

5 July 2010

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Dear Shareholder

Cardno Rights Issue – Details for Shareholders

Cardno Limited (**Cardno**) recently announced a 1 for 6 renounceable rights issue of fully paid ordinary shares in Cardno (**New Shares**) to raise approximately A\$49 million (**Rights Issue**).

The Rights Issue will assist Cardno to fund the acquisitions of ENTRIX Holding Company and Environmental Resolutions, Inc (announced on 10 June 2010) and strengthen Cardno's balance sheet.

All Eligible Shareholders will shortly be sent an Information Booklet and personalised Entitlement and Acceptance Form which will contain important information about the Rights Issue.

Summary of key terms

The Rights Issue entitles Eligible Shareholders (defined below) to subscribe for 1 New Share for every 6 existing Cardno ordinary shares (**Cardno Shares**) held at 7.00pm (AEST) on 13 July 2010 (**Record Date**) at an offer price of \$3.25 per New Share (**Rights**).

The Rights Issue is renounceable, which means that Eligible Shareholders may sell their Rights. A market will be established on ASX to facilitate trading of these Rights.

Eligible Shareholders may apply for additional New Shares in excess of their entitlement. However, there is no guarantee that they will be issued with those additional New Shares.

Fractional Rights will be rounded up to the nearest whole number of New Shares and holdings on different registers or sub-registers will not be aggregated to calculate entitlements.

Shareholder approval is not required for Cardno to make the offer under the Rights Issue.

The Rights Issue has been fully underwritten by RBS Morgans Corporate Limited (RBS Morgans). RBS Morgans will receive an underwriting fee of 3% and a management fee of 0.5% (plus GST) of the gross proceeds of the Rights Issue. A broker handling fee of 1.5% (plus GST) of the value of successful applications for the New Shares will be payable by RBS Morgans (subject to the conditions and limitations set out in the Information Booklet).

Proposed timetable

Cardno expects the Rights Issue to be conducted according to the following timetable:

Event	Date ¹
Announcement of the Rights Issue	Monday, 5 July 2010
Ex-date and Rights trading commences	Wednesday, 7 July 2010
Record Date for the Rights Issue (7:00pm AEST)	Tuesday, 13 July 2010
Despatch of Information Booklet and Entitlement and Acceptance Form to Eligible Shareholders	Monday, 19 July 2010
Rights Issue opens	Monday, 19 July 2010
Rights trading ends	Monday, 26 July 2010
New Shares quoted on a deferred settlement basis	Tuesday, 27 July 2010
Rights Issue closes (5:00pm AEST)	Tuesday, 3 August 2010
Cardno notifies ASX of under subscriptions	Friday, 6 August 2010
Issue of New Shares under the Rights Issue	Wednesday, 11 August 2010
Despatch of holding statements	Wednesday, 11 August 2010
New Shares expected to commence trading on the ASX	Thursday, 12 August 2010

Capital structure

The capital structure of Cardno following the issue of New Shares, assuming the maximum number of New Shares is issued under the Rights Issue, will be as follows²:

Shares on issue on announcement of Rights Issue	90,510,461
New Shares to be issued under the Rights Issue	approx 15,085,077
Shares on issue after the Rights Issue	approx 105,595,538

The New Shares will be fully paid and rank equally with the existing Cardno Shares, including the right to receive any final dividend for the period ending 30 June 2010.

Cardno has 6,371,400 unlisted options and 359,000 share rights currently on issue. The exercise price of all options and the number of underlying shares to which the share rights relate will be adjusted in accordance with their terms and the ASX Listing Rules following the Rights Issue. Neither the options nor the share rights carry an entitlement to participate in the Rights Issue.

Information Booklet

Cardno will not prepare a prospectus or other disclosure document for the Rights Issue as the offer will be made under section 708AA *Corporations Act 2001* (Cth). However, Cardno will send an Information Booklet, Investor Presentation and personalised Entitlement and Application Form to Eligible Shareholders on 19 July 2010. A copy of the Information Booklet is available on the ASX website at www.asx.com.au and Cardno's website at www.cardno.com.

¹ These dates are subject to change and are indicative only.

² Excludes options and share rights. Actual number may differ due to rounding.

Eligibility of shareholders to participate in the Rights Issue

The Rights Issue is only available to Eligible Shareholders. A person is eligible to participate in the Rights Issue as an **Eligible Shareholder** where the person:

- (a) is a registered holder of Cardno Shares as at 7.00pm (AEST) on the Record Date; and
- (b) has a registered address in:
 - (i) Australia, New Zealand or the United Kingdom; or
 - (ii) any other foreign jurisdiction that Cardno determines.

Eligible Shareholders will receive an Information Booklet and personalised Entitlement and Application Form. If you are not an Eligible Shareholder, Cardno will notify you.

Selling your Rights

If you are an Eligible Shareholder and wish to sell some or all of your Rights on ASX, please contact your stockbroker as soon as possible. If you wish to transfer all or part of your Rights to a person, other than by trading on ASX, you must complete and forward the:

- (a) Standard Renunciation Form (available from Computershare Investor Services); and
- (b) transferee's cheque for the amount due in respect of the New Shares,

to Cardno's share registry by not later than 5:00pm (AEST) on Tuesday, 3 August 2010. Address details for Cardno's share registry are as follows:

By hand delivery (not to be used if mailing)

Cardno Limited
C/- Computershare Investor Services
Level 19, 307 Queen Street
BRISBANE QLD 4001

By post

Cardno Limited
C/- Computershare Investor Services
GPO Box 505
MELBOURNE VIC 3001

Further details regarding the sale or trading of Rights are set out in the Information Booklet.

Nominee for Ineligible Shareholders

Cardno has appointed RBS Morgans, on normal commercial terms, to act as nominee of those shareholders on the Record Date that Cardno has determined as being ineligible to participate in the Rights Issue (**Ineligible Shareholders**). If there is a viable market in the Rights and a premium over the expenses of their sale can be made, RBS Morgans will arrange the sale of the Rights which would have otherwise been offered to you and other Ineligible Shareholders under the Rights Issue. RBS Morgans will arrange for the proceeds (if any), net expenses, of the sale of those Rights to be sent proportionally to each individual Ineligible Shareholder.

Cardno and RBS Morgans will not be liable for the failure to sell the Rights or the failure to sell the Rights at any particular price. If there is no viable market for the Rights, the Rights of Ineligible Shareholders will be allowed to lapse.

If RBS Morgans is unable to sell all of the Rights of Ineligible Shareholders, New Shares equivalent to the number of New Shares that you and other Ineligible Shareholders would have been entitled to if you were Eligible Shareholders may be allocated to the Eligible Shareholders who subscribe for New Shares in excess of their pro rata entitlement under the Rights Issue.

Further information

If you have any queries, please contact Cardno on (07) 3369 9822 (within Australia) or +61 7 3369 9822 (outside Australia) at any time from 9:00am to 5:00pm (AEST) Monday to Friday during the Rights Issue period or, alternatively, consult your stockbroker, solicitor, accountant and/or other professional financial adviser.

On behalf of the Directors, I thank you for your continued support of Cardno.

Yours sincerely



John Massey
Chairman
Cardno Limited

This notice does not constitute an offer to sell or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Rights or New Shares in any jurisdiction outside Australia or New Zealand. In particular, the Rights and New Shares have not been, and will not be, registered under the US Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Rights may not be taken up by, and the New Shares may not be offered or sold to, persons in the United States, except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

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