

**TO : COMPANY ANNOUNCEMENTS OFFICE  
ASX LIMITED**

**DATE : 30<sup>th</sup> October 2009**

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## **QUARTERLY REPORT – 30th September 2009**

The Quarterly Report for the September Quarter 2009 consists of the General Activities Report & Quarterly Cash Flow (Appendix 4C)

### **General Activities Report**

#### **SUMMARY**

##### **Corporate**

- Divestment of Cam Bow Ltd.
- Cash Balance as at 30<sup>th</sup> September of \$2,394,049 (See Appendix 4C)

##### **Bioplastics Business**

- Lease secured for new manufacturing facility in Nanjing, China.
- New Internet site launched
- Achievement of European Community Standard for Biohybrid Film
- Sales

##### **Other Business Interests and Investments**

- Investment of \$210,000 in “Waste Plastic to Fuel” company
  - Interest in Water Treatment and Distribution Company
  - Other Interests
-

## CORPORATE

### Divestment of Cam Bow Ltd

Following the successful completion of the Entitlements Issue of Cam Bow Ltd to Cardia Shareholders on the 10<sup>th</sup> September 2009, Cam Bow ceased to be a wholly owned subsidiary of Cardia and became a fully focussed exploration company.

The Cam Bow Entitlements Issue raised \$1.87million before costs. On 21 September 2009, Cardia was repaid its loans of \$601,352 to Cam Bow Ltd, from the proceeds of the Entitlements Issue.

### Cash Balance as at 30th September 2009

The consolidated cash position for the group at 30<sup>th</sup> September 2009 was **\$2,394,049**. During the quarter there has been a net decrease in cash of \$1,382,836 which was mainly made up of:

Cash received from the repayment of Cam Bow debt	\$ 601,352
Investment in P-Fuel Ltd	\$ (210,000)
Net Working Capital	\$(1,572,458)
Acquisition of Fixed Assets	\$ (103,360)

The net working capital cash outflow was higher than the previous quarter primarily as a result of the:

- Decreased settlements of sales for the quarter of \$593,000 from both Australia and China. Based on the current receivables and estimated future sales it is anticipated that the cash inflow from revenue will increase in the December quarter
- Advance payment of approximately \$95,000 for a 6 months lease to secure the new manufacturing facility in Nanjing, China.
- Increase in expenditure for samples and trials over the quarter. Several key projects are close to finalisation and we estimate orders to be forthcoming in the near future as a result of the positive trials.

## BIOPLASTICS BUSINESS

### New Chinese Manufacturing Facilities:

New manufacturing facilities have been secured in Nanjing China. The new premises will accommodate the expansion of the current manufacturing capacity from 4,500 tonnes to 10,000 tonnes and enable the production of resins and finished products. The larger premises will also enable the administration and sales teams to be relocated there.

## **New Internet Site**

The new comprehensive internet site for Cardia Bioplastics [www.cardiabioplastics.com](http://www.cardiabioplastics.com) was launched during the quarter. The Company is currently planning to launch the internet site in Chinese also, in order to get more presence in China in addition to its operational and manufacturing base.

## **Achievement of European Community Film Contact Standard for Biohybrid Film.**

Cardia's new range of Biohybrid multilayer film achieved compliance with the European Community Standard 2002/72 EC for food contact.

This is the first application of Cardia's new film technology that provides multilayer film for the food industry with excellent clarity, and mechanical and processing properties.

This achievement will provide Cardia with significant new market opportunities, extending from commodity packaging to the food industry.

## **Sales**

The company continues to make sales in all its existing markets and continuing trials, are anticipated to be converted into sales in the December quarter and beyond.

The first order to American distributor Muehlstein was despatched during the September quarter with follow up orders expected in the December quarter.

## **OTHER BUSINESS INTERESTS AND INVESTMENTS**

### **Investment in "Waste Plastic to Fuel" Company**

During the quarter, Cardia has invested \$210,000 to acquire 7 million ordinary shares in the capital of P-Fuel Ltd ("P-Fuel") at an issue price of \$0.03 per share. The shares were acquired as a result of an underwriting agreement entered into by Cardia in May 2009 in relation to an entitlements issue to all P-Fuel members.

The shares acquired represent a total of 5.8% of the issued capital of P-Fuel.

P- Fuel Ltd is an unlisted Australian public company with the rights to market and distribute technology that converts waste plastic and waste oils into diesel, mixed oils and other hydrocarbons and for power generation.

The Investment in P-Fuel compliments Cardia's bioplastics business and this association will help Cardia to offer clients an end-of-life cycle solution to waste plastics and diversion from landfills.

## **Interest in Water Treatment and Distribution Company**

Although divested in 2007 Cardia retains an interest in Aquenox Ltd through

- a loan of \$1m secured by a fixed and floating charge over that business and
- a Convertible Debt Deed covering loans of \$5.1m made to Aquenox prior to the separation of the two companies.

During the quarter the Board of Cardia announced that pursuant to the terms of the Deed and following the receipt of an independent valuation of Aquenox it had agreed to accept conversion of the debt into 258,093,200 fully paid ordinary shares in Aquenox at an issue price of 2 cents per share.

The issue of the shares was subject to any required shareholder approvals.

## **Other Interests**

Cardia has maintained the same interests in its other investments during the quarter. These are:-

- |   |                          |
|---|--------------------------|
| ▪ Bioglobal Limited: Pest control in the agriculture industry                 | - 25.30 % equity holding |
| ▪ Natural Pharmacy Pty Ltd: Royalty from sales of natural and herbal products | - 66% equity holding     |
| ▪ Pallane Medical Ltd (Formerly Dia-B Tech Limited)                           | 156,877 Ordinary Shares  |

No new funds were invested in any of the above interests during the quarter and no funds are budgeted for these investments in the December quarter.

**JOHN WILSON**  
**Company Secretary**

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

Cardia Bioplastics Ltd

ABN

89 064 755 237

Quarter ended ("current quarter")

30<sup>th</sup> Sept 2009

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from customers	348	348
1.2 Payments for		
(a) staff costs	(513)	(513)
(b) advertising and marketing	(55)	(55)
(c) research and development	-	-
(d) leased assets	(22)	(22)
(e) other working capital	(1,332)	(1,332)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	(5)	(5)
<b>Net operating cash flows</b>	<b>(1,573)</b>	<b>(1,573)</b>
1.8 Net operating cash flows (carried forward)	<b>(1,573)</b>	<b>(1,573)</b>
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	(210)	(210)
(c) intellectual property	-	-
(d) physical non-current assets	(84)	(84)
(e) other non-current assets	(21)	(21)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	(79)	(79)
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-

1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	601	601
1.13	Other investing activities	-	-
		207	207
	<b>Net investing cash flows</b>		
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(1,366)</b>	<b>(1,366)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc.	-	-
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>-</b>	<b>-</b>
	<b>Net increase (decrease) in cash held</b>	<b>(1,366)</b>	<b>(1,366)</b>
1.21	Cash at beginning of quarter/year to date	<b>3,877</b>	<b>3,877</b>
1.22	Exchange rate adjustments to item 1.21	<b>(117)</b>	<b>(117)</b>
1.23	<b>Cash at end of quarter</b>	<b>2,394</b>	<b>2,394</b>

**Note:**

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	140
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

**Item 1.24**

Mr P Volpe was paid a salary of \$69,488 inclusive of superannuation for the quarter.  
Mr F Glatz was paid a salary of \$41,750 inclusive of superannuation for the quarter

Directors' fees (inclusive of superannuation) totalling \$28,613 were paid to Mr P Volpe - \$14,988 and , Mr John Scheirs-\$13,625

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

n/a

- 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

n/a
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### Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	n/a	n/a
3.2 Credit standby arrangements	n/a	n/a

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,792	3,338
4.2 Deposits at call	602	539
4.3 Bank overdraft	0	0
4.4 Other (Term Deposits)	0	0
<b>Total: cash at end of quarter (item 1.23)</b>	<b>2,394</b>	<b>3,877</b>

#### Note 1.10 (a):

During the Quarter, Cardia divested its controlled entity Cam Bow Ltd by way of an Entitlement Issue of Shares in that Company to Cardia Shareholders.

The Net Assets of Cam Bow Limited of (\$75,508) showing in Item 5 included a cash and bank balance of \$78,770 as shown in item 1.10 (a)

### Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	Cam Bow Ltd
5.2 Place of incorporation or registration	-	Victoria, Australia-
5.3 Consideration for acquisition or disposal	-	Nil
5.4 Total net assets	-	(75,508)
5.5 Nature of business	-	Exploration

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: **30 October 2009.**  
(Company Secretary)

Print name: John Wilson

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.