

TO : **COMPANY ANNOUNCEMENTS OFFICE**
 ASX LIMITED

DATE : **30 July 2010**

QUARTERLY REPORT – 30 June 2010

The Cardia Bioplastics Limited ("Cardia or Company") Quarterly Report for the June Quarter 2010 consists of the Activities Report & Quarterly Cash Flow (Appendix 4C)

Activities Report for June 2010 Quarter

Summary

Bioplastics Business

- Sales of \$822,000 for the June 2010 Quarter, an increase of 86% over the March 2010 Quarter figures with strengthening sales in China, Australia and Europe
- Market launches with
 - Brisbane Council (doggy bags)
 - SULO MGB (Australia) Pty Ltd ("SULO") in Australia (organic food waste management)
 - Beifa Group in China for hybrid pens (contract under negotiation)
 - Ben's Land Baby Articles Corp Ltd ("Bens Land"), \$1.5M per annum contract for the supply of hygiene products.
- Significant progress with project and business development with global packaging producers and users for their sustainable and renewable packaging solutions
- Initial Sales to global packaging companies and brand owners associated with "in-market" validation trials.
- Increasing Sales of Cardia Bioplastics (Finished Products) manufactured at Cardia's film and bag making facilities in Nanjing, China
- Compostable products approved for use by a USA retailer following successful trials by a USA composting company.
- Lodgement of provisional patents for novel Cardia Biohybrid product for advanced protective foam applications
- Cardia Biohybrid Polyolefin blends achieve compliance with European food contact regulations

Corporate

Cash Balance

Cash Balance as at 30 June 2010 of \$1,692,000.

Investment Portfolio

No funds were applied to any of the Company's investment holdings during the quarter.

Other

Cardia Bioplastics (Australia) Pty Ltd (100% operating subsidiary)

Appointment of General Manager & Chief Financial Officer, Mr Graeme Ward

Details

Bioplastics Business

Overview

Cardia Bioplastics Limited develops, manufactures and markets sustainable resins and finished products derived from renewable resources for the global packaging and plastic products industries. The company holds a strong provisional patent portfolio to drive its mission to be an international supplier of technically advanced sustainable resins made from renewable resources. Cardia Bioplastics has its Headquarters and Global Applications Development Centre in Melbourne, Australia. The Product Development Centre and manufacturing plant is in Nanjing, China. There are Cardia 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. Cardia gives customers the choice of using sustainable Cardia Biohybrid resins or Compostable resins for their packaging or plastic product solutions. As a service to customers, the Cardia Bioproducts team offers design, development and production of ready to use finished goods, such as film and bag products. The company's materials are suitable for film, injection moulding, blow moulding, foam, extrusion and coating applications.

Business Update

The three months period to 30 June 2010 has seen significant progress for the Company in sales, commercialisation, project activities and technical development. Five different products were launched and communicated to the market highlighting the significant momentum of Cardia's business development and the range of applications in which Cardia materials are being used. The key outcomes are summarized below.

1. Doggy Bags to Clean up Brisbane
2. Compostable "bio-film" contract for global hygiene products.
3. New pen made from sustainable resin
4. Compostable Kitchen tidy bags with SULO
5. Novel biodegradable plastics packaging technology made from carbon dioxide and renewable resources.

Sales – increase by 86% for the quarter

Sales revenues for the June 2010 quarter were \$822,000. This represented an 86% increase in sales over the March 2010 Quarter.

Market Launches

The following market launches were conducted in the June 2010 Quarter:

Doggy Bags to Clean up Brisbane

Millions of biodegradable bags will be distributed across Queensland parks in an environmentally friendly bid to clean up dog waste. A photo of the Cardia certified compostable bags is shown below. The Brisbane Council press release and ASX release are available on Cardia's website.



Brisbane Council dog waste bag made from certified Cardia Compostable resin

Cardia compostable "bio-film" wins \$1.5M per annum global hygiene products contract

Cardia will supply major Chinese manufacturer Ben's Land with a new compostable moisture barrier film for the manufacture of a range of baby diaper/nappy and feminine hygiene products. A photo of the Ben's Land diaper using a moisture barrier film made from Cardia Compostable resin is shown below. The Ben's Land's press release and ASX release are available on Cardia's website.



Ben's Land diaper using a moisture barrier film made from Cardia Compostable resin

Cardia pioneers pen made from sustainable resin

Cardia is collaborating with the high profile Beifa Group and another major stationery company in China to develop a new pen manufactured from both sustainable Cardia Biohybrid™ and Cardia compostable resin. The parties are negotiating a supply/purchase agreement. A photo of the Beifa pens made from Cardia Compostable resin is shown below. The Beifa press release and ASX release are available on the Cardia's website.



Beifa pens made from Cardia Compostable resin

Cardia and SULO collaborate

Cardia and SULO collaborate in household food waste recycling solutions. Cardia will provide SULO, Australia's leading supplier of waste containment products with certified compostable bags enabling SULO to offer fully integrated organic waste diversion services to local governments. A photo of Cardia's certified compostable kitchen tidy bags is shown below. The SULO press release and ASX release are available on Cardia's website.



Cardia's certified compostable kitchen tidy bags

Packaging technology made from carbon dioxide and renewable resources

Cardia has developed novel biodegradable plastics packaging technology made from carbon dioxide and renewable resources. The novel Cardia Bioplastics' product technology

- combines plastic made from carbon dioxide (Polypropylene carbonate (PPC)) blended with starch to craft a new biodegradable plastic

- reduces petrochemicals in bioplastics by more than 60%
- contributes to global warming prevention by sequestering and utilizing the green house gas carbon dioxide



Commercialisation

Resin business: in-market validation stage

In addition to growing the company's base business, Cardia delivered solid progress during the June 2010 Quarter moving several of its projects with global packaging producers and users towards commercialisation. Initial sales have already been achieved with the large packaging companies and brand owners currently at in-market validation stage. As these targeted business development activities move forward to market launch and ramp up stage, it is expected that they will drive Cardia's future business success and deliver significant Cardia resin supply contracts over the next 12 months.

In-market validation of new range of Biohybrid multilayer films

Together with a leading European packaging company food packaging applications and conducted successful in-market validation of Cardia's new range of Biohybrid multilayer films that achieved compliance with the European Community Standard 2002/72 EC for food contact. These are the first applications of Cardia's new film technology that provides multilayer films for the food industry with excellent clarity, and mechanical and processing properties. As these films passed the very demanding cold supply chain performance requirements of large food companies, this achievement will provide Cardia with significant new market opportunities, extending from commodity packaging to high performance food packaging.

Production of rigid packaging products for in-market validation

A key achievement of this quarter was the successful production of rigid packaging products for in-market validation with leading global packaging users. The production run performed well and Cardia achieved production efficiencies at parity with commodity plastics. The products met stringent food contact requirements and efficiently replaced the current rigid packaging products in these customers' high speed packaging processes. Cardia Biohybrid products are now being tested by these large global packaging users in their applications in market. A photo of a thin wall injection moulded bucket that is currently undergoing in-market validation stage made from Cardia Biohybrid™ resin is shown below.



Thin wall injection moulded bucket
made from Cardia Biohybrid™ resin

Finished Bioplastics products: manufacture and sales advances

Further to the announced Brisbane Council and SULO supply with compostable waste management bags, Cardia has won further compostable bag supply contracts with other parties that will be delivered in the forthcoming quarter. These compostable bag and film products will be manufactured and supplied from Cardia's own film and bag making facilities established earlier this financial year, in Nanjing, China.

Projects and Business Development

Rigid and flexible film developments

Cardia focuses on the very large flexible and rigid packaging segments (\$210B global market in 2009) of the packaging industry. Flexible packaging applications include flexible film for food and non-food applications; shrink wrap, protective packaging films, carrier bags, waste management bags, sacks as well as other applications. Rigid packaging applications include closures, containers, lids and bottles amongst other applications.

Cardia offers high-performing packaging resins and support to customers with global application development to tailor the company's resins to these customer requirements. Customers can select sustainable Cardia Biohybrid™ resins (reduce oil use, improve carbon foot print and green house gas position) or Compostable resins (certified to international standards) for their packaging solutions. In addition, the Cardia Bioproducts team offers as a service to customers, the design, development and production of ready to use finished goods, such as film and bag products.

Cardia Compostable products approved for use by a large USA retailer

The company made solid progress with its compostable product range and achieved initial sales in both the European and USA market. Several projects focus on the supply of Cardia compostable products to markets where Governments legislate the use of certified compostable bag products.

During the June Quarter, Cardia Compostable products were approved for use by a large USA retailer. In addition, a USA composting company tested Cardia's Compostable bag and film products confirming their performance. Product approval and composting validations are critical requirements for Cardia's market entry into the large USA market. Having passed these key requirements puts Cardia in a good position to increase its sales of compostable products into the USA market.

Successful production of containers made by blow moulding process

A further key achievement of this quarter was the successful production of packaging containers made by blow moulding with a global packaging user. The production run of Cardia products achieved efficiencies equivalent to commodity plastics. The containers are now being tested by Cardia's customer for its specific application. A photo of the blow moulded containers made from Cardia Biohybrid™ resin is shown below.



Blow moulded containers
made from Cardia Biohybrid™ resin

Technical Development

Cardia Biohybrid Polyolefin blends achieve compliance with European food contact regulations

In addition to Cardia's new range of Biohybrid multilayer films achieving compliance with the European Community Standard 2002/72 EC for food contact, Cardia's new Biohybrid blends for advanced injection moulding applications also achieved compliance for direct food contact. This breakthrough provides Cardia with significant new market opportunities for its injection moulding product applications which extend from commodity packaging into the food packaging industry.

Novel Biohybrid product for advanced protective foam applications

Cardia's technical resources support global customers with advanced product testing, application development and packaging design. During the quarter a new Cardia Biohybrid concentrate for advanced protective foam applications was launched. Provisional patents were lodged for this innovative Biohybrid™ product tailored to the production of well homogenised and high performing packaging foams.

Packaging technology made from carbon dioxide and renewable resources

Cardia lodged provisional patents and announced its breakthrough on novel biodegradable plastics packaging technology made from carbon dioxide and renewable resources. The new process combines a polymer (PPC) made from carbon dioxide and starch to produce a novel bioplastic. The novel technology reduces petrochemicals in bioplastics by more than 60%. It contributes to global warming prevention by sequestering and utilizing the green house gas carbon dioxide. China National Offshore Oil Corporation (CNOOC) subsidiary CNOOC Green Materials Co Ltd developed and manufactured the new PPC resin to Cardia Bioplastics's specification under a non-binding co-operation agreement. The tailored PPC is

then used by Cardia Bioplastics in its innovative and novel and patented starch blending technology.

Corporate

Cash Balance as at 30 June 2010

The consolidated cash position for the group at 30 June 2010 was \$1,692,000.

Net operating cash outflow of \$955,000 during the quarter increased by \$115,000 compared to last quarter. The receipts from customers of \$502,000 (March 2010 \$463,000) and payments for other working capital of \$733,000 (March 2010 \$723,000) both increased as the nascent demand for Cardia product's continued. As a result the net investment by Cardia in Trade Receivables, Trade Payables and Inventory increased by \$367,000 during the June 2010 quarter.

Investment Portfolio/Other Assets

No cash was committed to the company's Investment Portfolio/Other Assets during the quarter ending 30 June 2010.

Details:

P-Fuel Limited (5.8%)

P-Fuel Limited 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.

There was no change in the company's investment position in P-Fuel Limited during the quarter.

Bioglobal Limited (22.4% diluted to 18.44%)

Bioglobal Limited ("Bioglobal") produces and markets biochemical products for pest control in the agricultural industry.

Bioglobal reported on 12th of July 2010 that it had raised a further \$3,612,854. Of this, \$2.5m was raised at 24 cents per share with the balance at 15 cents per share. Cardia did not participate in the issue.

Cardia's interest of 18,780,000 shares now represents 18.44% of the total issued capital.

The Cardia Board has consistently stated that should the right offer be made, the company would sell all or part of its interest in Bioglobal.

Other Assets

The following assets are not material to Cardia's business.

1. Natural Pharmacy Pty Ltd.

Cardia has maintained its investment in Natural Pharmacy Pty Ltd (66%). During the quarter, Cardia was advised that Natural Pharmacy will be entitled to a royalty payment of \$14,662 on sales of Phytomedicine products for the 12 months to 30 June 2010.

2. Aquenox Limited

In the Company's Financial Accounts to and as at 31 December 2009, loans previously made by Cardia to Aquenox were fully provided for.

During the current quarter, Aquenox and Cardia agreed that Cardia would accept a payment of \$80,000 from Aquenox in full settlement of all amounts owing. This amount is expected to be settled before 31 December 2010.

Whilst Cardia has five business activities, the Board remained focused on the growth of its Bioplastics business for the quarter and has not budgeted for any funds to be placed into its Investment Portfolio/Other Assets in the next quarter.

Other:

The Board of Cardia is pleased to announce the appointment of Mr Graeme Ward as the General Manager and Chief Financial Officer of Cardia Bioplastics (Australia) Pty. Ltd.

Mr. Ward (ACA) has a background in finance with managerial experience in packaging and manufacturing over a period in excess of 25 years.

In Summary, the Board is pleased with the progress during the June 2010 quarter. Cardia's compostable and biohybrid resins are receiving great attention with consumer goods producers and the packaging industry generally. Cardia remains in detailed discussions, product trials, product testing, and market validation and accreditation with a number of prominent international companies. This product development phase represents a significant commitment by Cardia. Cardia has (and will continue to) secure these markets and advance the company's commercial progress. In parallel, Cardia is also developing its own range of finished goods for direct sales.

To achieve these ends the Board has also focused on its Bioplastics manufacturing facilities, global infrastructure, securing and expanding on its personnel and growing its Intellectual Property and development footprint.

The large consumer goods and retailing companies undergo stringent assessment and testing of these products prior to commencing full production, however progress is occurring. The development projects undertaken by Cardia and conducted over the past two years are starting to bear fruit. The Board believes that as large corporations move towards sustainability and develop a greater appreciation of Cardia's products, sales will grow. This Board's focus drew success in the June 2010 quarter with Cardia announcing a \$1.5m annual contract with Ben's Land for Nappies; partnership with SULO for organic waste management and negotiations with Beifa to supply resins for the production of Hybrid pens.

Whilst there is a cost to this process which has been funded by shareholders, the potential pay back is substantial.

The Board recognises that the process to move from development to commercial outcomes with these large organisations is slow; however the Board anticipates accelerated sales over the next 12 months as advancements are realised.

In the interim the board will look at ways to raise cash to meet its working capital and development requirements to support the growth.

PAT VOLPE
Chairman

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 June 2010

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from customers	502	1,863
1.2	Payments for		
	(a) staff costs	(2)	(1,406)
	(b) advertising and marketing	(28)	(158)
	(c) research and development	(667)	(675)
	(d) leased assets	(127)	(226)
	(e) other working capital*	(733)	(3,584)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	10	26
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	91	101
	Net operating cash flows	(955)	(4,059)
1.8	Net operating cash flows (carried forward)	(955)	(4,059)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	(210)
	(c) intellectual property	-	-
	(d) physical non-current assets	104	(500)
	(e) other non-current assets	-	(310)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	(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
1.13	Other investing activities	-	-

	Net investing cash flows	104	(498)
1.14	Total operating and investing cash flows	(851)	(4,557)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	(56)	2,557
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)	-	-
	Net financing cash flows	(56)	2,557
	Net increase (decrease) in cash held	(907)	(2,000)
1.21	Cash at beginning of quarter/year to date	2,695	3,877
1.22	Exchange rate adjustments to item 1.21	(97)	(185)
1.23	Cash at end of quarter	1,692	1,692

Note:

1.2 (e)

Cash outflow disclosed under clause 1.2(e) in the Current quarter is impacted by an increase in Trade Receivables, Trade Payables and Inventory by \$367,000.

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	158
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 1.2 (c)

CARDIA bioplastics has patented and accredited bioplastic resins used for the conversion into bioplastic packaging and other finished products. Cardia Bioplastic's business includes the development, manufacture and distribution of resins and other products that comprise of compostable material, and/or a blend of renewable thermoplastic materials and traditional polyolefins, and the marketing manufacture and sale of proprietary patented formulated bioplastic products including finished goods under various proprietary trademarks and patents controlled by Cardia Bioplastics.

Cardia Bioplastics has had success selling both Biohydrid & compostable resins to customers along with various finished products to early adopters of Cardia Bioplastics products. Cardia Bioplastics remains in detailed discussions, product trials, product testing, and market validation and accreditation with a number of prominent international companies, particularly in the USA, the United Kingdom & Continental Europe. This product development phase represents a significant commitment by Cardia Bioplastics. To better quantify the impact of this development phase the company has for the first time in the Current quarter disclosed the payments that represents this research and development.

The amount for Research and development of \$667,000 represents payments in the year to 30 June 2010 and includes a reclassification of the previous three quarters payments formerly classified as "Wages & salaries" \$412,000 (Current quarter \$120,000); "Marketing" \$10,000 (Current quarter \$nil) and "Leased Assets and other working capital" of \$245,000 (Current quarter \$47,000).

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 \$60,113 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

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	1,578	2,575
4.2	Deposits at call	-	-
4.3	Bank overdraft	-	-
4.4	Other (Term Deposits)	114	120
Total: cash at end of quarter (item 1.23)		1,692	2,695

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	-
5.2	Place of incorporation or registration	-
5.3	Consideration for acquisition or disposal	-
5.4	Total net assets	-
5.5	Nature of business	-

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 July 2010.**
(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.