



30 April 2012

Appendix 4C Commentary - Quarter ending 31 March 2012

Key Activities for the Quarter

1. The Company's commercial focus for the quarter continued in the development of its operational activities in Egypt, the market for product in Egypt, the Middle East and Europe and the development of Yellow Pallet based in the Netherlands.
2. The Company's cash at bank as at 31 March 2012 was \$580K. As previously reported a share placement announced to the market on 7 November 2011 injected \$1082K in capital to the Company. The first tranche of \$722K occurred in November 2011. The balance via the second tranche of \$360k followed a General Meeting of Shareholders held on 18 January 2012 (details of which are contained in ASX Announcements of 7 November 2011 and 18 January 2012). The Company continued to keep a tight rein on its expenses, including the non payment of directors' fees, to preserve working capital.
3. In late December 2011 Managing Director travelled to Egypt and Europe to progress the development of Papyrus Egypt and to advance the business of Yellow Pallet. He was joined by the Chairman in Egypt in January 2012. A comprehensive report was issued by the Chairman to shareholders about both projects (ASX Announcement 18 January 2012 – Shareholder Update). Key points included:
 - that the next stage of capital funding out of Egypt through The Egyptian Fibre Banana Company (the other 50% joint venture partner in Papyrus Egypt) is still in progress with the Upper Egypt Social Development Fund seeking further information, which was supplied, and a decision is now expected in Q4;
 - the factory layout and construction in Upper Egypt, Sohag was substantially commenced – updated reports are contained in the abovementioned Shareholder Update and eNewsletter No 5 (ASX Announcement 18 April 2012);
 - the joint-venture company Yellow Pallet B.V. was established with Papyrus Australia holding 50% equity. The report outlined the funding arrangements and elementary detail of the purpose of the company -- to conduct a feasibility study for the making and supply of pallets for the

transport of bananas, made from banana fibre, focusing initially in the central and southern Americas.

4. During the quarter the Company was pleased to announce that a United States patent was granted for the company's original patent application - *Method and Apparatus for Removing Sheets of Fibres from Banana Plants* (ASX Announcement 17 January 2012). The award of a United States patent is highly sought after by any applicant seeking patent protection and validates the strength of this particular patent.
5. In February 2012 the Chairman and Chief Executive travelled to the region of Mindanao in the Philippines to explore opportunities for the Company's technology following enquiries from banana industry interests from the Philippines about the Papyrus technology and process. The Mindanao region is the second largest banana growing region in the world producing bananas mainly for the export market (third largest exporter in the world). What was observed was a highly sophisticated business but many plantations have difficulty with the disposal of the waste banana tree trunk after harvest of the fruit which is what the Papyrus technology has the potential to provide a solution for. Valuable connections were made within the banana industry and representative authorities. Tadeco, the largest contiguous banana plantation operation in the world (6500 hectares producing 33 million boxes of bananas for export per annum), committed to visit the Walkamin Demonstration Factory in April 2012 to assess the Papyrus technology. (see also ASX Announcement 18 April 2012 – eNewsletter No5)
6. Representatives of Yellow Pallet from the Netherlands visited the Walkamin Demonstration Factory in 2012 to conduct due diligence on the capacity of the Papyrus technology. The Chairman reported on this in the latest eNewsletter (ASX Announcement 18 April 2012 – eNewsletter No 5)
7. It was previously reported that at the Walkamin Demonstration Factory in Far North Queensland an alternative veneer drying process using pressure as an alternative to oven drying was been trialled with the testing regime expected to be completed in Q3. The Company can now report that the testing was successful and the process has been documented. This drying process will now be applied at a commercial scale when the Egypt factory is complete and ready for production.
8. Previously it was reported that having a veneering machine available for the Egyptian factory was a high priority in Q3 in satisfaction of the license agreement between the Company and Papyrus Egypt. The Company has agreed not to

release a machine until sufficient funds are received upfront from the Egyptian partner, which is now expected to be resolved shortly.

9. Product Testing: The results of product testing conducted by the Company in Australia have, as reported previously, been provided to the Nag-Hamady Fibre Company in Egypt. Nag-Hamady has now satisfactorily completed its own scientific analysis and industrial testing of banana fibre for the purpose of making fibre board (MDF). Together with another Egyptian company Abu El Holl, a large panelboard manufacturer introduced by Nag-Hamady, we have jointly funded and commissioned the Fraunhofer Institute in Germany to develop the formula to make certifiable industrial-use panelboard from banana fibre.

The Fraunhofer Institute is Europe's largest application orientated research organisation and is regarded as a world leading panelboard research Institute. We expect this project to deliver an independent verification of the formula and the costs of producing panel board from banana fibre for certifiable industrial use worldwide. The results are expected in May 2012.

Update post 31 March 2012

In April 2012 the Company was pleased to receive the grant of patent from Taiwan for the Company's original patent application -- *Method and Apparatus for Removing Sheets of Fibres from Banana Plants*.

During 19 – 20 April 2012 a representative from Tadeco in the Philippines (refer comments above) visited the Walkamin Demonstration Factory to inspect the plant, view the factory in operation and assess the technology and products it is able to produce. Ongoing liaison and information exchange will continue.

The Company produced an update to shareholders via its eNewsletter No 5 in April 2012 (ASX Announcement 18 April 2012).

ENDS

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005.

Name of entity

Papyrus Australia Ltd

ABN

63 110 868 409

Quarter ended ("current quarter")

31 March 2012

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	2	2
1.2 Payments for		
(a) staff costs	(365)	(933)
(b) advertising and marketing	-	(3)
(c) research and development	(5)	(25)
(d) leased assets	(188)	(753)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	5	10
1.5 Interest and other costs of finance paid	(1)	(5)
1.6 R&D Tax Refund	364	364
1.7 Other (SAIF Grant)	42	42
Net operating cash flows	(146)	(1,301)

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.8 Net operating cash flows (carried forward)	(146)	(1,301)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property	(32)	(32)
(d) physical non-current assets	(71)	(78)
(e) other non-current assets	-	(32)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)		
(b) equity investments		
(c) intellectual property		
(d) physical non-current assets	-	112
(e) other non-current assets		
1.11 Loans to other entities		
1.12 Loans repaid by other entities		
1.13 Other (Grants , R&D Tax Offset)		
Net investing cash flows	(103)	(30)
1.14 Total operating and investing cash flows	(249)	(1,331)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	360	1,082
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 (capital raising costs)	(5)	(5)
Net financing cash flows	355	1,077
Net increase (decrease) in cash held	106	(254)
1.21 Cash at beginning of quarter/year to date	474	834
1.22 Exchange rate adjustments to item 1.20		
1.23 Cash at end of quarter	580	580

+ 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	175
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Payment of director fees and superannuation.

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. (See AASB 1026 paragraph 12.2).

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

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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	53	251
4.2 Deposits at call	527	223
4.3 Bank overdraft	-	-
4.4 Other (Grant Account)	-	-
Total: cash at end of quarter (item 1.23)	580	474

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

Donald Stephens
 Director

Date: 24th April 2012

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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.

+ See chapter 19 for defined terms.