis and Conventions

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

Going Concern Assumption
These financial statements have been prepared on a going concern basis, notwithstanding that for the year ended 30 June 2013 the Group incurred a loss from operating activities of $1,621,095 (2012: $3,904,406) and incurred cash outflows from operations totalling $1,424,227

- **Establishing greater revenue from its current activities and reducing costs**
  The Company has been successful in securing few annual supply contracts from its customers during the year and expects renewal of those contracts for the next year .Moreover, as part of the Company's growth strategy; the Company has been extensively working on number of development projects with global brand owners and international packaging companies. Some of these projects are in commercial negotiations and others have advanced to "in-market trials" stage. Whilst no assurance can be given, the Board expects that all or some of these projects will be converted into sales revenue.

  The Company implemented a cost restructure program in the last quarter of 2012 financial year. This program has resulted in additional cash savings for the Company for the 2013 financial year. It is expected that the Company will continue with the same cost structure as it develops its operations.

- **Capital Raising**
  The Board has a track record of raising capital and had raised $1.3 million in financial year 2013, following $1.5million in financial year 2012 and $6.6million in financial year 2011.

  The Board is currently looking at all of its capital raising options and has already raised $200,000 in September 2013 via placement of ordinary shares.

- **Sale of the Company's non-core assets**
  The Company's non core equity investments that have the potential to be sold, would also contribute to cash flows.

The Directors are seeking to raise capital and in line with the above matters have prepared the financial report on a going concern basis. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the Report.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a. Principles of Consolidation
A controlled entity is any entity controlled by Cardia Bioplastics Limited whereby Cardia Bioplastics Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities. Control will generally exist when the parent entity owns directly or indirectly through subsidiaries more than half of the voting rights of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered. All controlled entities have a June financial year end.

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

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased. A list of controlled entities is contained in Note 21 to the financial statements.

Non controlling equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial statements. The non controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Goodwill
Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary that do not result in a change in control are accounted for as equity transactions and do not affect the carrying values of goodwill.

b. Income Tax
The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantially enacted at the end of the reporting period.

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

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

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

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

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

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

Capital work-in-progress comprises outstanding advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Depreciation

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

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

f. Financial Instruments

Initial recognition and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the group commits itself to either the purchase or sale of the asset. (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs.

Classification and subsequent measurement
Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a. the amount at which the financial asset or financial liability is measured at initial recognition;
b. less principal repayments;
c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method;
d. less any reduction for impairment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

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

iii) Financial Liabilities
Non-derivative financial liabilities compromising trade and other payables are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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

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

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Impairments of Assets
At the end of each reporting period, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

i. Intangibles

Patents and trademarks
Costs incurred in relation to development, registration and maintenance of patents and trademarks are expensed as and when incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

j. Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances
Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

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

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

- Assets and liabilities are translated at year-end exchange rates prevailing at the end of reporting period.
- Income and expenses are translated at average exchange rates for the period.
- Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

k. Employee Benefits
Provision is made for the group's liability for employee benefits arising from services rendered by employees up to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employees benefits payable later than one year have been measured at the present value of the estimated future cash flows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Equity-settled compensation
Share-based payments to employees are measured at the fair value of the instruments issued and expensed over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recognised in equity. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Revenue from royalties is recognised on an accrual basis in accordance with the substance of the relevant agreement.

R&D Tax Credits are recognised as revenue in the year of receipt.

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

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

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

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

r. Critical Accounting Estimates and Judgements
The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates- Impairment

The group assesses impairment at the end of each reporting period by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. For details- refer to Note 15.

Key Judgments-

The Directors have made certain key judgments in valuation techniques applied for the measurement of Financial Assets. For details –refer to Note 13.

The Directors have made certain key judgments in assessing recoverability of trade receivables and have accordingly, impaired trade receivables by $109,794. For details-refer to Note 10.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6*: Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of the change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 31 December 2015. These Standards are not expected to significantly impact the Group's financial statements.

AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011) and AASB 128: Investments in Associates and Joint Ventures (August 2011) (as amended by AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments), and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (applicable for annual reporting periods commencing on or after 1 January 2013). This Standard is not expected to significantly impact the Group's financial statements.

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of "control" and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group's financial statements.

AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

AASB 13 requires:

-inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and

-enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are expected to result in more detailed fair value disclosures, but are not expected to significantly impact the amounts recognised in the Group's financial statements.

AASB 2011–4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group's financial report as a whole because:

-some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and

AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to the presentation and disclosure of defined benefit plans, including:

-removal of the "corridor" approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and

-disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:

(i) service cost and net interest expense in profit or loss; and
(ii) remeasurements in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
This Standard is not expected to significantly impact the Group's financial statements.

AASB 2012–5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011* (applicable for annual reporting periods commencing on or after 1 January 2013).
This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009–2011 Cycle* by the International Accounting Standards Board, including:

AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;

AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;

AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;

AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and

AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

The Financial statements were authorised for issue on 30 September 2013 by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 PARENT ENTITY

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2013 $	2012 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**677,882**	806,641
Non-current assets	**10,271,371**	9,327,816
TOTAL ASSETS	**10,949,253**	10,134,457
LIABILITIES		
Current liabilities	**86,228**	164,447
Non-current liabilities	**21,323**	21,323
TOTAL LIABILITIES	**107,551**	185,770
EQUITY		
Issued capital	**42,717,912**	41,468,763
Accumulated losses	**(32,007,670)**	(31,520,076)
Revaluation Reserve	**131,460**	-
TOTAL EQUITY	**10,841,702**	9,948,687
STATEMENT OF COMPREHENSIVE INCOME		
Loss for the year after tax	**(487,594)**	(8,965,407)
Total comprehensive income	**(356,134)**	(10,866,260)

Guarantees

Cardia Bioplastics Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

Other than the matter disclosed in Note 22, Cardia Bioplastics Limited had no contingent liabilities as at 30 June 2013. (2012: NIL).

Contractual commitments

At 30 June 2013, Cardia Bioplastics Limited had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: NIL).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 REVENUE

	Economic Entity 2013 $	2012 $
Revenue		
Sales		
Sales from main operations	**3,172,480**	3,980,443
Wholesale material trading sales	**1,878,095**	320,700
Total	**5,050,575**	4,301,143
Other Income		
Interest	**10,794**	62,437
Research & Development Tax Credits	**770,710**	342,033
Other Income	**1,660**	3,493
Total	**783,164**	407,963
Total Revenue	**5,833,739**	4,709,106

NOTE 4 LOSS FOR THE YEAR

	Economic Entity 2013 $	2012 $
The Loss before income tax has been arrived at after the following items of expenses		
Expenses		
Depreciation & Amortisation	**136,912**	118,842
Rental expenses relating to operating leases	**225,391**	206,662
Research, development, and patent costs	**873,249**	1,367,967
Amounts written off as bad debts	**-**	11,039

NOTE 5 INCOME TAX EXPENSE

	Economic Entity 2013 $	2012 $
a) The prima facie tax credit on loss before income tax is reconciled to the income tax credit as follows :		
Prima facie tax credit provided on loss before income tax at 30% (2012: 30%)		
- Economic Entity	**(918,042)**	(1,397,898)
	(918,042)	(1,397,898)
- Adjustment for foreign tax rate	**44,653**	40,840
- Research & Development Tax Offset	**(231,213)**	(102,610)
- Non –deductible expenses	**145,532**	148,939
- Other deductible expenses	**(22,358)**	(29,626)
- Impairment Provision –Intangible Assets	**431,714**	226,576
- Adjustments to prior year losses	**430,252**	622,881
	(119,462)	(490,898)
Deferred income tax assets not recognised	**119,462**	490,898
Income tax expense	**-**	-
b) The Directors estimate that the potential deferred income tax assets at 30 June 2013 in respect of tax losses not brought to account is :	**6,404,168**	6,284,706

Deferred tax assets have not been brought to account as it is not currently considered probable that future taxable profits will be available against which such assets could be utilised.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are included in the "REMUNERATION REPORT".

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

	2013 $	2012 $
Short-term employee benefits	**492,290**	1,104,986
Post-employment benefits	**33,270**	115,956
Termination payments	**10,820**	175,136
Share based payments	**-**	41,250
	536,380	1,437,328

b. Option Holdings

Number of Options Held by Key Management Personnel (Direct and Indirect Interest)

2013

	Balance 1.7.2012	Granted as Compensation	Options Exercised	Net Change Other [I]	Balance 30.6.2013
Options Expiring 30 June 2015					
P Volpe	30,083,315	-	-	-	30,083,315
F Glatz	1,490,583	-	-	-	1,490,583

2012

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change Other [I]	Balance 30.6.2012
Options Expiring 30 June 2015					
P Volpe	-	-	-	30,083,315	30,083,315
F Glatz	-	-	-	1,490,583	1,490,583

(I) Net Change Other in June 2015 Options refers to options purchased and /or sold during the financial year. These options were purchased on market or subscribed to the entitlement issue offers of the Company during the year. No options were issued as part of any employee option scheme.

c. Share Holdings (Direct and Indirect)

2013

	Balance 1.7.2012	Received as Compensation(I)	Options Exercised	Net Change Other (II)	Balance 30.6.2013
P Volpe	150,416,649	-	-	-	150,416,649
F Glatz	19,452,917	-	-	2,500,000	21,952,917
J Scheirs	6,592,224	-	-	-	6,592,224
Chen Yi	18,500,000	-	-	-	18,500,000
R Tegoni	1,000,000			227,231,445	228,231,445
G Ward	7,581,250	-	-	-	7,581,250
R Bhambhani	1,500,000	-	-	-	1,500,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 6 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

2012

	Balance 1.7.2011	Received as Compensation(I)	Options Exercised	Net Change Other (II)	Balance 30.6.2012
P Volpe	120,333,334	-	-	30,083,315	150,416,649
F Glatz	14,962,334	-	-	4,490,583	19,452,917
J Scheirs	6,592,224	-	-	-	6,592,224
Chen Yi	18,500,000	-	-	-	18,500,000
G Ward	4,300,000	3,281,250	-	-	7,581,250
R Bhambhani	1,500,000	-	-	-	1,500,000
A Fernando	300,000	300,000	-	-	600,000

(I) Mr. Ward was issued 3,281,250 Ordinary Shares at an issue price of $0.008 each and 300,000 Ordinary shares were issued to Mr. Fernando at an issue price of $0.05 each. The number and the fair value of shares issued to Mr. Ward and Mr. Fernando was in accordance with the terms of their respective employment contracts.

(II) Net Change Other refers to shares purchased and /or sold during the financial year. These shares were purchased on market or subscribed to the entitlement issue offers of the Company during the year.

Other Transactions with Key Management Personnel

There have been no other transactions involving equity instruments other than those described in the tables above.
For details of other transactions with KMP, refer to Note 28: Related Party Transactions.

NOTE 7 REMUNERATION OF AUDITORS

	Economic Entity 2013 $	2012 $
Remuneration of the auditor of the parent entity for		
- auditing or reviewing the financial statements	**32,000**	31,000
Remuneration of other auditors of subsidiaries for :		
- auditing or reviewing the financial statements of subsidiaries	**13,046**	11,091
	45,046	42,091

NOTE 8 EARNINGS PER SHARE

	Economic Entity 2013 $	2012 $
a) Reconciliation of losses used to calculate earnings per share		
Loss for the year	**(3,060,140)**	(4,659,660)
Loss/(Profit) attributable to non controlling interest	**2,467**	17,234
Loss used to calculate basic and diluted EPS	**(3,057,673)**	(4,642,426)

	Number	Number
b) Weighted average number of ordinary shares used in the calculation of basic earnings (loss) per share	**1,794,201,731**	1,404,323,961
c) Weighted average number of ordinary shares and options used in the calculation of diluted earnings (loss) per share	**1,794,201,731**	1,404,323,961

221,285,646 (2012: 60,536,595) options have been excluded from the calculation of diluted earnings per share, as the Economy Entity has incurred a loss and their effect is anti dilutive.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 CASH AND CASH EQUIVALENTS

	Economic Entity 2013 $	Economic Entity 2012 $
Cash at bank and on hand	**1,231,477**	1,362,618
Balances per statement of cash flows	**1,231,477**	1,362,618

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2013	2012
Cash and cash equivalents	**1,231,477**	1,362,618

NOTE 10 TRADE AND OTHER RECEIVABLES

	Economic Entity 2013 $	Economic Entity 2012 $
Current		
Trade Receivables	**1,127,213**	776,013
Less : provision for impairment	**(115,503)**	(5,709)
	1,011,710	770,304
Prepayments	**91,425**	65,717
Other receivables	**66,255**	107,865
	1,169,390	943,886

Provision for Impairment of Receivables

Current trade receivables are non-interest bearing and are generally on 30-day terms. A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. These amounts have been disclosed as a separate line item in Statement of comprehensive income. Impaired Receivables age more than 365 days.

On the above basis, the Directors have made key judgement in impairing trade receivables by $109,794 at the reporting date. Break up of impaired receivable, on geographical basis, is provided below:

	2013 $	2012 $
Australia	**1,409**	5,709
Americas	**-**	-
Asia	**105,367**	-
Others	**3,018**	-
	109,794	5,709

Movement in the provision for impairment of receivables is as follows:

2013	Opening Balance 1.7.2012 $	Charge for the Year $	Amounts Written Off $	Closing Balance 30.06.2013 $
Economic Entity				
Current Trade & Other Receivables	**5,709**	**109,794**	**-**	**115,503**
	5,709	**109,794**	**-**	**115,503**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 10 TRADE AND OTHER RECEIVABLES (CONTINUED)

2012	Opening Balance 1.7.2011	Charge for the Year	Amounts Written Off	Closing Balance 30.06.2012
	$	$	$	$
Economic Entity				
Current Trade & Other Receivables	-	16,748	(11,039)	5,709
	-	16,748	(11,039)	5,709

Credit Risk- Trade and Other Receivables

The Group has no significant concentration of credit risk with respect to any single counter party or group of counter parties other than receivables specifically provided for and mentioned within Note 10.The class of assets described as Trade and Other Receivables is considered to be the main source of credit risk related to the Group.

On a geographical basis, the Group has significant credit risk exposures in Australia, Americas and Asia given the substantial operations in those regions. The Group's exposure to credit risk for receivables at the end of reporting period in those regions is as follows:

	Economic Entity 2013	Economic Entity 2012
	$	$
Australia	**122,691**	53,971
Americas	**413,597**	412,769
Asia	**541,677**	405,809
Others	**-**	5,620
	1,077,965	878,169

The following table details the Group's trade and other receivables exposed to credit risk with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial terms (as detailed in the table) are considered to be of high credit quality.

The carrying amount of receivables is considered a reasonable approximation to fair values.

Economic Entity

	Gross Amount	Past due and Impaired	Past due but not impaired (days overdue)				Within initial trade terms
			<30	31-60	61-90	>90	
2013							
Trade Receivables	**1,127,213**	**115,503**	**7,912**	**2,123**	**-**	**377,865**	**623,810**
Other Receivables	**66,255**	**-**	**8,489**	**6,660**	**-**	**10,580**	**40,526**
Total	**1,193,468**	**115,503**	**16,401**	**8,783**	**-**	**388,445**	**664,336**
2012							
Trade Receivables	776,013	5,709	126,443	2,174	8,536	543,953	89,198
Other Receivables	107,865	-	-	1,558	2,414	48,971	54,922
Total	883,878	5,709	126,443	3,732	10,950	592,924	144,120

Neither the Group nor parent entity holds any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 INVENTORIES

	Economic Entity 2013 $	Economic Entity 2012 $
Current		
Raw materials and stores	**284,697**	601,777
Work in progress	**18,516**	19,002
Finished goods	**1,145,797**	698,647
	1,449,010	1,319,426

NOTE 12 ASSOCIATED ENTITY

Information on Investments accounted using equity method are summarised below:

Name	Principal Activities	Country of Incorporation	Ownership Interest 2013 %	Ownership Interest 2012 %	Carrying amount of Investments 2013 $	Carrying amount of Investments 2012 $
Cardia Bioplastics Manufacturing Malaysia	Joint Venture to manufacture Bioplastics film, printing and bag	Malaysia	**NIL**	49%	**-**	-

Dissolution of CBMM Joint Venture

Cardia Bioplastics and RNZ Green Bio Sdn Bhd dissolved the CBMM joint venture agreement in September 2012 quarter after RNZ Green Bio could not continue to fund operations.100% of the manufacturing rights for finished goods and the Cardia brand in Malaysia were re-assigned to Cardia Bioplastics.

The termination of the joint venture has no financial impact on Cardia Bioplastics Limited's Statement of financial position as Cardia was not required to make any cash contribution to the joint venture.

NOTE 13 FINANCIAL ASSETS

		Economic Entity 2013 $	Economic Entity 2012 $
Current			
Available –for-sale financial assets			
Listed Investments, at fair value		**-**	94,126
Less : Impairment		**-**	(94,126)
	(a)	**-**	-
Non Current			
Available –for-sale financial assets			
Unlisted Investments, at fair value		**244,140**	2,817,000
Less : Revaluation Reserve		**131,460**	(1,900,853)
Less : Impairment			(672,007)
	(b)	**375,600**	244,140
Other Investments			
Unlisted Investments ,at cost		**210,000**	210,000
Less : Impairment		**(83,247)**	(83,247)
	(c)	**126,753**	126,753
		502,353	370,893

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 13 FINANCIAL ASSETS (CONTINUED)

(a) Available for sale financial assets consisted of 156,877 ordinary shares in Pallane Medical Limited (formerly Dia-B Tech Investments Limited). The investment in those shares has been fully written off as at 30 June 2013.
(b) Non current- Available for sale financial assets consist of 18,780,000 ordinary shares in Bioglobal Limited ("Bioglobal"). As at 30 June 2013, these assets have been valued at 2 cents per share based on the offer price for the last capital raising by Bioglobal that occurred in January 2013.
(c) This financial asset consists of 5,250,000 ordinary shares in P-Fuel Limited.

NOTE 14 PLANT AND EQUIPMENT

	Economic Entity	
	2013	**2012**
	$	$
Plant & Machinery		
At cost	**757,843**	667,514
Accumulated depreciation	**(414,733)**	(304,951)
	343,110	362,563
Office Equipments		
At cost	**112,313**	124,609
Accumulated depreciation	**(104,956)**	(103,946)
	7,357	20,663
Motor Vehicles		
At cost	**84,693**	74,457
Accumulated depreciation	**(59,983)**	(45,438)
	24,710	29,019
Furniture & Fixtures		
At cost	**39,880**	39,880
Accumulated depreciation	**(26,921)**	(24,841)
	12,959	15,039
Leasehold Improvements		
At cost	**305,479**	277,663
Accumulated depreciation	**(170,102)**	(110,543)
	135,377	167,120
Capital Work in Progress		
At Cost	**105,288**	92,563
	105,288	92,563
	628,801	686,967

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 14 PLANT AND EQUIPMENT (CONTINUED)

Movement in Carrying Amounts

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the current and previous financial year are set out below.

Economic Entity

2012	Plant & Machinery	Office Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Capital Work in Progress	Total
	$	$	$	$	$	$	$
Balance at 1 July 2011	413,655	23,697	36,727	17,259	198,650	-	689,988
Additions during the year	10,636	3,024	-	-	-	92,563	106,223
Disposals during the year	-	-	-	-	-	-	-
Foreign Exchange Rate Variations	17,941	1,019	2,273	-	7,885	-	29,118
Depreciation Expenses	(60,149)	(7,077)	(9,981)	(2,220)	(39,415)	-	(118,842)
Depreciation included in Cost of goods sold	(19,520)	-	-	-	-	-	(19,520)
Balance at 30 June 2012	**362,563**	**20,663**	**29,019**	**15,039**	**167,120**	**92,563**	**686,967**

2013	Plant & Machinery	Office Equipment	Motor Vehicles	Furniture & Fixtures	Leasehold Improvements	Capital Work in Progress	Total
	$	$	$	$	$	$	$
Balance at 1 July 2012	**362,563**	**20,663**	**29,019**	**15,039**	**167,120**	**92,563**	**686,967**
Additions during the year	**24,249**	**1,574**	**-**	**-**	**-**	**-**	**25,823**
Disposals during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Foreign Exchange Rate Variations	**33,951**	**622**	**3,091**	**-**	**8,851**	**12,725**	**59,240**
Depreciation Expenses	**(71,336)**	**(15,502)**	**(7,400)**	**(2,080)**	**(40,594)**	**-**	**(136,912)**
Depreciation included in Cost of goods sold	**(6,317)**	**-**	**-**	**-**	**-**	**-**	**(6,317)**
Balance at 30 June 2013	**343,110**	**7,357**	**24,710**	**12,959**	**135,377**	**105,288**	**628,801**

NOTE 15 INTANGIBLE ASSETS

	Economic Entity 2013	Economic Entity 2012
	$	**$**
Goodwill		
Cost	**8,112,783**	8,112,783
Accumulated impaired losses	**(2,985,878)**	(1,546,833)
Net carrying value	**5,126,905**	6,565,950

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 15 INTANGIBLE ASSETS (CONTINUED)

Impairment Disclosures

All Goodwill is allocated to the Group's distribution division, being a cash generating unit.

The recoverable amount of the cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of base cash flow projections. The cash flows are discounted using an estimated discount rate based on Capital Asset Pricing Model adjusted to incorporate risks associated with a particular segment.

Management has based the value-in-use calculations on five year budget forecasts of Bioplastics business. Revenue has been projected on the below mentioned assumptions. Costs are calculated taking into account historical gross margins as well as estimated weighted inflation rates over the period which is consistent with inflation rates applicable to the locations in which the unit operates. Discount rates are pre-tax and reflect risks associated with the distribution division.

The following assumptions were used in the value-in-use-calculations:

a. Revenue is premised on a "zero based budget" approach whereby each customer, or potential customer, has been specifically assessed having regard to current indications of demand, customer contacts or as assessed by the relevant sales manager.

   Long term contracts typically include expenditure "rise and fall" clauses. Accordingly, Revenue is forecast to alter in line with relevant changes to the Group's direct manufacturing costs.

b. Projected cash flows have been discounted using discount rate of 16.5%. (2012: 16.6%)
c. Gross profit margins are forecast to be in a range of 20%-45% dependent upon each geographic region. (2012: 20%-25%)
d. The annual growth rate of 2% has been estimated in the calculation of terminal value.

Based on the above assumptions, the carrying amount of the cash generating unit has been determined to exceed its recoverable amount as at 30 June 2013 and accordingly; an impairment loss of $1,439,045 has been recognised.

Sensitivity to changes in assumptions
Gross Profit Margin Assumption: Management has considered the possibility of lower gross margins of up to 17.6% than those budgeted, on the assumption that should raw material prices increases beyond the budgeted raw material price inflation and the Group be not able to pass on additional costs to the customers or absorb through efficiency improvements or other cost cutting measures, then in that case group would have fully impaired carrying amount of its goodwill.

Discount Rate Assumption: If the estimated cost of capital used in determining the pre-tax discount for the CGU had been 1% higher than management's estimates (17.5% instead of 16.5%), the group would have recognised a further impairment against goodwill of $672,266.

Revenue Forecasts Assumption: Management has considered the possibility of not achieving revenue forecasts than those budgeted and have instead assumed revenue growth rate of 25% per year for the budgeted period of 5 years, then in that case group would have fully impaired carrying amount of its goodwill and a further impairment of $1,261,360 would have been recognised over the other assets of CGU pro rata on the basis of the carrying amount of each asset in the unit.

NOTE 16 TRADE AND OTHER PAYABLES

	Economic Entity	
	2013	**2012**
	$	**$**
Current		
Unsecured Liabilities		
Trade Payables	**1,266,791**	613,168
Deposits from customers	**54,155**	54,435
Sundry payables and accrued expenses	**448,627**	440,024
Withholding tax payable	**19,402**	97,425
	1,788,975	1,205,052

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 17 SHORT TERM PROVISIONS

	Economic Entity 2013 $	2012 $
Employee benefits	**56,113**	60,026
	56,113	60,026

NOTE 18 LONG TERM PROVISIONS

	Economic Entity 2013 $	2012 $
Employee benefits	**33,763**	35,975
	33,763	35,975

Provision for Long -term Employee Benefits

A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

NOTE 19 ISSUED CAPITAL

(A) Share Capital

	Economic Entity 2013 $	2012 $
Ordinary - fully paid shares	**42,717,912**	41,468,763

(B) Movements in Ordinary Share Capital

Date		Number of Shares	Issue Price	Amount $
30 June 2011	**Balance**	**1,341,824,564**		**40,091,115**
22 December 2011	Issue of shares to employees	3,281,250	$0.008	26,250
22 December 2011	Issue of shares to employees	300,000	$0.05	15,000
28 February 2012	Exercise of Options- June 2012 Expiry	239,578	$0.015	3,594
20 March 2012	Exercise of Options- June 2012 Expiry	7,523	$0.015	113
21 March 2012	Entitlement Issue	214,285,714	$0.007	1,500,000
	Cost of Capital Raising			(218,098)
31 May 2012	Placement of Shortfall- Entitlement Issue	7,000,000	$0.007	49,000
30 June 2012	Exercise of Options-June 2012 Expiry	119,195	$0.015	1,789
30 June 2012	**Balance**	**1,567,057,824**		**41,468,763**
20 July 2012	Exercise of Options- June 2015 Expiry	72	$0.015	1
21 December 2012	Shareplacement	200,000,000	$0.002	400,000
	Cost of Capital Raising			(2,775)
27 December 2012	Share Purchase Plan	199,500,000	$0.002	399,000
	Cost of Capital Raising			(23,877)
22 May 2013	Shareplacement	200,000,000	$0.0025	500,000
	Cost of Capital Raising			(23,201)
24 May 2013	Exercise of Options- June 2013 Expiry	35	$0.02	1
30 June 2013	**Balance**	**2,166,557,931**		**42,717,912**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 19 ISSUED CAPITAL (CONTINUED)

(C) Ordinary Shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary Shares have no par value, and the company does not have a limited amount of authorised share capital.

(D) Movements in options

Options Expiring 30 June 2015 @ 1.5 cents (Listed)

Date		**Number of Options**
30 June 2011	**Balance**	-
21 March 2012	Options issued free pursuant to Entitlement Issue on the basis of 1 new option (exercisable at $0.015 expiring 30 June 2015) for every 1 new share subscribed for in Cardia	214,285,714
31 May 2012	Options issued free on placement of shortfall of Entitlement Issue	7,000,000
30 June 2012	**Balance**	**221,285,714**
20 July 2012	Options Exercised	(72)
30 June 2013	**Balance**	**221,285,642**

Piggyback Options Expiring 30 June 2013 @ 2cents (Unlisted)

Date		**Number of Options**
30 June 2012	**Balance**	-
21 August 2012	Issue of piggyback options issued free of cost on exercise of June 2012 options	110,308
24 May 2013	Options Exercised	(35)
30 June 2013	Expiry of Options	(110,273)
30 June 2013	**Balance**	**-**

Options Expiring 30 June 2012 @1.5 cents (Listed)

Date		**Number of Options**
30 June 2011	**Balance**	**223,637,482**
28 February 2012	Exercise of Options	(239,578)
20 March 2012	Exercise of Options	(7,523)
30 June 2012	Exercise of Options	(119,195)
30 June 2012	Expiry of Options	(223,271,186)
30 June 2012	**Balance**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 19 ISSUED CAPITAL (CONTINUED)

(E) Capital Management

Management controls the capital of the group in order to maintain sufficient liquidity to cover the group's working capital requirements, to meet any new investment opportunities as they arise and to safeguard the company's ability to continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by regularly monitoring its current and expected liquidity requirements and by assessing the group's financial risks, rather than using debt/equity ratio analyses. The group's capital structure is adjusted in response to the changes in liquidity requirements and financial risks. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

NOTE 20 RESERVES

Nature and Purpose of Reserves

a. **Asset Revaluation Reserve**
   The asset revaluation reserve records revaluations of non-current assets.

b. **Foreign Currency Translation Reserve**
   The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary as described in Note 1(j)

c. **Capital Reserve**
   The Balance of $14,771 represents an exchange gain on capital injected into the controlled entity Biograde (Nanjing) Pty Ltd as required to be disclosed separately as per Capital Regulations in the Peoples Republic of China. As at 30 June 2012, Capital reserve balance has been repatriated to Foreign Currency translation reserve.

NOTE 21 CONTROLLED ENTITIES

Controlled Entities Consolidated

Name	Country of Incorporation	Equity Holding (%) [1]	
		2013	2012
Cardia Bioplastics (Australia) Pty Ltd	Australia	100.00	100.00
Tristano Pty Ltd (100% owned by Cardia Bioplastics (Australia) Pty Ltd)	Australia	100.00	100.00
Biograde (Nanjing) Pty Ltd (100% owned by Biograde (Hong Kong) Pty Ltd)	China	100.00	100.00
Biograde (Hong Kong) Pty Ltd (100% owned by Cardia Bioplastics (Australia) Pty Ltd)	Hong Kong	100.00	100.00
Cardia Bioplastics Malaysia Sdn Bhd	Malaysia	100.00	100.00
Cardia Bioplasticos (Brasil) Ltda	Brazil	100.00	100.00
CO2Starch Pty Ltd	Australia	100.00	100.00
Cardia Bioplastics LLC	USA	100.00	100.00
Mine Remediation Services Pty Ltd	Australia	69.36	69.36
Natural Pharmacy Pty Ltd	Australia	66.00	66.00
Herbworx International Pty Ltd (60% owned by Natural Pharmacy Pty Ltd)	Australia	39.60	39.60

1. Percentage of voting power is in proportion to ownership.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 22 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has disputed recovery claim against Cardia of an outstanding amount of $39,600 (incl GST) by Mercury Consulting Pty Limited ("Mercury") in relation to their engagement with Cardia for offering public relation ("PR") services to the Company. The disputed amount claimed to be outstanding is for the 6 months period to February 2013. The Company is defending its case, on the basis that the agreement for PR services was terminated at the end of August 2013 and Mercury continued to engage with Cardia thereafter for capital raising services, under a separate agreement and fees or charges, if any, payable under the new agreement, were purely on success basis.

The proceedings of the matter are in the hands of NSW local court.

In the event, the Company is not successful in its proceedings against Mercury Consulting Pty Ltd's claim for recovery of outstanding amount of $36,000 (Ex GST) from Cardia, then Cardia will have an obligation to pay $36,000 (Ex GST) to settle the claim.

Other than matter disclosed above, there were no contingent liabilities or contingent assets as at 30 June 2013 (2012: NIL).

NOTE 23 COMMITMENTS

Operating Lease Commitments

Commitments in relation to operating leases contracted for at the end of the reporting period but not recognised as liabilities, payable:

	Economic Entity	
	2013	**2012**
	$	**$**
Operating Lease Commitments		
Not later than 12 months	**87,818**	88,580
between 12 months and 5 years	**-**	18,472
	87,818	107,052

The consolidated entity leases property under operating leases expiring from one to five years. Leases generally provide the consolidated entity with a right of renewal from nil years to three years.

NOTE 24 OPERATING SEGMENTS

Segment Information

Operating segments are premised on the internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category and service offerings as the diversification of the Group's operations inherently have different risk profiles and performance assessment criteria. Operating segments are therefore determined on the same basis.

The Company's portfolio of investments and interests held or acquired under five activities business model of the Group are classified under "Corporate Division"operating segment of the entity.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

-the products sold and/or services provided by the segment;
- the manufacturing process;
-the distribution method; and
-any external regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

The following operating segments have been identified:

(i) Manufacturing Division
(ii) Distribution Division
(iii) Corporate Division

Types of products and services by segment

(i) Manufacturing Division
The manufacturing segment develops and manufactures sustainable resins derived from renewable resources for the global packaging and plastic products industries.

The Manufacturing segment, that includes the manufacturing unit in China, is responsible for distribution and sales of products to the Chinese market, thus leveraging their local logistics management and business relationship.

The manufacturing segment also sells products to the distribution segment.

(ii) Distribution Division
The distribution segment includes the Group's distributors in Australia, Americas, Europe, and Asia, led by the Company's Business Development Managers in each of those regions. The distribution segment distributes the Company's manufactured stock items both domestically in the respective region and internationally.

(iii) **Corporate Division**
Corporate Division serves manufacturing and distribution divisions on financial, administrative and legal matters and also holds and manages portfolio of investments and interests held or acquired under five division business model of the Group.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions

An internally determined transfer price is set for all inter-segment sales. This price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Segment liabilities include trade and other payables.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

- Non –recurring items of revenue or expense
- Depreciation & Amortisation

Segment Performance

Year ended 30.06.2013	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Revenue				
External Sales	2,031,552	3,019,023	-	5,050,575
Inter-segment sales	710,723	182	-	710,905
Interest revenue	122	5,230	5,442	10,794
Other Income	-	770,710	1,660	772,370
Total Segment Revenue	2,742,397	3,795,145	7,102	6,544,644
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(710,723)	(182)	-	(710,905)
Total Group Revenue	2,031,674	3,794,963	7,102	5,833,739
Segment Net Loss before Tax	(692,046)	(265,633)	(491,571)	(1,449,250)
Reconciliation of segment result to group net loss before tax				
Inter-segment elimination	-	(34,933)	-	(34,933)
-Amount not included in segment result but reviewed by Board				
- Depreciation & amortisation	(104,099)	(31,636)	(1,177)	(136,912)
- Impairment –Intangible Assets	-	(1,439,045)	-	(1,439,045)
Net Loss for the Period	(796,145)	(1,771,247)	(492,748)	(3,060,140)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

Segment Performance

Year ended 30.06.2012	**Manufacturing Division $**	**Distribution Division $**	**Corporate $**	**Total $**
Revenue				
External Sales	1,688,576	2,612,567	-	4,301,143
Inter –segment sales	1,751,972	-	-	1,751,972
Interest revenue	599	17,909	43,929	62,437
Other Income	-	343,426	2,100	345,526
Total Segment Revenue	**3,441,147**	**2,973,902**	**46,029**	**6,461,078**
Reconciliation of segment revenue to group revenue				
Inter-segment elimination	(1,751,972)	-	-	(1,751,972)
Total Group Revenue	**1,689,175**	**2,973,902**	**46,029**	**4,709,106**
Segment Net Loss before Tax	**(731,439)**	**(2,061,454)**	**(973,455)**	**(3,766,348)**
Reconciliation of segment result to group net loss before tax				
Inter-segment elimination	-	(19,216)	-	(19,216)
-**Amount not included in segment result but reviewed by Board**				
- Depreciation & amortisation	(84,240)	(33,191)	(1,411)	(118,842)
- Impairment of AFS Assets	-	-	(755,254)	(755,254)
Net Loss for the Period	**(815,679)**	**(2,113,861)**	**(1,730,120)**	**(4,659,660)**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

Segment Assets

As at 30.06.2013	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	**2,082,442**	**14,331,302**	**11,027,735**	**27,441,479**
Reconciliation of segment assets to group assets				
Inter-segment eliminations	**-**	**(7,525,278)**	**(9,808,265)**	**(17,333,543)**
Segment Assets after inter-segment eliminations	**2,082,442**	**6,806,024**	**1,219,470**	**10,107,936**
Segment asset increases for the period				
- Capital expenditure	**19,823**	**6,000**	**-**	**25,823**
Included in segment assets are				
Goodwill	**-**	**5,126,905**	**-**	**5,126,905**

As at 30.06.2012	Manufacturing Division $	Distribution Division $	Corporate $	Total $
Segment Assets	1,778,752	15,499,808	18,376,484	35,655,044
Reconciliation of segment assets to group assets				
Inter-segment eliminations	-	(7,271,595)	(17,133,709)	(24,405,304)
Segment Assets after inter-segment eliminations	**1,778,752**	**8,228,213**	**1,242,775**	**11,249,740**
Segment asset increases for the period				
Capital expenditure	103,549	2,674	-	106,223
Included in segment assets are				
Goodwill	-	6,565,950	-	6,565,950

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

Segment Liabilities

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2013	**$**	**$**	**$**	**$**
Segment Liabilities	**4,144,229**	**14,749,019**	**186,917**	**19,080,165**
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	**(3,092,602)**	**(14,108,712)**	**-**	**(17,201,314)**
Total Group Liabilities	**1,051,627**	**640,307**	**186,917**	**1,878,851**

	Manufacturing Division	Distribution Division	Corporate	Total
As at 30.06.2012	**$**	**$**	**$**	**$**
Segment Liabilities	2,817,582	13,931,677	559,139	17,308,398
Reconciliation of segment liabilities to group liabilities				
Inter-segment eliminations	(2,668,664)	(13,057,165)	(281,516)	(16,007,345)
Total Group Liabilities	**148,918**	**874,512**	**277,623**	**1,301,053**

Revenue by geographical region	**2013**	**2012**
	$	**$**
Revenue attributable to external customers is disclosed below, based on the location of the external customer		
Australia	**376,776**	811,990
Asia	**3,909,647**	1,773,067
Americas	**739,865**	1,687,942
Others	**24,287**	28,144
Total Revenue	**5,050,575**	4,301,143

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 24 OPERATING SEGMENTS (CONTINUED)

Assets by geographical region	2013	2012
	$	$
The location of segment assets (non current) by geographical location of assets is disclosed below:		
Australia	**5,588,749**	6,923,147
Asia	**669,310**	700,663
Total Assets	**6,258,059**	7,623,810

Major customers
The Group has a number of customers to whom it provides products. The Group has supplied a single external customer in the manufacturing segment who accounted for 18.61% (2012: 8.32%) of external revenue. The next two significant customers accounted for 11.56% (2012: 3.44%) and 6.48**%** (2012: NIL) of external revenue respectively.

NOTE 25 CASH FLOW INFORMATION

	Economic Entity	
	2013	2012
	$	$
Reconciliation of Cash Flow from Operations with Profit after Income Tax		
Operating Profit /(Loss) after income tax	**(3,060,140)**	(4,659,660)
Depreciation on plant and equipment	**136,912**	118,842
Depreciation included in Cost of goods sold	**6,317**	19,520
Foreign Currency exchange difference	**(44,393)**	-
Impairment- Intangible Assets	**1,439,045**	-
Impairment -Financial Assets	**-**	755,254
Issue of shares to employees	**-**	41,250
Changes in operating assets and liabilities, net of effects of disposal of subsidiary:		
(Increase)/decrease in trade & other receivables	**(335,298)**	(253,677)
(Increase)/decrease in other operating assets	**(129,584)**	(254,781)
Increase/(decrease) in trade & other payables	**573,090**	350,522
(Decrease)/increase in provisions and other operating liabilities	**(10,176)**	(143,373)
Net cash outflow from operating activities	**(1,424,227)**	(4,026,103)

NOTE 26 SHARE BASED PAYMENTS

2013
There were no share based payments made during the year.

2012
In December 2011, Mr. Ward was issued 3,281,250 Ordinary Shares at an issue price of $0.008 each and 300,000 Ordinary shares were issued to Mr. Fernando at an issue price of $0.05 each. The number and fair value of shares issued to Mr. Ward and Mr. Fernando was in accordance with the terms of their respective employment contracts.

Total amount of $41,250 representing the above equity settled share based payments has been included in Employment Benefits Expenses in the statement of comprehensive income, with a corresponding increase in Equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 27 AFTER BALANCE DATE EVENTS

Other than the matters discussed below, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect the operations of the consolidated entity, the results of these operations or the state of affairs of the consolidated entity in subsequent years

- Following shareholders' approval in the General Meeting that was held on 10 July 2013, 100 million free attaching new options were issued in July 2013 to the investors who had participated in share placement that took place in May 2013. New Options have an exercise price of 0.35 cents and an expiry date of 12 months from date of issue (15 July 2014). New Options issued are unlisted securities.
- At the same general meeting, shareholders also approved to issue up to maximum of 430 million ordinary shares to sophisticated and professional investors at an issue price of 0.25 cents per share.
- In July 2013, the Company has raised short term finance of USD 100,000 via unsecured loan to fund working capital requirements of its Brazilian market segment. Unsecured loan is on a maximum 4 months expiry term and carries a monthly simple interest rate of 2.5%. On 18 September 2013, the Company repaid 50% of this loan at USD52,918 including accrued interest of USD2,918.
- On 25th September 2013, the Company has raised further $200,000 by issue of 80 million ordinary shares at an issue price of ($0.0025) 0.25cents per share. Ordinary shares were issued to professional and sophisticated investors under the approval given by shareholders at the general meeting held on 10th July 2013.

NOTE 28 RELATED PARTIES

A. Key Management Personnel

The names of persons who were Key Management Personnel of Cardia Bioplastics Limited at any time during the year are as follows:

Mr P J Volpe	**Chairman**
Dr F P Glatz	**Managing Director**
Dr J Scheirs	**Director (Resigned 14 May 2013)**
Mr R Tegoni	**Director (Appointed 21 December 2012)**
Mr Chen Yi	**Director and General Manager (China Operations)**
Mr Graeme Ward	**General Manager (Termination 4 July 2012)**
Mr A Fernando	**Chief Operating Officer**
Mr Chen Chang Ping	**Technical Director, China Operations**
Miss R Bhambhani	**Chief Financial Officer & Company Secretary**

Remuneration
Information on remuneration of Key Management Personnel is disclosed in the Note 6.

Other Transactions with Directors and Director-Related Entities
On 10 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. BML has invoiced Cardia $32,083 (incl GST) (2012: $40,833) for rent of office premises for the 10 months period up to 30 June 2013. Mr. Volpe is Chairman and the major shareholder of BML.

During the year, an amount of $1,300 (Ex GST) (2012: $10,295) was paid to Excelpas Pty Ltd, a company controlled by Dr.John Scheirs for providing consultancy services to the Company.

Cardia has distribution agreement in place with Bio-Mart Pty Ltd, the Company which is controlled by relatives (children) of Mr. Volpe. The distribution agreement is on identical commercial terms that apply to all the distributors. No transactions have occurred with Bio-Mart Pty Ltd during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 28 RELATED PARTIES (CONTINUED)

Ownership Interests in Related Parties
Interests held in the following classes of related parties are set out in the following notes:

Controlled Entities Note 21

NOTE 29 FINANCIAL INSTRUMENTS

a) Financial Risk Management
The group's financial instruments consist mainly of deposits with banks and short term investments, accounts receivable and payable and available financial assets.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Economic Entity 2013 $	Economic Entity 2012 $
Financial Assets			
Cash and cash equivalents	9	**1,231,477**	1,362,618
Loans and receivables	10	**1,077,965**	878,169
Available –for- Sale Financial Assets	13	**502,353**	370,893
Total Financial Assets		**2,811,795**	2,611,680
Financial Liabilities			
Trade and other payables	16	**1,788,975**	1,205,052
Total Financial Liabilities		**1,788,975**	1,205,052

Financial Risk Management.
The Group has not established formal policies for the oversight and management of material business risks. Due to the size of the Group and the size of the Board, the Board monitors all key areas of the Group's risk management on an ongoing basis.

The Board has delegated the responsibility of designing risk management and internal control systems to the Managing Director and senior management who manage the Group's material business risks and report to the Board on the effectiveness of those systems.
The overall risk management strategy of the Group is to ensure that the consolidated group meets its financial targets and at the same time minimises potential adverse effects on financial performance. The risk management functions include a review of the credit risks policies, future cash flow requirements and use of natural hedges.

Specific Financial Risk Exposures and Management
The main risks the group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and foreign currency risk.

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the negotiation of payment terms with customers such as advance payment on order or payments through letter of credits, title retention clauses over goods, keeping credit terms to maximum of 30 days from the invoice date, ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness and monitoring the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount of those financial assets (net of any provisions) as presented in the statement of financial position.

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. However, on a geographical basis, the Group has significant credit risk exposures to Americas and Asia, given the substantial transactions from those regions. Details with respect to credit risk of Trade and Other Receivables are provided in Note 10

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
NOTE 29 FINANCIAL INSTRUMENTS (CONTINUED)

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregate of such amounts are as detailed in Note 10.

Credit risk arising on cash balance is not material.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or meeting its obligations related to financial liabilities. The group manages liquidity risk by maintaining a reputable credit profile, managing credit risk related to financial assets, monitoring forecasted cash flows and ensuring that new funding facilities are in place either in the form of the issuing of new securities or establishing borrowing facilities.

Market risks

Interest rate risk

Any future change in interest rate will affect future cash flows of the Group as the cash holdings are on a variable rate basis. However the Group has established that its interest rate risk exposure is not material at this stage.

Foreign currency risk

The Group is exposed to fluctuations in foreign currencies arising from the payment of employment costs, sale and purchase of goods and services in currencies other than AUD functional currency of the Group.

As the Group's significant purchase and sales transactions are in US Dollars, any fluctuations in US Dollars may impact on the Group's financial results unless this exposure is appropriately hedged. The group has minimised its currency risk exposure for payments in US Dollars through natural hedge, by applying US Dollars payments from its receivables in that currency.

For payments in all other foreign currencies, the Group has established that its exposure to foreign currency risk is not material at this stage.

Sensitivity Analysis

Foreign Currency Risk

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at the end of reporting period. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Foreign Currency Risk Sensitivity Analysis

At 30 June 2013, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar with all other variables remaining constant is as follows:

	Economic Entity	
	2013	**2012**
	$	**$**
Change in Profit and Equity		
- Improvement in AUD to USD by 5%	-	53,926
- Decline in AUD to USD by 5%	-	(53,926)

For the year, the Company was able to manage its USD payments by applying them from the funds receipts in the same currency during the year.

NOTE 30 COMPANY DETAILS

The principal place of business and registered office is:

Unit 18, 35 Dunlop Road, Mulgrave, Victoria, Australia 3170.

1. The Directors declare that the financial statements and notes, as set out on pages 24 to 60 and remuneration disclosures that are detailed within the Remuneration Report in the Directors' Report, are in accordance with the *Corporations Act 2001* and:

   a. comply with Accounting Standards, the Corporations Regulations 2001; and

   b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the company and economic entity.

   c. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

2. The Chairman and Company Secretary have each declared that:

   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;

   b. the financial statements and notes for the financial year comply with the Accounting Standards; and

   c. the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

P. Volpe

Pat Volpe
Director

Mulgrave
Dated this 30th day of September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIA BIOPLASTICS LIMITED AND CONTROLLED ENTITIES

Report on the Financial Report

We have audited the accompanying consolidated financial report comprising Cardia Bioplastics Limited (the "company") and the entities it controlled at year's end or from time to time during the financial year (the "consolidated entity"). The consolidated financial report comprises the statement of financial position as at 30 June 2013, the statement comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Sydney
Melbourne
Brisbane
Perth
Adelaide
Auckland

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CARDIA BIOPLASTICS LIMITED AND CONTROLLED ENTITIES (CONTINUED)

Auditor's Opinion

In our opinion:

a) the financial report of the consolidated entity is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion above, we draw attention to Note 1 to the financial statements, which describes the consolidated entity's application of the going concern basis of accounting. If the assumptions and statements set out in this Note do not eventuate, there is a material uncertainty concerning the consolidated entity's ability to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Cardia Bioplastics Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

William Buck.

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

J. C. Luckins
Director

Dated this 30th day of September, 2013

The shareholder information set out below was applicable as at 9 September 2013.

(A) DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

			Ordinary Shares	Options 30 June 2015 (Listed)	Options 15 July 2014 (Unlisted)
1	-	1,000	123	8	-
1,001	-	5,000	328	31	-
5,001	-	10,000	313	17	-
10,001	-	100,000	989	107	-
100,001	and	over	991	148	4
			2,744	**311**	**4**

There were 2,018 holders of less than a marketable parcel of ordinary shares.

(B) EQUITY SECURITY HOLDERS

The names of the twenty largest holders of quoted equity securities are listed below:

Fully Paid Ordinary Shares	Number Held	Percentage of Issued Shares
POLARITY B PTY LTD	184,218,896	8.50
MR RICHARD RODGER TEGONI + MRS DEBRA MARISA TEGONI <TEGONI SUPER FUND>	177,213,445	8.18
DENTOST PTY LTD	125,265,782	5.78
VERMAR PTY LTD	108,749,982	5.02
GROWTH TECH INTERNATIONAL PTY LTD	41,666,667	1.92
KIRAK INVESTMENTS LIMITED	40,000,000	1.85
G& N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	28.017,317	1.29
MR RICHARD TEGONI	26,000,000	1.20
CHOCOLATE INVESTMENTS PTY LTD	25,000,000	1.15
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,262,911	1.07
CLARIC 182 PTY LTD < THE CLARIC SUPERFUND A/C>	22,700,000	1.05
RIOTEK PTY LTD	22,125,000	1.02
MRS JANET LOUISE COLMAN < JL COLMAN SUPER FUND A/C>	21,000,000	0.97
MR DANNY SEGAL+ MRS JENNIFER SEGAL <SEGAL INVESTMENTS S/F A/C>	20,000,000	0.92
JR NOMINEES PTY LTD< VALDEZ SUPER FUND A/C>	20,000,000	0.92
KIRZY PTY LTD< SPRINGDALE NO 2 A/C>	20,000,000	0.92
CHEN YI	18,500,000	0.85
ADVANCE PUBLICITY PTY LTD< THE IZMAR FAMILY A/C>	16,440,941	0.76
MRS JANET LOUISE COLMAN< J L COLMAN FAMILY A/C>	16,400,000	0.76
TODISCO INVESTMENTS PTY LTD< TODISCO FAMILY A/C>	14,877,265	0.69
	943,420,889	**44.82**

B) EQUITY SECURITY HOLDERS (CONTINUED)

Options-30 June 2015	Number Held	Percentage of Issued Options
POLARITY B PTY LTD	38,942,222	17.60
VERMAR PTY LTD	21,749,982	9.83
GOFFACAN PTY LTD	10,277,142	4.64
SIMPOL PTY <SIMEON PAPAZIS FAMILY A/C>	10,250,075	4.63
GROWTH TECH INTERNATIONAL PTY LTD	8,333,333	3.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	7,928,143	3.58
HOWARD TRADING CO PTY LTD	6,500,000	2.94
LINDEN-O OSTRICHES PTY LTD	5,200,000	2.35
NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	5,129,749	2.32
WILLIAM GEOFFREY KROON	4,516,250	2.04
MS MARY WESTON	4,150,000	1.88
CLARIC 182 PTY LTD	3,937,500	1.78
RIOTEK PTY LTD	3,825,000	1.73
KIRZY PTY LTD<SPRINGDALE NO 2 A/C>	3,571,428	1.61
MR CAMPBELL ROBB MACFARLANE <ZEPHYR SUPER FUND A/C>	3,301,703	1.49
INSYNC INVESTMENTS PTY LTD	3,000,000	1.36
NIMOSH HOLDINGS PTY LTD	3,000,000	1.36
JIMINY PTY LIMITED <SUPER FUND A/C>	2,750,000	1.24
SOMNUS PTY LTD <SOMNUS SUPERANNUATION A/C>	2,402,753	1.09
RETZOS INVESTMENTS PTY LTD	2,305,505	1.04
	151,070,785	**68.28**

(C) UNQUOTED SECURITIES

Options-15 July 2014	Number Held	Percentage of Issued Options
DENTOST PTY LTD	60,000,000	60.00
KIRAK INVESTMENTS LIMITED	20,000,000	20.00
MR DANNY SEGAL+ MRS JENNIFER SEGAL <SEGAL INVESTMENTS S/F A/C>	10,000,000	10.00
JR NOMINEES PTY LTD< VALDEZ SUPER FUND A/C>	10,000,000	10.00
	100,000,000	**100.00**

(D) SUBSTANTIAL SHAREHOLDERS

The names of the substantial shareholders listed in the holding company's register as at 9th September 2013 are:

	Number of Ordinary Shares Held	Percentage of Issued Shares
POLARITY B PTY LTD	184,218,896	8.50
MR RICHARD RODGER TEGONI + MRS DEBRA MARISA TEGONI <TEGONI SUPER FUND>	177,213,445	8.18
DENTOST PTY LTD	125,265,782	5.78
VERMAR PTY LTD	108,749,982	5.02

(E) VOTING RIGHTS

The voting rights attaching to each class of equity security are set out below:

Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

No voting rights.