

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 18 AUGUST 2010

PROPOSED NEW RIGHTS ISSUE AND ASSET SALE

The Board of Cardia Bioplastics Limited (“Cardia”) wishes to announce that it proposes to make a new issue of securities in the form of a rights issue to its existing shareholders on the terms set out below.

The Board also proposes to sell all or part of its investment in Bioglobal limited.

The purpose of the pro-rata issue and the investment sale is to raise funds for the working capital requirements of the company’s Bioplastics business.

1. PROPOSED TERMS OF RIGHTS ISSUE

- Up to 247,198,862 fully paid ordinary shares on the basis of one new share for each three shares held by Eligible existing shareholders.
- The issue price of shares will be 1.5 cents.
- The issue will raise up to \$3,707,983 before costs.
- The Rights Issue will be non-renounceable.
- The New Shares will rank equally in all respects with the Company’s existing fully paid ordinary shares.

The issue is not underwritten and the directors reserve the right to place any short fall in terms of Section 708AA of the Corporations Act 2001 and ASIC class order 08/35.

Proposed Time table:

The timetable for the rights issue will be announced in the week commencing 23rd of August 2010.

2. PROPOSED SALE OF BIOGLOBAL LIMITED SHARES.

The Company is proposing to dispose of its investment in Bioglobal Limited, either in part or in full and is presently in confidential negotiations with a party which has entered into an Option Deed with Cardia.

The Deed involves a series of short dated back-to-back options to acquire the Shares.

Under the Deed, if all the options are exercised in full Cardia will receive in-excess of \$3M over the period - 15th September to 31st December 2010.

Should the first option be exercised on the 15th of September 2010, Cardia will receive \$1 million. If the first option is not exercised on the 15th of September, the Deed will lapse.

The balance can be exercised in a further two tranches or in one tranche in December 2010. There is no obligation for the other party to exercise the second or third option.

Should one or both of the above proposals be successful Cardia will receive the additional capital it needs to further develop its growing bioplastics business.

Pat Volpe
Chairman.

About Cardia Bioplastics

Cardia Bioplastics Limited (ASX CODE: CNN) develops, manufactures and markets sustainable products derived from renewable resources for the global packaging and plastic products industries. The company holds a portfolio of patent applications to drive its mission is to be the international provider of technically advanced sustainable products made from renewable resources. Established in Australia in 2002 as Biograde, the company Headquarters and Global Applications Development Centre is in Melbourne, Australia. The Product Development Centre and manufacturing plant is in Nanjing, China. There are Cardia Bioplastics offices in Europe, China and the Americas, and a network of leading distributors across Australia, the Americas, Asia and Europe. The company's growth is fuelled by the global trend towards sustainable packaging. As Biograde, the company was the exclusive supplier of biodegradable packaging to the 2008 Olympic and Paralympic Games. Biograde was awarded the Australian Chamber of Commerce "*Australia-China Business Excellence Award*" in 2008 and the 2009 CleanEquity Monaco Conference award for *Excellence in the field of Environmental Technology Commercialisation*. Visit www.cardiabioplastics.com

The Cardia Bioplastics range includes:

Cardia Biohybrid® resins – These products are a blend of renewable thermoplastic materials and traditional polyolefins. Hybrid resins allow manufacturers to embrace sustainable packaging early with existing equipment, and enable them to immediately increase the renewable content of their products by up to 66% and reduce their carbon footprint. This high performance range has a wide processing and application window and is colourable and printable.

Cardia Compostable resins – This range of fully biodegradable products meets international standards for compostability, including Europe's EN 13432, the USA's ASTM D 6400, and Japan's GreenPla, Australia's AS 4736. These resins enable customers to offer fully compostable packaging and plastic products, with no additional investment in existing production equipment. Derived from renewable resources, our resins are soft touch, colourable and printable. We can develop compounds for specific customer needs and offer a base compostable resin range.