



Dear Shareholder,

We are writing to update you on recent positive developments for Cardia Bioplastics and to provide new and important information on our strategic direction and progress.

Momentum continues following a record sales year in 2012

The Financial Year 2012 saw Cardia Bioplastics post a record performance in terms of sales for any one year and we are pleased to report that this sales momentum is continuing into FY2013. With a growing list of long-term customers, the Company is making significant headway into establishing itself as a global manufacturer and supplier of renewable resins for the plastics and packaging industry.

Notably, three recent contract wins alone have secured over \$2.2 million in sales which will contribute to FY2013 revenues. This represents over half of the total sales reported by the Company in the prior financial year.

Transition to global product commercialisation well underway

The last year has seen Cardia transition from the product development phase to global product commercialisation. Cardia has now executed several long-term contracts with major international customers, City Councils and market-leading brand owners. These contracts are the culmination of a lengthy and rigorous process that confirms that Cardia's products meet the global standards of technical and environmental performance, are cost-competitive and have passed specific product trials.

Cardia's strategic focus is to actively pursue local and global partners to increase global market share for its renewable resin technologies. Securing the product supply to market leaders and large packaging users offers Cardia the opportunity to significantly grow with these organisations as they increase the use of our products over time across multiple product lines and geographical regions.

We are confident that our corporate strategy will generate a business that is well positioned to capitalise from the global trend towards sustainable and lower carbon footprint packaging.

Delivering on strategy

Our progress in executing this strategy to date has been very encouraging and the momentum is building. We have already secured material business contracts with Sealed Air, the global packaging leader, a large USA



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SHAREHOLDER UPDATE

December 2012

hygiene company, a global consumer goods company, Brisbane City Council, and the Chinese city councils of Nanjing, Shanghai Pudong, Hangzhou, and Yuhang. Other additional announcements we have made to the market regarding partnerships with leading packaging companies, for example Alto Packaging and Polyden Folien, are all expected to lead to on-going, long-term supply contracts as product sales eventuate.

Most recently, we announced the successful contract win to supply \$1.2 million per annum of Cardia's Biohybrid™ renewable kitchen bags to the Shanghai Pudong City District that will distribute these products to initially 20% of households in that region. The win of this contract follows the effective six-month trial of Cardia's products by a selected number of householders in this region earlier this year. Shanghai Pudong is one of China's high profile development areas and is recognised as the financial and commercial hub of the entire country. Penetrating into this crucial market opens up significant opportunities for Cardia to expand the commercial rollout in Pudong, secure additional City Councils in China and expand our global distribution of organic waste management products. As noted above, this contract follows the recent announcements of \$500,000 per annum sales contracts to both an American hygiene products company and a global consumer products company. Together these three contracts contribute to a significant portion of 2013 secured revenues.

The financial benefits of our strategy execution are already evident. In FY2011, when very few of our sales were through long-term or repeat contracts; our annual sales revenue amounted to \$1.65 million. In comparison, sales revenue for FY2012 increased by 161%, to \$4.30 million, in direct correlation with the confirmation of several long-term supply contracts.

Validation of our technical expertise and superior commercial product portfolio

Furthermore, and equally as important, is that these long-term contracts, partnerships and business development opportunities with major global and market-leading brand names provides us with strong validation of the technical performance and commercial viability of our renewable resin technologies. The product development process within these companies is a lengthy and rigorous multi-step event. Successful progression to in-market validation and ultimately commercialisation is absolute confirmation that our product meets the required standards for technical and environmental performance, is cost-competitive and has passed specific product trials.

This substantial endorsement by global giants and major industry players is invaluable. In addition to validating the technical and commercial appeal of our technologies, it bolsters Cardia's reputation as a credible and respected supplier in the growing bioplastics industry. In time, we expect to see an accelerated uptake of our renewable resin products among other companies who are looking to reduce their carbon footprint through sustainable packaging and plastic technologies.

Share Purchase Plan and working capital requirements

On 21 November 2012, the Company announced a Share Purchase Plan (SPP). This has been extended and will now close on Thursday 20 December 2012. The SPP provides each eligible shareholder with the opportunity to increase their holding in Cardia by subscribing up to \$15,000 worth of fully paid ordinary shares in the Company at a price of A\$0.002 per share.

Funds raised under the offer will be used to finance the ongoing working capital requirements of the Company.

On behalf of the Board of Directors of Cardia, we look to shareholders to participate in the offer and support the Company as it requires funds for working capital. It is expected that increase in sales will contribute to future working capital requirements of the company.

The amended time table for SPP is as follows:


Closing Date Closing date for acceptances to be received by Cardia	20 December 2012 5.00 pm (AEST)
Shares Allotment and Dispatch of Holding Statement SPP Shares allotted and Despatch of holding statements to shareholders	27 December 2012

Next steps

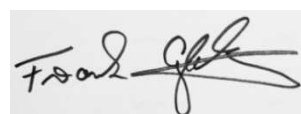
Moving forward, the Company remains highly focused on executing and delivering on our corporate strategy. We are confident with adequate cash resources, our sales pipeline has potential to expand into new markets and product lines. The global bioplastics market is a significant market, growing at a double-digit rate. Cardia is poised to leverage this development with the potential to deliver strong growth.

We look forward to providing you with ongoing updates on our progress and we thank you for your continued support.

Yours faithfully,



Pat Volpe
Chairman



Frank Glatz
Managing Director