

**TO : COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

DATE : 31 January 2012

QUARTERLY REPORT – 31 December 2011

The Cardia Bioplastics Limited ("Cardia or Company") Quarterly Report for the December Quarter 2011 consists of the Activities Report & Quarterly Cash Flow (Appendix 4C)

Review of Operations for December 2011 Quarter:

Cash at hand

The consolidated cash position of the group at 31 December 2011 was \$1,493,063 (September 2011 \$2,580,196).

Sales Performance:

Sales to 31st of December 2011 are tracking to the target of \$5m annualised for the year to 30 June 2012.

- Sales for December 2011 quarter was \$808,520. (90% increase from sales of \$424,054 in December 2010 quarter.)
- Sales year to date to 31 December 2011 are \$2,223,952 (a 184% increase from sales of \$781,060 in six months to December 2010).
- Sales are expected to continue to grow in the March 2012 quarter. The previously reported target sales estimate of \$5m for the year to 30 June 2012 is expected to be exceeded. (actual sales for the year ended 30 June 2011 were \$1.6m)

The momentum in the Cardia Bioplastics business remained very positive during the December 2011 quarter and is expected to continue into the March 2012 quarter, confirming the expected growth in Bioplastics particularly in those countries where Government initiatives/ legislation or industry policy changes have resulted in a ban or a tax on the use of carrier bags. Several development projects are now in market trials and are expected to contribute to sales in the 2012 calendar year.

Working Capital

Net operating cash outflow during the quarter of \$1,008,543 (September 2011 Quarter, \$1,577,262).

Collection from debtors during the quarter was within the payment terms negotiated. On the expenditure side, the Company built its inventories levels at \$1,300,000 made up of finished goods of \$650,000 and raw materials of \$790,000. The Company believes these are minimum stock levels required to better serve the Company's global customer base. On other working capital, trade receivables (net of payables) accounted for a further \$300,000 in funding by the Company. Cash movements associated with all other activities were broadly consistent with the September 2011 quarter.

The Board is currently reviewing its working capital requirements and expects to raise additional capital. The market will be advised accordingly once the Board has made a decision.

Manufacturing Expansion Plans

Nanjing, China

- The first extruder was ordered in September 2011 and was delivered to the Nanjing facility during January 2012. The extruder is currently being installed and is expected to increase capacity to 7,200t p.a by the March 2012 quarter.
- The specification for an additional extruder has been finalised. This extruder will be ordered as the demand will require and within Cardia's cash availability. Capacity is expected to increase to 12,000t p.a, if this equipment is purchased and installed.

Kuala Lumpur, Malaysia

- Cardia Bioplastics Manufacturing (Malaysia) Joint Venture completed installation of its film, printing and bag making equipment in December 2011. The commissioning of the equipment is currently underway.
- The Joint Venture manufacturing facilities are now expected to be operational by the end of the March quarter of 2012 ready for commercial ramp up of production by April 2012.

Market Launches

Cardia Bioplastics supplied four City Districts in China with Cardia's Biohybrid™ Kitchen Waste Bags

Cardia announced in December 2011 and January 2012, that it is now supplying householders in four City Districts in China with Biohybrid™ kitchen waste bags made from Cardia Biohybrid™ technology as part of a six month trial.

The four City Districts are:

1. Shanghai Pudong
2. Hangzhou West Lake
3. Yuhang
4. Nanjing.

The total sales value for the supply of bags for the trials is expected to be in the order of AUD\$600,000 over the next 6 months.

If the orders extend beyond the trial period, it could grow to cover a larger radius of householders in each region where the population combines to a potential market of 23 million people.

Europe's Polyden Folien to launch bio-packaging films using Cardia Bioplastics technology

During the quarter, Cardia announced that European plastics packaging film manufacturer Polyden Folien (Polyden) has launched a new range of bio-packaging films using Cardia Biohybrid™ resin technology as an alternative offering to conventional film packaging to its existing customer base and to the European packaging industry.

Cardia's agreement with Polyden expands its collaboration with European packaging manufacturers who are now marketing bioplastics packaging made with Cardia's Biohybrid™ technology as part of their overall product portfolio and include:

- Polyden Folien – flexible films such as shrink wrap films and overwrap
- Wipak – flexible films with a focus on food packaging
- Jockey Plastik - rigid packaging systems such as buckets and containers for the international filling industry
- Stellar Films – soft touch films for the personal care and medical products industry

Cardia expects to generate sales from these European plastics packaging companies in the calendar year of 2012.

Global development projects to convert conventional plastics packaging to Bioplastics packaging

Cardia continued its involvement in excess of 30 product development applications around the world, comprising at least 15 global or known brand owners and packaging companies. Cardia expects that some of these development projects should convert to commercial sales in calendar year of 2012, however this cannot be assured. If the company does enter into any commercial arrangements, then the market will be informed.

Investments:

Bioglobal Limited:

As advised to the ASX on the 23rd December 2011, Shareholders of Bioglobal Limited ("BGL") approved an issue of shares to Good Harvest Biotech Holdings

Limited of 300 million new ordinary shares at 1.3 cents cash per share to raise \$3,900,000 in BGL.

Cardia did not participate in the issue. As a result, Cardia's investments of 18.78 million ordinary shares in BGL has diluted down to 4.63% (from current 17.78%).

Cardia's investment in BGL was carried at a fair value of 15 cents per share prior to this issue. The Board will review the carrying value of its investments in BGL in half yearly accounts to 31 December 2011.

PAT VOLPE

Chairman

About Cardia Bioplastics

Cardia Bioplastics Limited (ASX CODE: CNN) develops, manufactures and markets its patented renewable resource based materials and finished products derived from Cardia's proprietary technology for the global packaging and plastic products industries. The Company holds a strong patent portfolio and its growth is fuelled by the global trend towards sustainable packaging. 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 for resins and finished goods is in Nanjing, China and soon to manufacture under a joint venture for finished goods in Malaysia. There are Cardia Bioplastics offices in the Americas, Europe and China, and a network of leading distributors across the Americas, Asia and Europe. visit cardiabioplastics.com.

About the technology:

Cardia Biohybrid™ proprietary technology combines renewable thermoplastics with polyethylene material to reduce dependence on finite oil resources and to reduce carbon footprint. Cardia Compostable resins are high performance packaging materials certified to international compostable packaging standards like USA ASTM 6400 and Europe's EN13432:2000.

Cardia is benefiting from the trend towards sustainable packaging with products used in a broad range of packaging applications, including flexible film, injection moulding, blow moulding, foam, and extrusion and coating applications. It gives customers the choice of using sustainable Cardia Biohybrid™ technology (less oil, lower carbon foot print) or Cardia's internationally certified Compostable technology for their packaging or plastic products.

Cardia's Business Revenue Model

Cardia's diverse product portfolio is structured into four focused business segments being:

1. **Cardia compostable carrier bags and other bags and resin supply:-** driven by Government Legislation.
2. **Cardia Biohybrid™ carrier and other bags and resin supply:-** driven by products that have a low carbon footprint (less oil) with a renewable resource offering.
3. **Packaging development projects:-** converting conventional plastic packing over to using renewable Cardia Biohybrid™ resins with lower carbon footprint and other Cardia resins with an environmental offering.
4. **Organic waste management:-** to composting facilities where Cardia offers compostable food scrap bags and other organic waste management products.

Cardia Bioplastics Limited has also been recognised as one of the World's top 20 bioplastics producers by UK research company visiongain. Refer the report at visiongain.com/Report/710/The-Biodegradable-Plastic-Packaging-Market-2011-2012.

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")

31 December 2011

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (6 months) \$A'000
1.1	Receipts from customers	968	2,051
1.2	Payments for		
	(a) staff costs	(470)	(880)
	(b) advertising and marketing	(5)	(24)
	(c) research and development	(229)	(464)
	(d) leased assets	(85)	(147)
	(e) other working capital	(1,199)	(3,514)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	11	37
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	354
	Net operating cash flows	(1,009)	(2,587)
1.8	Net operating cash flows (carried forward)		
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(61)	(78)
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(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	-	-
1.13	Other investing activities	-	-
	Net investing cash flows	(61)	(78)
1.14	Total operating and investing cash flows	(1,070)	(2,665)

	Cash flows related to financing activities		
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)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(1,070)	(2,665)
1.21	Cash at beginning of quarter/year to date	2,580	4,155
1.22	Exchange rate adjustments to item 1.21	(17)	3
1.23	Cash at end of quarter	1,493	1,493

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	198
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.
Dr F Glatz was paid a salary of \$90,725 inclusive of superannuation for the quarter

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

During the Quarter, amount of \$8,900 (Ex GST) was paid to Excelpas Pty Ltd, a company controlled by Dr.John Scheirs for providing consultancy services to the Company.

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

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	1,493	2,330
4.2 Deposits at call		2
4.3 Bank overdraft	-	-
4.4 Term Deposits	-	-
4.5 Deposits against Letter of Credits	-	248
Total: cash at end of quarter (item 1.23)	1,493	2,580

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: Sd-..... Date: **31 January 2012.**
(Company Secretary)
Print name: Rekha Bhambhani

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.