



ASX Announcement

28 February 2011

Appendix 4C Commentary – Quarter ended 31 March 2011

Corporate

The Company's cash at bank as at 31 March 2011 was \$1.221 Million. Quarterly expenditure included \$172 K in capital for the further planned development of the fibre production process at the Walkamin Demonstration Factory in Far North Queensland and the construction of new machines - referred to later in this report.

As reported in the previous Appendix 4C for period ending 31 December 2010 funds of \$1.558 Million (gross of costs) were raised in March 2011 through a non-underwritten placement of equity to sophisticated investors and Directors (refer ASX Announcement dated 28 January 2010). A General Meeting of Shareholders was held on 16 March 2011 to provide subsequent approval of the placement shares and placement options (refer ASX Announcements dated 15, 17 and 22 February and 16 March 2011).

The General Meeting of Shareholders also provided the Company with the opportunity for the Managing Director to present an update briefing on the state of affairs of the company – a copy of which was provided to the market (refer ASX Announcement dated 18 March 2011).

Intellectual Property

During the quarter Papyrus's patent application for Method and Apparatus for Removing Sheets of Fibres from Banana Plants (Original Patent) in China was granted by the Chinese Patent Office. Other countries for which this patent has been granted are: Australia, Egypt, Indonesia, Mexico, New Zealand, Russia, Singapore, South Africa and African Regional Intellectual Property Organisation (ARIPO) countries.

Operations

1. The Walkamin Demonstration Factory

The annual wet season January to March was particularly harsh in 2011 as widely reported in the media. The Mount Uncle Banana Plantation and the Walkamin Demonstration Factory fortunately escaped the destructive impact of Cyclone Yasi with the path of the cyclone traversing further south of the location.

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However 10 days of production were lost as a result of securing the site pre the cyclone arrival, relieving the staff to enable them to attend to their personal safety and security, and after the event reconstructing and re-establishing operations when power had been restored to the area (refer ASX Announcements 12 January and 2, 3 and 9 February 2011). Subsequent during the latter part of February and March very heavy rainfall and storms in the area rendered difficult access to the plantation to harvest banana tree trunks on a consistent basis. Management took the opportunity during these low production periods to concentrate on long term machinery maintenance matters.

2. Product Development

All veneer produced at the Walkamin Demonstration Factory is currently sold to an Egyptian purchaser to satisfy an order for 10,000 square metres of trimmed veneer equivalent. On the 15 February 2011 the second shipment was dispatched from Walkamin to the purchaser.

As a result of the first shipment the Egyptian purchaser (Egyptian Banana Fibre Company Ltd) tested and trialled the veneer for flooring manufacture. Samples have been received by Papyrus in Australia. In addition the Egyptian Banana Fibre Company (EBFC) in conjunction with Papyrus compiled a catalogue to demonstrate the veneers produced from banana tree trunks utilising the Papyrus method and process. The 84 page Green Timber Catalogue features Papyrus veneers applied to MDF/HDF substrate for floor boards to be marketed throughout Europe and Egypt. The catalogue can be viewed at: www.papyrusaustralia.com.au

The company has previously reported on the process undertaken to convert banana tree trunk roundup veneer into fibre chips which are in turn converted to panel products. These panel products upon achieving suitable standards and certification will be offered as alternatives for like wood-based products for use in the construction industry. During the quarter various recipes, techniques and formulae were applied to batch quantities of fibre chips to produce panel utilising the recently acquired heat press for the first time. This has proved successful from a process and making perspective. Several samples from the heat processing have been submitted for independent testing and the company awaits the results.

3. AAMC - The Australian Advanced Manufacturing Centre Pty Ltd

AAMC the wholly owned subsidiary of Papyrus Australia Limited operates from Stirling Street, Thebarton, South Australia. The company's main function is to design, build and commission machinery and equipment required by Papyrus and other customers. As reported in the previous quarter AAMC established its own internal specialist precision engineering workshop which commenced operation in January 2011. In the quarter the company earned \$38k in revenue from external clients to the workshop.

Other activities of the company during the period included the design and construction of a purpose built fibre chip drying machine for the Walkamin Demonstration Factory, modification works to the Beta Veneering Unit and Fibre Production Unit at the Walkamin Demonstration Factory and commencement of works for the engineering of the blade assembly mechanism for the new veneering units. The base assembly for these veneering units are due for arrival during Q4 whereupon AAMC will “acceptance test” the assemblies, fit the blade assemblies and control systems and commission the machines which will then be available for sale.

4. Environmental Value

From an international perspective the Company’s interest in generating carbon assets that will have monetary value only becomes relevant when a contract for production has been established in a relevant country – refer below.

From an Australian perspective the company awaits with interest the Federal Government’s determination on this matter - as has been widely discussed in the media.

5. International Strategy

The Information Memorandum (IM) mentioned in the Q2 quarterly report has now been distributed to a number of parties interested in the Papyrus technology and process. Also, as reported the company has signed a Memorandum of Understanding (MOU) with an Egyptian-based company to undertake negotiations with the objective of establishing a Papyrus factory in Egypt. These negotiations are still in progress. The Managing Director will be meeting with the several interested international parties with the aim of negotiating an outcome during Q4. The ASX will be further informed by announcement when the Company is able to do so.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Papyrus Australia Ltd

ABN

63 110 868 409

Quarter ended ("current quarter")

31 March 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	38	116
1.2 Payments for (a)staff costs	(428)	(1,397)
(b)advertising and marketing	(4)	(51)
(c)research and development	0	0
(d) leased assets	(12)	(34)
(e) other working capital	(415)	(1522)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	25	80
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid	152	152
1.7 Other (provide details if material)		
Net operating cash flows	(644)	(2,656)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (.....months) \$A'000
1.8 Net operating cash flows (carried forward)	(644)	(2,656)
1.9 Cash flows related to investing activities		
Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets		
(e) other non-current assets	(172)	(634)
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	172	614
Net investing cash flows	-	(19)
1.14 Total operating and investing cash flows	(644)	(2,676)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	1,558	1,558
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings		(11)
1.18 Repayment of borrowings		
1.19 Dividends paid		
1.20 Other (share issue expenses)	(70)	(95)
Net financing cash flows	1,488	1,453
Net increase (decrease) in cash held	844	(1,223)
1.21 Cash at beginning of quarter/year to date	377	2,444
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	1,221	1,221

+ See chapter 19 for defined terms.

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	161
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

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

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities		
3.2	Credit standby arrangements		

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

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	416	377
4.2 Deposits at call	805	
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	1,221	377

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.
- 2 This statement does give a true and fair view of the matters disclosed.



Donald Stephens
 Director

Date: 28 April 2011

+ See chapter 19 for defined terms.

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 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting 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.

+ See chapter 19 for defined terms.