

**TO: COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE: 19 AUGUST 2010

NON –RENOUNCEABLE RIGHTS ISSUE

Following the announcement made on 18th August 2010 regarding proposed non-renounceable rights issue to Cardia Shareholders', the Cardia Board is pleased to announce the Rights Issue.

Details of Issue

- 247,198,862 fully paid ordinary shares on the basis of 1 ordinary share for every 3 ordinary shares held in Cardia by Eligible Cardia shareholders.
- The issue price of the shares will be \$0.015 (1.5 cents) per share.
- The issue will raise approximately \$3,707,983 (before cost of issue)
- The Rights Issue is non-renounceable.
- The Rights Issue is not underwritten.
- The New Shares will rank equally in all respects with the Company's existing fully paid ordinary shares.
- The fractional entitlements will be rounded up.
- Any shortfall will first be offered to Eligible Cardia Shareholders.
- For any shortfall remaining that not been taken by the Eligible Cardia Shareholders, the directors reserve the right to place that short fall in accordance with the Section 708AA Corporations Act 2001 and ASIC class order 08/35. The Board may seek the assistance of one or more AFSL holders to assist in the placement of shortfall, if any .The Company may pay commission to AFSL holders for their services.

Important Dates

EVENT	DATE
Announcement Of Offer & Appendix 3B	Thursday 19 August 2010
Offer document lodged with ASX	Friday 20 August 2010
Letter to Shareholders	Monday 23 August 2010
Ex-Date – The date on which existing shares commence trading to participate in the Offer	Tuesday 24 August 2010
Record date- the date for determining entitlements of eligible shareholders to participate in the offer.	Monday 30 August 2010
Offer document sent to shareholders- Offer opens	Friday 3 September 2010
Closing date (5pm AEST)*	Monday 20 September 2010
Securities quoted on a deferred settlement basis	Tuesday 21 September 2010
Rights issue short fall notified to ASX	Thursday 23 September 2010
Despatch date (deferred settlement trading ends)	Tuesday 28 September 2010
Normal trading resumes	Wednesday 29 September 2010

These dates are subject to change and are indicative only.

Cardia Bioplastics Limited reserves the right to amend this time table including, subject to the Corporations Act and listing rules, to extend the closing date.

* The Directors may extend the Closing date by giving at least 6 Business Days notice to ASX prior to the Closing Date. The date that the new shares are expected to commence trading on the ASX may vary with any change to the Closing date.

An Appendix 3B is attached.

Use of Proceeds from the Rights Issue

The funds raised through this Rights Issue will provide additional cash for working capital required for Cardia's Bioplastics business, in particular to fund:

- development projects currently undertaken with global retail and packaging companies;
- future development projects;
- the manufacturing and distribution activities of the Company;
- expansion of the sales and marketing team of the Company ;
- maintenance of its existing provisional patents portfolio ,accreditations and application for new patents;
- general working capital requirements.

As detailed in its 30 June 2010 Quarterly Report, the Company has made significant progress in the following areas:

Sales Contracts

The Company has either completed further sales contracts or in the process of negotiating such contracts the details of which are as follows:-

- A supply contract recently entered into with Ben's Land to the value of \$1.5m for its bio films for nappies and other products.
- Currently negotiating with the Beifa Group for the supply of Biohybrid technology products for the manufacture of pens. Whilst Cardia is currently supplying Biohybrid products to Beifa, it is expected that this volume will increase if a supply contract can be successfully negotiated.
- Cardia conducted several market launches in the June quarter with the objective of generating increasing sales.
- Current negotiations to provide a Cardia sub-license to an American marketer based on co-branding, who manufactures and distributes.

Development Projects

Cardia is under Confidentiality with respect to several development agreements with a number of retail and packaging companies which have a significant global brand ownership and corporate profile.

Certain of these development projects have advanced significantly leading to these companies being now willing to enter into a Memorandum of Understanding with Cardia. These projects are expected to materialize into License and Supply agreements should the development work achieve predetermined milestones.

It is expected that these development projects will convert to supply agreements over the coming months and progressively into 2011.

The additional funds to be raised will in part be used to progress these development projects.

Licensing and Supply Agreements

Cardia is in negotiation (some advanced) with several international and local parties for licensing and supply agreements for its Biohybrid and Compostable products.

Cardia expects that a number of these should be finalized from September/October 2010.

Financial Performance

- The Company has reported in its June 2010 Quarterly report, net cash outflows of approximately \$4.5million for the financial year 2009-2010 .

This expenditure was applied mainly to

- build research facilities, expertise in Australia, China, UK, Europe and USA in order to service its development projects as specified above;
 - build its patent portfolio;
 - expand its manufacturing and marketing capability in China;
 - increase the Company's sales and technical expertise representation supporting distributors;
 - other working capital requirements
- As reported in 2009 Half Yearly Financial Report, the Company also impaired full amount of its Secured Loan to Aquenox of \$1 million with accrued interest thereon of \$ 198,041.
 - The Company's goodwill related to acquisition of Biograde will be reviewed for impairment by the Company's Auditors and the Company expects to report that impairment in this year's Annual Financial Report.

- The Board's decision to sell its investment in Bioglobal, if successful will raise additional cash by disposing its non-core asset, as Cardia focuses on its Bioplastics business.
- Cardia's other investments are not material.

Sales

Sales of the Company's wholly-owned subsidiary Cardia Bioplastics (Australia) Pty Ltd for the year ended 30th June 2010 were \$ 2.2 million, an increase of 161.82% compared to 2009 financial year.

The Board expects sales to increase in 2011 as the Company's development projects enter into commercialization.

Gross Margins

Gross margins on sales are expected to increase as the Company enters into commercialisation of its contracts. Gross margins have not been fully realized in 2010 financial year due to its initial entry sales in niche markets.

Outlook:

The Board believes that the global Bioplastics market is growing significantly. The growth is as a result of recent global shifts towards sustainable and renewable packaging. Governments, Corporates and Consumers are now accepting that renewable and sustainable packaging alternatives with lower carbon footprint and other environmental benefits, is where the world is heading.

The Cardia Board believes it is well placed to capitalise on the above developments and is seeking shareholder support in this capital raising.

Pat Volpe
Chairman.



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Disclaimer: This release does not constitute an offer to sell, or the solicitation of an offer to buy, and securities in the United States, or to any person that is or is acting for the account or benefit of any U.S. person (as defined in regulation S under the United States Securities act of 1933, as amended (The "Securities Act")). ("U.S. person"), or in any other jurisdiction.

The securities in the proposed offering have not been, and will not be registered under the securities act or the securities law of any state or other jurisdiction of the United States, and may not be offered or sold in the United States or to or for the account or benefit of US except in a transaction exempt from, or not subject to, the registration requirements of the U.S. securities Act and applicable securities laws of any state or other jurisdiction of the United States.

Australia
Asia
Europe
Americas
Africa

ACN 064 755 237

Appendix 3B

**New issue announcement,
application for quotation of additional securities
and agreement**

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

Cardia Bioplastics Limited

ABN

89 064 755 237

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|-----------------------------------|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | Up to 247,198,862 Ordinary Shares |

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	Fully paid ordinary shares.
4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	Upon issue will rank equally with existing fully paid ordinary shares
5	Issue price or consideration	1.5 cents per share.
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	To provide working capital for the companies Bioplastics business and in particular to fund development projects, and manufacturing, distribution and sales growth.

7	Dates of entering +securities into uncertificated holdings or despatch of certificates	28 th September 2010				
8	Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>988,795,449 581,992,197</td><td>Ordinary Shares Options expiring 30th of June 2011 exercisable at 10 cents.</td></tr></table>	Number	+Class	988,795,449 581,992,197	Ordinary Shares Options expiring 30 th of June 2011 exercisable at 10 cents.
Number	+Class					
988,795,449 581,992,197	Ordinary Shares Options expiring 30 th of June 2011 exercisable at 10 cents.					
9	Number and +class of all +securities not quoted on ASX (<i>including</i> the securities in clause 2 if applicable)	<table><tr><th>Number</th><th>+Class</th></tr><tr><td>Nil</td><td></td></tr></table>	Number	+Class	Nil	
Number	+Class					
Nil						
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	The Board of Directors will consider establishing a dividend policy upon achievement of profitable operations.				

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No.
12	Is the issue renounceable or non-renounceable?	Non-renounceable.
13	Ratio in which the +securities will be offered	One ordinary share for every three held.
14	+Class of +securities to which the offer relates	Fully Paid Ordinary Shares.

+ See chapter 19 for defined terms.

15	+Record date to determine entitlements	30 th August 2010
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	Rounded up
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	The new issue documents will only be sent to shareholders with registered addresses in Australia and New Zealand.
19	Closing date for receipt of acceptances or renunciations	20 th September 2010
20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	To be advised if required to be paid on any short fall placement.

24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A
25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	3 rd September 2010
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	19 th August 2010
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A

+ See chapter 19 for defined terms.

33 +Despatch date

28th September 2010

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which ⁺quotation is sought

39 Class of ⁺securities for which quotation is sought

40 Do the ⁺securities rank equally in all respects from the date of allotment with an existing ⁺class of quoted ⁺securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

⁺ See chapter 19 for defined terms.

42 Number and ⁺class of all ⁺securities quoted on ASX (*including* the securities in clause 38)

Number	⁺ Class

Quotation agreement

- 1 ⁺Quotation of our additional ⁺securities is in ASX's absolute discretion. ASX may quote the ⁺securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the ⁺securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those ⁺securities should not be granted ⁺quotation.
 - An offer of the ⁺securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any ⁺securities to be quoted and that no-one has any right to return any ⁺securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the ⁺securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the ⁺securities to be quoted under section 1019B of the Corporations Act at the time that we request that the ⁺securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before ⁺quotation of the ⁺securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here...

Date: **19th August 2010**

Print name: REKHA BHAMBANI
Company Secretary

⁺ See chapter 19 for defined terms.