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**TO: THE COMPANY ANNOUNCEMENT OFFICER
AUSTRALIAN STOCK EXCHANGE**

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**CSIRO RESULTS CONFIRM POTENTIAL NEW NON-TOXIC/NATURAL
TREATMENTS TO COPPER CHROME ARSENATE (CCA) FOR TERMITE
CONTROL.**

Summary.

Following an independent test report prepared by the CSIRO, Cardia Technologies Ltd (through its 42% owned subsidiary Bioglobal Pty Ltd) is please to announce a further breakthrough in the development of non-toxic termite pesticide products where the market is estimated to exceed \$1 billion.

The company believes that these new natural alternative compounds have the potential to replace current toxic CCA termite treatments that will be banned for domestic use in the USA from 1st January 2004.

An independent report prepared by CSIRO on second phase test work has identified and isolated at least 2 biologically active derivatives of the compounds used previously in CSIRO run trials where a 100% kill rate of termites was achieved within one hour.

Under controlled conditions, timber treated with the company's compounds showed no termite attack (the termites did not consume the timber). The same timber sample untreated showed that 37% of the wood was consumed by termites.

The overall market for termite control in the USA is reported to be between US\$1 – 3 billion annually for control measures and damage done by these insects. Initially, the company focus will be on the home building market that extends not only to the USA and Australia, but also to other large markets such as Europe, India, South East Asia and Japan.

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Next phase of the product development will be to focus on the "method of action" of the compounds, formulation and application protocols. If successful, these biologically active compounds may lead to the development of more natural wood preservation products against termites. With the restriction of CCA and like products, the market is and has to seek non-toxic alternatives.

All intellectual property associated with these significant developments are the property of Bioglobal Pty Ltd.

Details.

The board of directors of Cardia Technologies Ltd have been advised by Bioglobal Pty Ltd (42% owned by Cardia) that the second research report from CSIRO Forestry and Forest Products has been received on testing derivatives of naturally occurring compounds for wood protection against termites.

Initial trials conducted in January 2002 on a series of natural products showed promising results for control of termites with potential for application in a barrier treatment for the protection of houses. These trials showed a 100% kill rate within one hour.

The second series of tests were commissioned in October 2002 to determine the usefulness of a series of derivatives of these compounds as protectants against termites attacking timber (ie alternatives to CCA). Of five derivatives tested, two indicated biological activity for external timbers for wood protection. The best compound showed no termite attack (0% consumption) in trial wood blocks at two of the three concentrations tested, compared with control where all wood blocks were heavily attacked (37% consumption).

The alternative wood preservation product aims to replace treatments such as CCA because of the significant environmental and health risks posed by release of arsenic and chromium into soil, air and water. By January 2004 in the USA, CCA will be banned from use on external decking in homes, and will be allowed in commercial uses only until an effective alternative is found.

The termite barrier protection products target the home building market. The overall market for termite control in USA is reported to be between US\$1 and 3 billion annually for control measures and damage done by these insects. In Australia, household termite treatments run at A\$40-50 million per annum.

The market for replacement of CCA for timber treatment in Australia, New Zealand and USA (approx. 19 million cu metres per annum) is estimated to be A\$400 million dollars per annum. Large markets are known to exist in Europe, India, South East Asia, China and Japan.

Taken together, the two trials indicate that the targeted compounds are biologically active and may lead to the development of barrier protection and alternative wood preservation products against termites. The next phase of the research will be identifying the methods

of action of the compounds, and formulation and application protocols from which product specifications, safety data and product registrations can be generated.

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