

Equity | Australia

March 25, 2011

Cardia Bioplastics Limited (OTCQX: CDRBY, ASX: CNN)

VIRIATHUS®

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Company Description:

Cardia Bioplastics Limited is a leading developer, manufacturer and marketer of sustainable resins and finished products derived from renewable resources. The Company's products consist of Biohybrid™ and compostable resins and are targeted at the global packaging and plastics products industries. Cardia Bioplastics enables its clients to deliver packaging and plastic products with a lower carbon footprint.

Cardia Bioplastics was established in 2002 and is headquartered in Melbourne, Australia. The Company also has various product development centers, a manufacturing plant in China, and sales offices located worldwide. Furthermore, Cardia Bioplastics has a network of leading distributors across Australia, the Americas, Europe and Asia.

Informational Report Highlights:

- **Targeting a \$180B market:** Cardia Bioplastics' products are aimed at the plastic packaging market which is estimated at \$180B annually. While bioplastics is less than 1% of the overall market, it is fast growing with an estimated 17.3% CAGR through 2012.
- **Enabling its customers to go "green":** Cardia Bioplastics' resins consist of Biohybrid™ resins, compostable resins, CO₂S compostable bags, and finished bioplastic products. Importantly, Cardia's products can easily be utilized by its customer's existing manufacturing equipment while also lowering its customer's carbon footprint by up to 50%.
- **Two recent supply agreements add AUD \$3.3M in revenue per year:** In the last six months, Cardia has won two significant supply contracts. The first is with Ben's Land Baby Articles Corp Ltd, a major Chinese manufacture. Cardia is supplying a new compostable moisture barrier film for the manufacture of a range of baby diaper/nappy and feminine hygiene products. Ben's Land will supply its main customers in the U.S. and European markets. The second contract is an international supply and licensing agreement with a U.S. based packaging supplier for a compostable bag product estimated at AUD\$1.8M per year
- **Additional high profile client wins portent strong growth:** Despite the fact that Cardia Bioplastics' is a relatively new firm, the Company has gained considerable momentum via some large key client wins. These include: being selected as the exclusive supplier of biodegradable packaging to the Beijing 2008 Olympic and Paralympic Games; selected by Kentucky Fried Chicken to replace KFC's plastic bags with Cardia Compostable bags in South Australia; and announcing a collaboration agreement with Nestlé S.A., the largest Fast Moving Consumer Goods company in the world, to reduce the environmental impact of packaging.

Financial Data (USD):

Share Price:	0.013
Market Capitalization (mln):	11.9
Shares Outstanding (mln):	894.5
Float (mln):	509.58
Average Volume (90 Day approx.):	1,663,950
52 Week Range:	\$0.01-0.03
Exchange:	OTCQX & ASX



Near-Term Milestones:

- **Q1 2011:** OTC-QX listing approved in U.S. allows Cardia Bioplastics to list as an ADR.
- **2011:** Cardia Bioplastics and Nestlé announce collaboration on sustainable packaging.
- **2011:** Cardia signs an international partner to launch its new biodegradable products made from CO₂ emissions.
- **2011-2012:** Announcement of additional high profile customer supply agreements and/or collaborations.

Corporate Contact Information:

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Australia

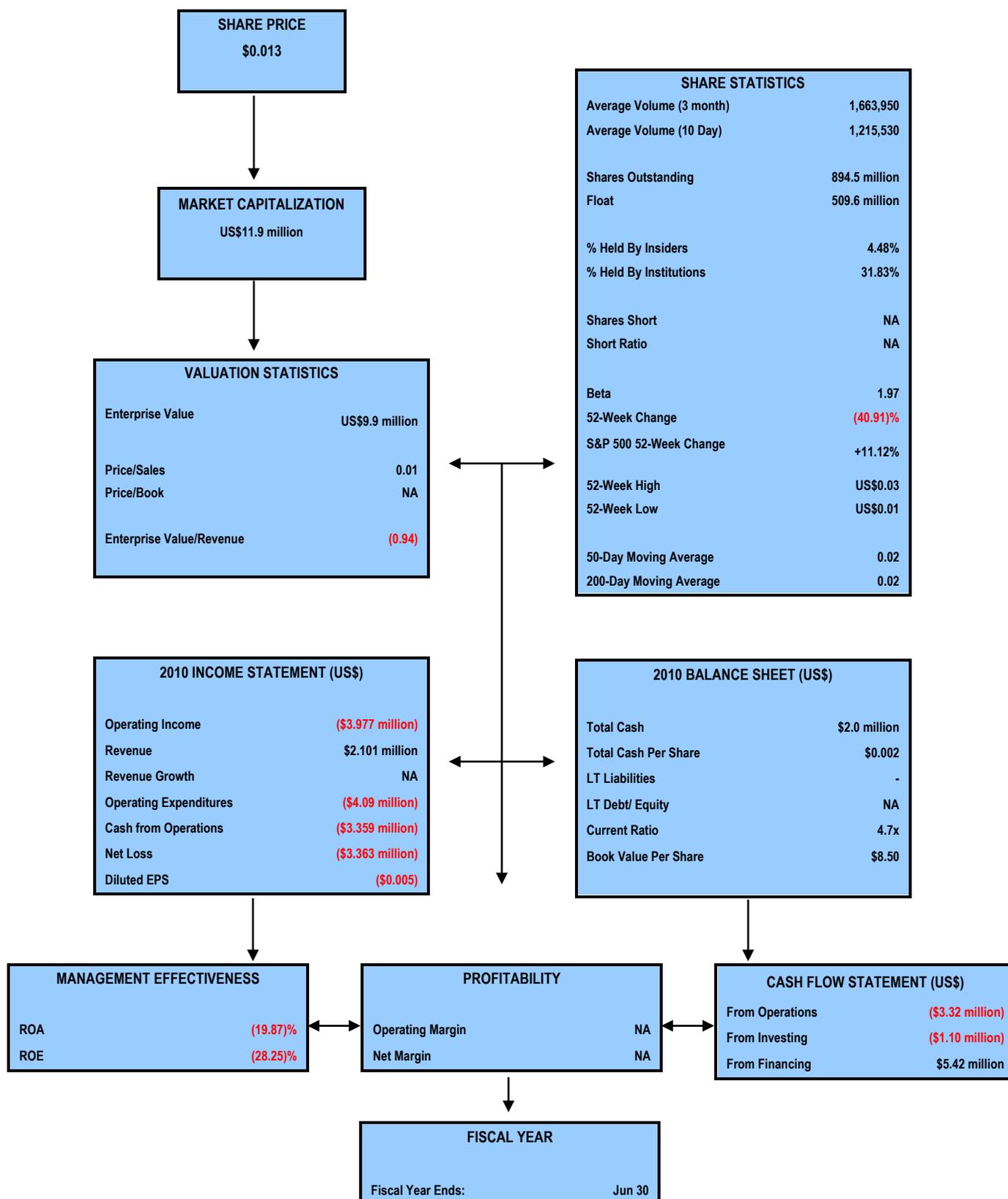
Frank Glatz
Managing Director
T: +61 (3) 9562 0122

Balance Sheet US\$	LTM Dec 31
Cash	1,995,000
Assets	14,078,000
Shareholders' Equity	13,372,706
Long-Term Obligations	-
LT Debt to Equity Ratio	NA

P&L Data US\$ mln	Jun 08	Jun 09	Jun 10	LTM Dec 10
Revenues	0.502	0.467	2.254	2.101
Gross Profit	0.496	(0.076)	0.090	0.114
Operating Profit	(0.467)	(2.190)	(4.292)	(3.977)
Net Loss	(1.161)	(3.847)	(5.679)	(3.363)
EPS	(0.004)	(0.011)	(0.009)	(0.005)

Margin (%)	Jun 08	Jun 09	Jun 10	LTM Dec 10
Gross Margin	98.80	NA	0.04	0.05
Operating Margin	NA	NA	NA	NA
Net Margin	NA	NA	NA	NA

Financial Metrics



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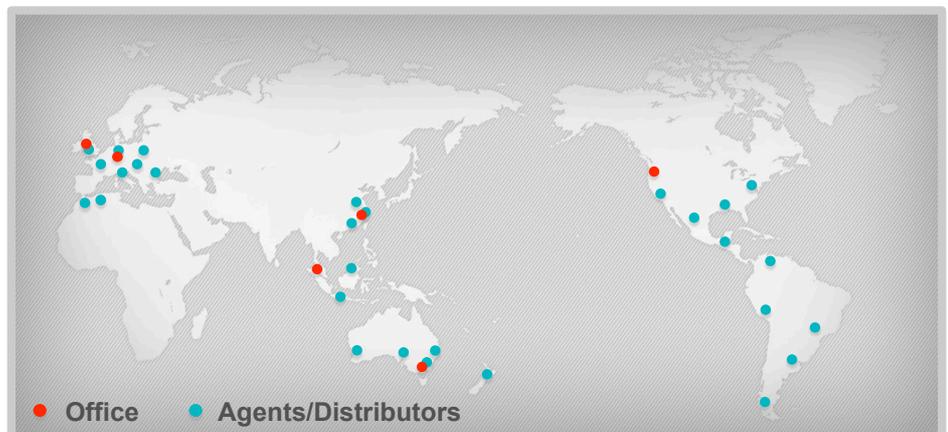
Company Overview

Cardia Bioplastics develops, manufactures and markets sustainable resins and finished products derived from sustainable resources.

Cardia Bioplastics Limited is a leading developer, manufacturer and marketer of sustainable resins and finished products derived from renewable resources. The Company's products consist of Biohybrid™ and compostable resins and are targeted at the global packaging and plastics products industries. Cardia Bioplastics enables its clients to deliver packaging and plastic products with a lower carbon footprint.

Cardia Bioplastics was established in 2002 and is headquartered in Melbourne, Australia. The Company also has various product development centers, a manufacturing plant in China, and sales offices located worldwide. Furthermore, Cardia Bioplastics has a network of leading distributors across Australia, the Americas, Europe and Asia.

Cardia Bioplastics Operational Footprint:



Source: Company Reports

Cardia Bioplastics was originally established in 2002 as Biograde Limited. The Company's focus was on the development, acquisition and incubation of early stage start-up and R&D businesses. Cardia would then develop these businesses to a point where they were able to be spun-out of the Company and recapitalized through either an ASX listing or another structure with an objective of obtaining a listing in the future. However, in March 2009 the Company acquired Cardia Bioplastics (Australia) Limited and subsequently shifted its focus towards the bioplastics business. In July 2009, the Company changed its name to Cardia Bioplastics Limited to better reflect the Company's focus.

While the Company focus is on its bioplastics business, it continues to hold some "legacy" positions in R&D startups, which include:

- Bioglobal Ltd – 18.9m shares owned in this unlisted company in the agricultural pest control industry. Cardia has announced that it will sell this position.
- P-Fuel Ltd – 7m shares owned in this unlisted Australian public company. The company converts waste plastic into diesel and is therefore strategic to Cardia Bioplastics
- Natural Pharmacy Pty Ltd – 66% interest where Cardia receives a royalty from sales of natural and herbal products.

Since its annual report as of June 30, 2010, Cardia Bioplastics has spun out all other holdings which recently included: Dia-B Tech Ltd and Mine Remediation Services Pty Ltd.

Cardia Bioplastics received instant recognition via an exclusive contract to supply biodegradable packaging to the Beijing 2008 Olympic and Paralympic Games.

Sales in the sustainable resins product line started in 2007. The Company quickly received international recognition by winning a high profile contract to be the exclusive supplier of biodegradable packaging to the Beijing 2008 Olympic and Paralympic Games. Other high profile customer contracts include:

- Kentucky Fried Chicken – replaced plastic bags with Cardia Bioplastic compostable bags in South Australia.
- Queensland Parks – Brisbane Council elected to distribute millions of biodegradable doggy bags across Queensland parks.
- Ben's Land \$1.5M global hygiene product contract – Cardia is supplying this major Chinese manufacturer with a new compostable moisture barrier film to be integrated into a new line of baby diaper and feminine hygiene products and their packaging.
- Natures Organics - This leading Australian manufacturer of household and personal care products selected the Cardia's Biohybrid resins to be utilized in its "Earth Choice", "Purity" laundry care, and "Organic Care" body care product packaging.
- Nestlé S.A. – The two companies announced a collaboration to reduce the environmental impact of packaging.

Part of Cardia Bioplastics success can be derived from the Company developing an extensive portfolio of intellectual property and maintaining a strong patent position. Furthermore, the Company's products meet international standards for compostability. These include: Europe's EN 13432, USA's ASTM D 6400, Japan's GreenPla, and Australia's AS 4736.

Cardia Bioplastics' success and momentum in the marketplace has led to a doubling of size in its manufacturing capabilities

Given the Company's success to date, Cardia Bioplastics relocated to its new and expanded manufacturing facility in Nanjing, China. The move was completed in early 2010 and has doubled the size of Cardia's manufacturing capacity. Furthermore, the manufacturing facility meets strict quality processing methods by attaining ISO9001 Quality Certification.

Cardia Bioplastics' New China Manufacturing Facility:



Source: Company Presentation

Importantly, the Company has also expanded its product development center in China and has established and relocated the administrative and sales team servicing the important Chinese market.

Products/Technology Overview

Cardia Bioplastics' products are protected via 29 pending patent applications from 9 patent families.

Cardia Bioplastics proprietary products are segmented into four groups and include:

- Cardia Biohybrid™ Resins
- Cardia Compostable Resins
- Cardia Biodegradable Products made from its novel CO₂S technology
- Cardia Bioproducts Finished Goods

These product offerings can be further utilized to design and manufacture specific products to meet Cardia's customer's needs. We also note that Cardia Bioplastics' product portfolio and technology is patent protected via 29 individual patent pending applications over a 9 patent family. The Company also has 10 registered or pending trademarks.

Cardia Bioplastics' products can be utilize by its clients' existing manufacturing equipment and reduce a customer's carbon footprint by up to 50%

Cardia Biohybrid™ Resins

This product combines a blend of renewable thermoplastics with traditional plastics. Importantly, the product line can be utilized with the customer's existing manufacturing equipment to produce sustainable plastic products. Furthermore, the product line reduces the customer's carbon footprint by up to 50%.

Cardia's high performance Biohybrid™ resins have a wide processing and application window. The resins are colorable and printable to make the following type of applications:

- Films – over wrap, shrink wrap, shopping bags, waste bags
- Injection moldings – closures, utensils, pens
- Blow moldings – containers, bottles
- Extrusions – foam sheets, thermoformed trays
- Coatings – cartons, indoor signage

Cardia Biohybrid™ Resin Product Applications:



Source: Company Presentation

Cardia's compostable resins meet various international standards for compostability.

Cardia Compostable Resins

These product materials allow clients to design and manufacture biodegradable products that meet various international standards for compostability. These include standards such as:

- Europe's EN 13432
- USA's ASTM D 6400
- Japan's GreenPla
- Australia's AS 4736

Again, Cardia's resins can be utilized in its customer's existing manufacturing equipment. Cardia's resins are soft touch, colorable and printable. Furthermore, the Company can develop custom compounds for specific customer needs. Typical applications include:

- Flexible films to 120 microns – mulch film, over wrap, shrink wrap, shopping bags, waste bags
- Coatings and laminates – cartons, indoor signage
- Injection moldings – clips, labels, tags, closures, pens, utensils
- Blow moldings – bottles, containers

Cardia Compostable Resin Product Applications:



Source: Company Presentation

Cardia Biodegradable Products made from CO₂S technology

In October 2010, Cardia Bioplastics announced it had developed a biodegradable plastic bag created from a blend of CO₂ emissions and a starch based renewable resource. The product is called CO₂S. The product is made by capturing CO₂ emissions prior to its release into the atmosphere and converted into a polypropylene carbonate polymer. It is then blended with a renewable starch to produce the CO₂S resin which is then utilized to produce the biodegradable bag. The Company is in the process of attaining an international commercial partner to advance this unique technology.

Cardia Biodegradable Plastic Bag:



Source: Company Presentation

Cardia's bioproducts finished goods offering allow a customer to outsource its manufacturing of sustainable plastic applications and utilize Cardia's expertise.

Cardia Bioproducts Finished Goods

As a further focus on customer service, Cardia offers its customers design, development and production of ready to use finished products. Cardia has tailor-made this service to target customers that are:

- New to sustainable products
- Desire to trial new products
- Are looking for assistance in timing their change to producing sustainable products
- Need assistance in the design of print and use of inks without compromising compostability

Consequently, after some consultations with the Cardia Bioproducts team, the customer can then elect to utilize Cardia's Biohybrid™ resins and/or Compostable resins to custom design a sustainable product line.

Bioproducts Finished Goods:



Source: Company Presentation

Business Strategy

Cardia Bioplastics' mission is to be the international leader in the supply of technically advanced sustainable resins made from renewable resources. The Company is seeking to attain this goal by focusing on technology development, signing development agreements with major clients and developing and marketing custom products for their clients.

Focus on Technology Development

Cardia Bioplastics is committing significant capital and resources to the development of advanced sustainable resins. This focus has led Cardia Bioplastics to increase the size of its patent portfolio. An example of this focus on technology development is the Company's recent global launch of its novel CO₂S Biodegradable bag products at Bio Malaysia 2010 (November 2010). This new product is a next generation bioplastic that combines CO₂ emissions blended with starch. According to the Company, it is the world's first biodegradable carrier bag made from CO₂ emissions and starch.

Development agreements

The Company is focused on entering into agreements with major global packaging producers and users. In turn, this provides the Company with high exposure and allows the firm to develop a long-lasting relationship with its potential clients. Furthermore, assuming the clients are large well-known companies, such as its recent Nestlé S.A. collaboration, Cardia Bioplastics should be able to increase its momentum in the market place as these high profile agreements lend validation to its technology and products.

Custom product development

Cardia Bioplastics strategy is also focused on its flexibility. The Company has the ability to tailor its resins to specific customer requirements. Importantly, the use of Cardia's advanced resins does not include the addition of any additional capital to the customer's existing manufacturing systems. Consequently, the decision to "go green" is a relatively easier decision.

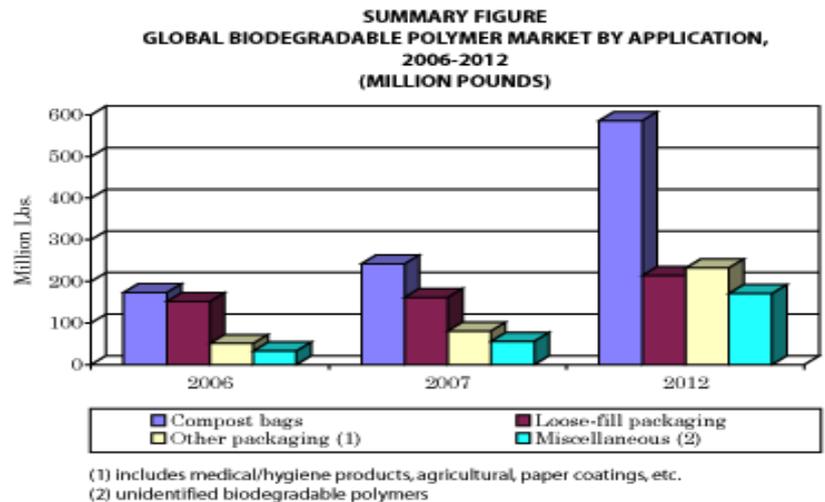
Furthermore, Cardia Bioplastics has a broad product portfolio from which to choose which includes, Biohybrid™ resins, compostable resins, biodegradable bags and films, and other finished goods.

Industry Overview

The plastic packaging market is estimated at approximately \$180B per year. Bioplastics is currently a small segment of the overall market but is expected to grow at a CAGR of 17.3%

Plastics play an important role in our modern economy. Plastic is everywhere and helps make society's life more convenient and typically safer. The plastic packaging market is estimated at a size of approximately \$180B per year of which the flexible packaging market is estimated at \$140B. While Cardia Bioplastics product portfolio is targeting this large market, its products are bioplastics, which make up a smaller percentage of the overall plastic market. BCC research estimates the market for biodegradable polymers will grow at a CAGR of 17.3% through 2012.

Bioplastic Market Growth and Segmentation:



Source: BCC research

Despite the large, growing and ever present plastic market, there is some negativity being expressed toward plastics given its durability (plastic bags can take up to 1,000 years to decompose) and its needed use of fossil fuels to be created.

We believe the bioplastic market should continue its higher growth rate than the overall plastic market given the following growth drivers:

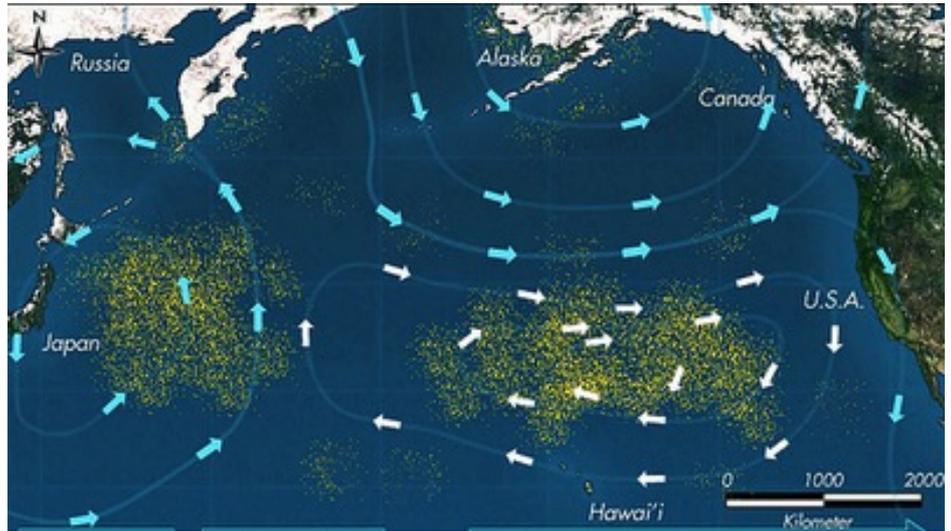
- World movement toward going green
- Reducing reliance on fossil fuels
- Government support and legislation

Plastics are an environmental hazard. In fact the Pacific Ocean is the world's largest landfill with a section of the ocean, at 2x the size of Texas, containing floating plastic waste.

Worldwide movement toward sustainable products

While plastic is omnipresent and indispensable in people's lives, many are realizing the impact certain lifestyle choices have on the environment. In fact, plastic waste is a large worldwide problem. According to various sources, globally there are about 100M tons of plastic waste produced annually. According to UN Environment Programme (UNEP) about 19M tons were produced in 1999 from Western Europe. In the U.S., the EPA (Environmental Protection Agency) estimates that in 2007, nearly 31M tons of plastics were produced in the municipal waste stream, which represents 12.1% of total waste, up from 1% in 1960. In fact, plastics are a rapidly growing segment of worldwide waste. So much so that the Pacific Ocean has become the world's largest landfill. The Western and Eastern Pacific Garbage Patches float between Japan and Hawaii and California. Scientist estimate the eastern patch at 2x the size of Texas.

The Great Garbage Patch:



Source: International Marine Consultancy, Greenpeace

Household plastic waste is a systemic problem with various well defined negative impacts on the environment such as leaching of harmful substances and greenhouse gases from landfills, air pollution and toxic residues from incinerators and increased road transportation. People’s well entrenched behavior may prove difficult to alter.

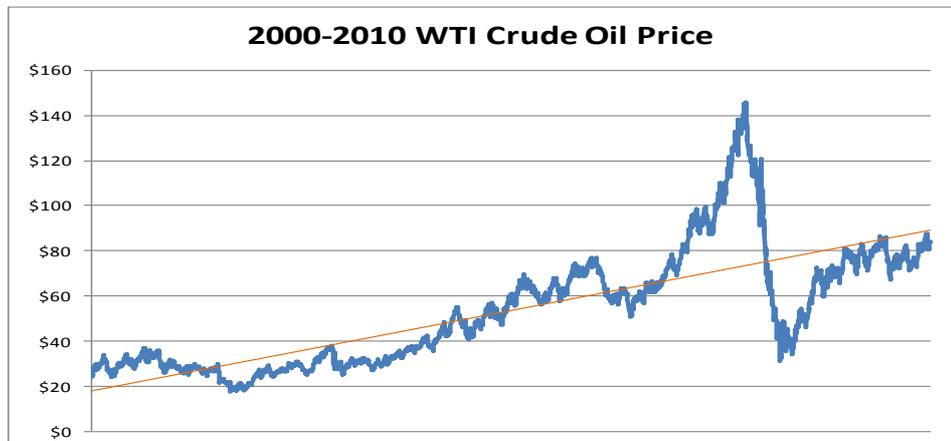
Consequently, bioplastics and hence Cardia Bioplastics are well positioned to grow. By selling a product that is similar in function as current plastics, but are biodegradable or cut the use of typical plastic resins, consumer behaviour will not be altered but the problem of plastic waste can be addressed.

Hydrocarbons are a critical feedstock for plastics and can represent 30-40% of production costs.

Reducing reliance on fossil fuels

Fossil fuels are a critical feedstock to the plastic market. For example, Dow Chemical estimates that in 2009, approximately 35% of its product costs and operating expenses were spent on hydrocarbon raw materials (the average from 2000 – 2009 was 40.2% ; its ranged from 29% in 2002 to 49% in 2006 and 2007). Given the increasing price of oil, plastic producers are sensitive to a reduction in profitability.

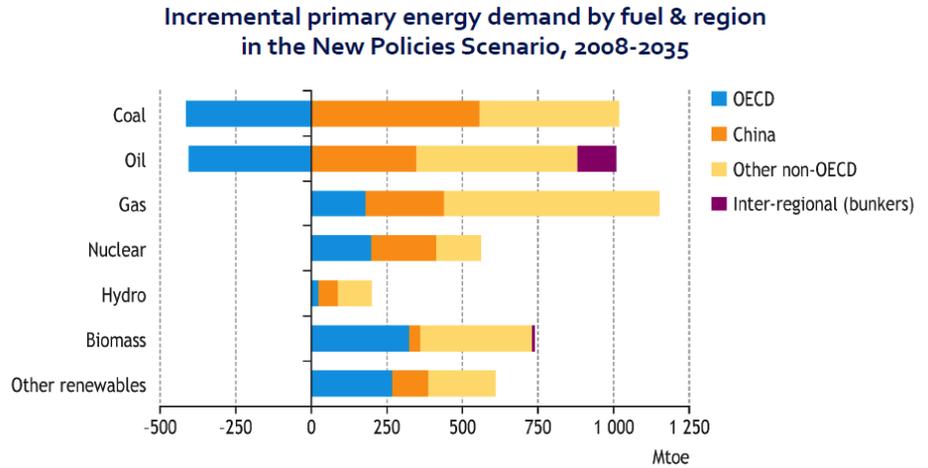
Rising Fossil Fuel Prices:



Source: International Energy Association, EIA

As emerging countries such as China and India continue to expand from an economic standpoint, their respective countries should get wealthier. With increased wealth, a larger portion of emerging countries populations will seek all the “comforts” that are commonplace in Western cultures. Consequently, this trend should place upward pressure on the price of oil and other fossil fuels. Given that fossil fuels are a limited resource, prices could see further upward pressure.

Energy Demand Driven by non-OECD Countries:



Source: International Energy Agency – World Energy Outlook 2010

Many countries are supporting bans on plastics. Even China banned the use of plastic bags in 2008. China has stated that the ban will save it 37M barrels of oil per year.

Government support and legislation

Given the above factors, Governments across the world are seeking to reduce the reliance on plastic and increase renewable resources. For example, Belgium, Italy, Ireland, and Hong Kong have legislation that discourages the use and encourages the use of recycling plastic bags. Most of these legislative trends impose a fee or tax on the supply of plastic bags or entail enforcing retailers to recycle.

In Australia, Bangladesh, South Africa, Thailand and China plastic bags are banned. In the United States, San Francisco started the ban on plastic bags in 2007. Washington DC and Los Angeles followed in 2010 and the State of California continues to push for a state-wide ban on plastic bags.

Additionally, according to a 2008 article from the Boston Globe (*In Praise of Plastic*), the U.S. faced approximately 400 pieces of anti-plastic legislation. Again, given the environmental awareness of countries and its citizens, coupled with the rising cost of fossil fuels, we believe Government support via legislation will continue to drive the bioplastics market.

Management & Board of Directors

Pat Volpe
Chairman

Cardia Bioplastics is one of a number of the Australian Stock Exchange listed companies that Mr. Volpe has pioneered from the start up stage. He is an astute visionary, who recognizes growth venture opportunities, and has established an incubator model for high technology businesses, such as agricultural and medical biotech, mineral exploration, natural pharmaceuticals, and water treatment. Mr. Volpe's proven track record in capital raising built on his earlier career in stock broking and senior management positions in listed companies. He is a member of the Australian Society of Certified Public Accountants, and holds a Bachelor of Business and Graduate Diploma in Taxation.

Frank Glatz
Managing Director

Mr. Glatz has overall responsibility for the business and the strategic direction of the company, with particular focus on international commercialization and business development. Prior to joining Cardia Bioplastics, Mr. Glatz was employed by Plantic Technologies to establish their European operations and to commercialize their technology internationally. Before joining the bioplastics industry, Mr. Glatz worked for more than ten years in the plastics and packaging industries in general management, commercial and technical roles with ICI Australia, Qenos and Orica. Prior to this, Mr. Glatz conducted polymer research in Germany and Japan. He holds MSc, PhD and MBA qualifications.

John Scheirs
Director

A plastics technologist, with a Ph.D. in Applied Chemistry, Mr. Scheirs specializes in analysis, development and recycling of plastics. He authored the plastics recycling book *Polymer Recycling - Science, Technology and Applications*, and edited the new reference book *Feedstock Recycling and Pyrolysis of Waste Plastics: Converting Waste Plastics into Diesel and Other Fuels*. He is a member of the editorial board of the international journal 'Polymer Degradation and Stabilization', Elsevier Scientific, Netherlands, and a founding member of the Australian Standards committee for biodegradable plastics.

Chen (Jacky) Yi
Director, General Manager China

An experienced packaging specialist Mr. Yi has commercialized a number of bioplastics technologies. Based at the company's Nanjing facility, as General Manager he is responsible for the Cardia Bioplastics business in China. Mr. Yi was instrumental in Biograde winning the exclusive supply of certified biodegradable packaging to the 2008 Beijing Olympics and Paralympics. He is a graduate of the University of Science & Technology, Beijing, and has a Diploma of International Trading from the Management College of China in Beijing. He also holds a Bachelor of Science from Upper Iowa University, USA. He is a regular speaker at bioplastics conferences in Asia.

Graeme Ward
General Manager

Mr. Ward has an eclectic finance and management background within the packaging, private equity and insolvency industries. A member of the Institute of Chartered Accountants in Australia since 1982, Mr. Ward has in excess of twenty years experience within the Plastics, Industrial and Paper packaging industries. Mr. Ward has experience in managing developing corporations, both locally and internationally along controlling business acquisitions, accounting, banking and finance and general management.

Rekha Bhambhani
Finance Controller & Company Secretary

Miss Bhambhani is the Company Secretary with responsibilities for Accounting and Finance. Miss Bhambhani has been CFO of Cardia for last 4 years. Prior to joining Cardia, Miss Bhambhani, worked in Accounting and Commercial positions in India with reputed FMCG and engineering goods manufacturing companies for more than 8 years. She is a commerce graduate (B.com), Chartered Accountant from India (ACA-ICAI), Associate member of CPA, Australia and also Associate member of Chartered Secretaries of Australia (ACIS).

Alex Fernando
Chief Operating Officer

Mr. Fernando is responsible for the company's supply and distribution management as well as market development within Australia and New Zealand. Prior to joining Cardia Bioplastics, he was based in Europe developing and leading start-up businesses for North American public safety organization Underwriters Laboratories (UL). Previous to this, he worked within plastics' product development and technical service roles for Orica and Qenos in Australia. Mr. Fernando has materials science and engineering degrees, postgraduate studies in product design and is currently undertaking his MBA.

Markus Leufgens
Technical Manager

With a sound background in polymer engineering, Mr. Leufgens is responsible for global application development and technical support. He has more than 20 years' experience in the plastics and packaging industry in Europe and Australia with global companies, such as Dow Chemical and Amcor Packaging. His roles included research and development, technical service, manufacturing, plant engineering and product development. Prior to joining Cardia Bioplastics, Mr. Leufgens worked for 5 years with Plantic Technologies in application and product development where he complemented his technical expertise with an in-depth knowledge of bioplastics.

Chen, Changping
Technical Director, China

An excellent polymer scientist with more than 20 years experience in the field of bioplastics product development, Mr. Chen invented our product technology. Based at the company's Nanjing facility, he is responsible for the Cardia Bioplastics global product development and manufacturing.

Li (Brian) Jun
Vice General Manager China

With many years experience in international supply chain management and sales, as Vice General Manager China Mr. Jun is responsible for managing Cardia Bioplastics export business and leads the China sales team. Brian has in-depth experience and excels in an international and export oriented customer environment.

James Beck
Business Development Manager, the Americas

Canadian educated, Mr. Beck has 28 years' packaging experience as a senior manager in sales, marketing and product development. He was Division Manager with Price Daxion (now Unisource), General Manager of United Shipping Supplies, was founding President of Dove Sales and Marketing packaging distribution, and was a founding consultant of Enviro Smart Packaging promoting biodegradable plastic technologies in Europe, the Middle East and Africa.

Martin Kapsa
Business Development Manager, Europe

Centrally located in Baden-Baden, Germany, Mr. Kapsa began his plastics career as a mould maker with responsibility for projects at Mauer and UHU in Germany and Malaysia. He then became head of packaging development at UHU where he was instrumental in developing patented technologies. As European based Application Development Manager of Australian company Plantic Technologies, Mr. Kapsa has developed his in-depth expertise of bioplastics products and applications.

Competition

We believe there is ample room for growth for smaller bioplastic competitors given that the current size of the market is likely small for the larger or more traditional plastic competitors.

The market for bioplastics is relatively small as compared to the overall plastics market. It's estimated that the bioplastic market or market for sustainable and renewable packaging is less than 1% of the \$180B global plastic market. Given the large size of the traditional plastic market, there are a wide number of established company's such as Dow Chemical, DuPont, BASF, Lyondell Bassell, SABIC and many others. Additionally, some of these large established companies have announced or are in the process of introducing bioplastic products.

Despite some of the large competitors moving into the bioplastic market, we note that this area of the market is still small. Consequently, we believe this leaves room for smaller and more nimble competitors to enter the market with less competitive pressure from much larger traditional plastic competitors. We believe that a target market that is less than 1% of the overall market will likely not move the needle for the more established or traditional plastic competitors.

Nonetheless, market competition is expected to be fierce but market dynamics should be more about increasing the market penetration of bioplastics rather than competition in a saturated market. Below we outline some of the major competitors.

Competitor Map:

Traditional Plastic Competitors	
BASF	SABIC
Dupont	Ineos
Dow Chemical	Lyondell Bassell
ShowaDenka	Cereplast

Renewable Plastic Competitors	
BASF	Telles
Dupont	Novamont SpA
Dow Chemical	BioBag International
Metabolix	Perf Go Green Holdings, Inc.
Cereplast	ecoSolutions International
Nature Works	

Source: Company Reports

Milestones

Cardia Bioplastics announces three new distribution agreements in Brazil, China, and the UK

On December 13, 2010, March 10, 2011, and March 15, 2011 the Company announced that they have secured distribution agreements with Eco Ventures, Wesco China, and Plastribution, respectively. The Company continues to aggressively pursue a geographically agnostic approach to broadening their distribution.

Cardia Bioplastics and Nestlé announce collaboration

In November 2010, the Company announced a collaboration agreement with Nestlé S.A. to reduce the environmental impact of packaging. As Nestlé is one of the largest consumer products companies in the world, we believe this announcement adds a lot of credibility to Cardia Bioplastics' productline and strategy. Currently, the product collaboration is being kept confidential for competitive reasons.

Cardia Bioplastics unveils a CO₂ emissions based biodegradable bag

In October 2010, the Company announced it had developed a biodegradable bag based on CO₂ emissions combined with starch. The pollutant CO₂ emissions are captured before it's released into the atmosphere and transformed into a polypropylene carbonate polymer and combined with a renewable starch. The Company is in the process of seeking an international commercial partner to advance this technology. Target partners likely include oil and gas well or refineries that are producing CO₂ emissions.

Cardia injection molded products receive certification for food contact

In October 2010, Cardia received European and USA food contact certifications for injection molded products from its Biohybrid™ materials. This certification followed its multilayer flexible film product approval in 2009. The certification should open further opportunities for Cardia Bioplastics in the food packing market.

OTCQX Exchange Listing

Cardia Bioplastics announced in October 2010, its intention to seek an American Depository Receipt (ADR) trading in the U.S. on the OTCQX. The Company will also maintain its listing on the Australian Securities Exchange.

Cardia signs an AUD\$1.8M compostable packing supply agreement

In September 2010, the Company signed an international supply and licensing agreement with a U.S. based packaging supplier. Cardia expects to realize AUD\$1.8M per year in revenues from the agreement.

Natures Organics selects Cardia Biohybrid sustainable packaging

Leading Australian manufacturer of naturally based health, beauty and household cleaning products, Natures Organics, selected Cardia's sustainable packaging technology to use for its laundry and personal care products.

Rights issue and asset sale announced

In August 2010, Cardia announced a rights issue to raise up to AUD \$3.7M. As of November 2010, the Company has raised \$2.2M. Additionally, the board approved the sale of all or part of Bioglobal Ltd (one of its "legacy" R&D start-up holdings).

Cardia wins an AUD\$1.5M contract

In July 2010, announced an agreement to supply Ben's Land Baby Articles Corp Ltd, a major Chinese manufacture, with a new compostable moisture barrier film for the manufacture of a range of baby diaper/nappy and feminine hygiene products. Bens' Land will supply the new products to its main customers in the U.S. and European markets. The contract is valued at AUD\$1.5M in revenues per year.

Cardia wins contract with Brisbane City Council

In May 2010, Cardia won a contract to supply millions of biodegradable bags to Brisbane City Council. The bags are used to clean up dog waste and the bags were distributed across Queensland parks for use in "dog off leash parks" and other parks throughout the city. The cornstarch bags are designed to disintegrate within three months and convert back to CO2 and water within six months.

Kentucky Fried Chicken selects Cardia

In February 2010, KFC selected Cardia Bioplastics' compostable bags after an extensive in-store trial that was completed in 2009. KFC bags were replaced with Cardia compostable bags following the South Australian Government ban on non-compostable plastic bags in May 2009.

Investment Risks

Limited operating history

Cardia Bioplastics has only commenced sales of its products within the past three years, and continues to develop and launch new productlines. Therefore, the Company is subject to all of the risks inherent in a new business enterprise. Additionally, with a limited operating history, it makes it difficult to evaluate Cardia's financial performance and prospects. As such, period to period comparisons of results from operations may not be meaningful.

Commercial success depends on widespread market acceptance of bioplastics

The market for bioplastics is a relatively young industry and is still developing. Cardia Bioplastics' success is dependent on consumers acceptance of these plastic products as well as the successful commercialization of its plastics produced with Cardia Bioplastics resins by third parties.

Ability to recycle existing plastics improves

Established product manufacturers could improve their ability to recycle their existing products or develop new environmentally friendly products which could render Cardia Bioplastics' technology less competitive. Any improvements or increased recycling of plastic products could lessen its harmful environmental impact, and have an adverse affect on Cardia Bioplastics business.

Regulatory changes

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

Product liability

Many of Cardia Bioplastics' products will be sold to end users who could potentially bring product liability suits. A person may bring a product liability suit against one of Cardia Bioplastics' customers, who may seek to bring Cardia into the suit. The end customer could also bring a product liability suit directly against Cardia Bioplastics. Any successful product liability claim or series of claims against Cardia could negatively affect its operations.

Financing risks

The Company has limited financial resources and there can be no assurance that additional funding will become available when needed or will be available at competitive pricing. Failure to obtain sufficient financing could negatively affect operations.

Volatility of petroleum prices

The traditional plastics market is subject to swings in petroleum prices. This hydrocarbon is a critical raw material in the development and manufacturing of plastics. Recently, these prices have been volatile and moved increasingly toward conditions that are supportive of the bioplastics market. With the bioplastic market commanding a premium price, any fall in petroleum prices could render the bioplastics less competitive as the gap between bioplastic and traditional plastic pricing widens.

Intellectual property protection

Commercial success may depend on Cardia's ability to obtain and/or maintain patents, trade secrets and trademark protection of its technology. Additionally, success may depend on the Company enforcing and defending its intellectual property against third-party challengers.

Summary

Cardia Bioplastics Limited is a leading developer, manufacturer and marketer of sustainable resins and finished products derived from renewable resources. The Company's products consist of Biohybrid™ and compostable resins and are targeted at the global packaging and plastics products industries.

The Company was established in 2002 and is headquartered in Melbourne, Australia. Cardia Bioplastics also has various product development centers, a recently expanded manufacturing plant in China, and sales offices located worldwide. Furthermore, Cardia Bioplastics has a network of leading distributors across Australia, the Americas, Europe and Asia.

Its products are targeting the estimated \$180B market for plastic packaging. While bioplastics is less than 1% of the overall market, it is fast growing with an estimated 17.3% CAGR through 2012. Significant drivers should continue to propel this market such as: the worldwide movement toward going "green," the worlds push to reduce reliance on fossil fuels and additional Government support and legislation.

Cardia Bioplastics enables its clients to deliver packaging and plastic products with a lower carbon footprint or in other words to offer "green" products. The Company's product lines consist of Biohybrid™ resins, compostable resins, CO₂ compostable bags, and finished bioplastics. Importantly, Cardia's products can easily be utilized by its customer's existing manufacturing equipment while also lowering its customer's carbon footprint by up to 50%.

Cardia has seen impressive momentum to date. It has signed some marquee clients that possess worldwide recognition. Some of these high-profile wins include: being selected as the exclusive supplier of biodegradable packaging to the Beijing 2008 Olympic and Paralympic Games; selected by Kentucky Fried Chicken to replace KFC plastic bags with Cardia Bioplastic compostable bags in South Australia; and signing an agreement with Nestlé S.A. to reduce the environmental impact of packaging.

Additionally, in the last six months Cardia has won two significant supply contracts. The first is an AUD\$1.5M contract with Ben's Land Baby Articles Corp Ltd, a major Chinese manufacture. Cardia is supplying a new compostable moisture barrier film for the manufacture of a range of baby diaper/nappy and feminine hygiene products. Ben's Land will supply its main customers in the U.S. and European markets. The second contract is an international supply and licensing agreement with a U.S. based packaging supplier for a compostable bag product estimated at AUD\$1.8M per year.

Several near-term catalysts exist for the Company, which could increase its exposure and allow it to continue its momentum. For example, in early 2011, the Company expects to attain an OTC-QX listing in the U.S., which will allow it to list as an ADR. In turn, the listing should increase Cardia Bioplastics exposure to investors. Additionally, the November 2010 announcement with Nestlé S.A. to collaborate on reducing the environmental impact of packaging should start to bear results in 2011. Furthermore, we would expect Cardia Bioplastics, within the next year, to sign and announce an international partner to launch its new biodegradable bag made from CO₂ emissions.

Income Statement

For the Fiscal Period Ending Currency	12 months Jun-30-2008 USD	Reclassified 12 months Jun-30-2009 USD	12 months Jun-30-2010 USD	LTM 12 months Dec-31-2010 USD
Revenue	0.502	0.467	2.254	2.101
Other Revenue	-	-	-	-
Total Revenue	0.502	0.467	2.254	2.101
Cost Of Goods Sold	0.005	0.543	2.164	1.987
Gross Profit	0.496	(0.076)	0.09	0.114
Selling General & Admin Exp.	0.924	1.773	2.865	2.968
Provision for Bad Debts	-	-	0.062	0.062
R & D Exp.	0.003	0.062	0.979	0.999
Depreciation & Amort.	0.008	0.08	0.203	0.193
Other Operating Expense/(Income)	0.029	0.199	0.273	(0.131)
Other Operating Exp., Total	0.963	2.114	4.382	4.09
Operating Income	(0.467)	(2.19)	(4.292)	(3.977)
Interest Expense	-	(0.053)	(0.048)	(0.035)
Interest and Invest. Income	-	0.348	0.107	0.063
Net Interest Exp.	-	0.294	0.059	0.028
Income/(Loss) from Affiliates	(0.095)	(0.166)	(0.362)	(0.218)
Other Non-Operating Inc. (Exp.)	(0.065)	-	-	-
EBT Excl. Unusual Items	(0.627)	(2.062)	(4.594)	(4.167)
Impairment of Goodwill	-	(1.581)	-	-
Gain (Loss) On Sale Of Invest.	-	(0.201)	(1.169)	0.808
Gain (Loss) On Sale Of Assets	(0.534)	-	-	-
Other Unusual Items	-	-	-	-
EBT Incl. Unusual Items	(1.161)	(3.843)	(5.763)	(3.359)
Income Tax Expense	-	-	-	-
Earnings from Cont. Ops.	(1.161)	(3.843)	(5.763)	(3.359)
Earnings of Discontinued Ops.	-	-	0.088	0
Extraord. Item & Account. Change	-	-	-	-
Net Income to Company	(1.161)	(3.843)	(5.675)	(3.359)
Minority Int. in Earnings	(0.005)	(0.004)	(0.004)	(0.004)
Net Income	<u>(1.166)</u>	<u>(3.847)</u>	<u>(5.679)</u>	<u>(3.363)</u>
Pref. Dividends and Other Adj.	-	-	-	-
NI to Common Incl Extra Items	(1.166)	(3.847)	(5.679)	(3.363)
NI to Common Excl. Extra Items	(1.166)	(3.847)	(5.767)	(3.363)
Per Share Items				
Basic EPS	(\$0.004)	(\$0.011)	(\$0.009)	(\$0.005)
Basic EPS Excl. Extra Items	(0.004)	(0.011)	(0.009)	(0.005)
Weighted Avg. Basic Shares Out.	276.113	352.711	656.014	735.586
Diluted EPS	(\$0.004)	(\$0.011)	(\$0.009)	(\$0.005)
Diluted EPS Excl. Extra Items	(0.004)	(0.011)	(0.009)	(0.005)
Weighted Avg. Diluted Shares Out.	276.113	352.711	656.014	735.586
Normalized Basic EPS	(\$0.001)	(\$0.004)	(\$0.004)	(\$0.004)
Normalized Diluted EPS	(0.001)	(0.004)	(0.004)	(0.004)

Balance Sheet

Balance Sheet as of:	Jun-30-2008	Jun-30-2009	Jun-30-2010	Dec-31-2010
Currency	USD	USD	USD	USD
ASSETS				
Cash And Equivalents	5.561	3.904	1.755	1.995
Total Cash & ST Investments	5.561	3.904	1.755	1.995
Accounts Receivable	0.026	0.11	0.319	0.681
Other Receivables	0.016	0.21	(0.683)	-
Notes Receivable	-	-	1.022	-
Total Receivables	0.042	0.32	0.658	0.681
Inventory	-	0.548	0.609	0.66
Prepaid Exp.	0.029	0.057	0.065	-
Other Current Assets	-	-	-	-
Total Current Assets	5.633	4.829	3.087	3.335
Gross Property, Plant & Equipment	0.373	1.399	1.309	-
Accumulated Depreciation	(0.034)	(0.235)	(0.363)	-
Net Property, Plant & Equipment	0.34	1.164	0.946	0.792
Long-term Investments	0.568	0.956	1.151	3.093
Goodwill	-	6.709	6.709	-
Other Intangibles	-	0.344	0.215	6.858
Loans Receivable Long-Term	1.022	1.022	-	-
Other Long-Term Assets	0.03	0.149	-	-
Total Assets	<u>7.592</u>	<u>15.173</u>	<u>12.109</u>	<u>14.078</u>
LIABILITIES				
Accounts Payable	0.485	0.753	0.328	0.544
Accrued Exp.	0.037	0.117	0.128	0.163
Other Current Liabilities	-	0.373	0.405	-
Total Current Liabilities	0.522	1.243	0.861	0.706
Other Non-Current Liabilities	-	-	-	-
Total Liabilities	0.522	1.243	0.861	0.706
Common Stock	22.917	31.654	34.485	36.822
Additional Paid In Capital	-	-	-	-
Retained Earnings	(15.792)	(19.639)	(25.318)	(26.282)
Treasury Stock	-	-	-	-
Comprehensive Inc. and Other	(0.104)	1.86	2.023	2.773
Total Common Equity	7.021	13.876	11.191	13.312
Minority Interest	0.05	0.053	0.057	0.059
Total Equity	<u>7.071</u>	<u>13.929</u>	<u>11.248</u>	<u>13.372</u>
Total Liabilities And Equity	<u>7.592</u>	<u>15.173</u>	<u>12.109</u>	<u>14.078</u>

Cash Flow

For the Fiscal Period Ending Currency	12 months Jun-30-2008 USD	12 months Jun-30-2009 USD	12 months Jun-30-2010 USD	LTM 12 months Dec-31-2010 USD
Net Income	(1.166)	(3.847)	(5.679)	(3.363)
Depreciation & Amort.	0.008	0.08	0.203	0.193
Amort. of Goodwill and Intangibles	-	0.044	0.111	0.111
Depreciation & Amort., Total	0.008	0.124	0.315	0.305
(Gain) Loss From Sale Of Assets	0.534	-	-	-
(Gain) Loss On Sale Of Invest.	-	0.201	1.169	1.169
Asset Writedown & Restructuring Costs	-	1.581	-	-
(Income) Loss on Equity Invest.	0.095	0.166	0.362	0.362
Stock-Based Compensation	-	-	0.189	0.189
Provision & Write-off of Bad debts	-	-	0.062	0.062
Other Operating Activities	0.005	(0.04)	(0.108)	(1.986)
Change in Acc. Receivable	(0.283)	(0.187)	0.243	0.243
Change in Acc. Payable	0.096	0.02	0.634	0.634
Change in Other Net Operating Assets	0.472	(0.789)	(0.93)	(0.93)
Cash from Ops.	(0.239)	(2.771)	(3.744)	(3.315)
Capital Expenditure	(0.327)	(0.281)	(0.721)	(0.576)
Sale of Property, Plant, and Equipment	-	-	-	0.004
Cash Acquisitions	-	0.414	-	-
Divestitures	(0.107)	-	(0.719)	0
Invest. in Marketable & Equity Secur.	-	-	(0.215)	0
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	(0.531)
Other Investing Activities	(1.022)	-	-	-
Cash from Investing	(1.455)	0.133	(1.655)	(1.103)
Short Term Debt Issued	-	-	-	-
Long-Term Debt Issued	-	-	-	-
Total Debt Issued	-	-	-	-
Short Term Debt Repaid	-	-	-	-
Long-Term Debt Repaid	-	(1.45)	-	-
Total Debt Repaid	-	(1.45)	-	-
Issuance of Common Stock	0.02	2.702	2.67	4.884
Total Dividends Paid	-	-	-	-
Special Dividend Paid	-	-	-	-
Other Financing Activities	(0.002)	(0.175)	0.587	0.536
Cash from Financing	0.019	1.078	3.256	5.419
Foreign Exchange Rate Adj.	0.0	(0.097)	(0.006)	(0.006)
Net Change in Cash	<u>(1.676)</u>	<u>(1.657)</u>	<u>(2.149)</u>	<u>0.994</u>

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