



30 April 2014

Appendix 4C Commentary - Quarter ending 31 March 2014

Key Activities for the Quarter

1. The focus of the Company during the quarter was on finalising the due diligence and necessary documentation to establish a joint venture arrangement with MAP Capital Advisors ("MAP") for the establishment of a banana fibre papier mache business at the Company's Far North Queensland factory site as previously reported. Although progress has been slower than expected the project remains on track and the Directors anticipate making an announcement shortly.
2. The Company remains steadfast in its strategy of becoming a technology development and licencing company but acknowledges that it must partner others to get the first commercial banana fibre production facility off the ground. As with the above proposed project and the Egypt project (previously reported) the Company will partner with others at the outset to satisfy concerns about the risks believed to be associated with being the first to undertake the manufacture of various banana fibre products worldwide.
3. The Company's cash at bank as at 31 March 2014 was \$63K. The Company continued to operate on an absolute minimum cost basis to preserve working capital. The Company is meeting all expenses as they fall due and there are no known unbudgeted expense items. The Directors have continued to forgo their fees during this period.
4. The Managing Director visited Egypt in the later part of December 2013 and early January 2014. The purpose of the trip was to:
 - meet the Company's Egyptian partners to finalise the planning of the factory in Sohag, Upper Egypt, in readiness to receive the proprietary machinery and to gain assurance the Egyptian partners had sufficient Opex funding;
 - meet the funding agencies interested in financing the machinery for payment to the Company;
 - negotiate with an agent with a view to appointing that person to act on the Company's behalf until the joint venture is able to take receipt of the machinery;
 - negotiate a Memorandum of Agreement for fibre off-take, and

- liaise with significant Egyptian domiciled investors in the Company.
5. The Company appointed a representative in February 2014 to pursue the interests of the Company in the People's Republic of China (ASX Announcement 4 March 2014). The appointee, an Adelaide based Chinese national businessman accepted the appointment on an initial 6 month exclusive basis.

As a result the Chairman and Managing Director of the Company have now met with potential investors in Hainan, China introduced by the representative. Hainan is an island province located in the South China Sea and is a significant agriculture and banana growing region. Following this the Company entered into a binding Memorandum of Agreement (MOA) with the China Investor Group (CIG) whose representatives are Mr Li Peng and Mr Guan Muye. The primary objective of the MOA is to establish a banana fibre processing plant and a banana fibre product manufacturing factory in Hainan (refer to ASX Announcement 7 March 2014 for full detail).

Update post 31 March 2014

The Company advised the market (ASX Announcement 7 April 2014) that the United States Patent Office issued a Notice of Allowance on the PPY patent application covering an improved banana fibre furnish, signalling its intention to shortly grant a US patent for this technology. The European Patent Office has also advised it has granted a European patent for this same technology on 26 March 2014. These developments are an important milestone for the Company as patents held in major and significant markets such as the United States and Europe are essential elements in enhancing the value of the Company.

As part of its longstanding commitment to establishing a banana fibre factory in Egypt the Company is pleased to report the Banana Veneering Unit (BVU) that converts banana tree trunks to veneer and fibre has now arrived at the Egyptian factory of Papyrus Egypt (50% owned by PPY) located at Sohag in Upper Egypt, a banana growing region. The Board has now resolved to send the Managing Director to Egypt to prepare the BVU and associated machinery to establish the factory and to secure the necessary financing.

ENDS

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 LIMITED

ABN

63 110 868 409

Quarter ended ("current quarter")

31 March 2014

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		
1.2 Payments for (a) staff costs	(36)	(136)
(b) advertising and marketing		
(c) research and development	(2)	(8)
(d) leased assets	(116)	(311)
(e) other working capital		
1.3 Dividends received		
1.4 Interest and other items of a similar nature received		
1.5 Interest and other costs of finance paid	(1)	(3)
1.6 Income taxes paid		
1.7 Other (provide details if material)		
Net operating cash flows	(155)	(458)

+ 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 (9 months) \$A'000
1.8 Net operating cash flows (carried forward)	(155)	(458)
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		
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 (provide details if material)		
Net investing cash flows	-	
1.14 Total operating and investing cash flows	(155)	(458)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc. *	50	370
1.16 Proceeds from sale of forfeited shares		
1.17 Proceeds from borrowings	50	50
1.18 Repayment of borrowings		(50)
1.19 Dividends paid		
1.20 Other (provide details if material)		
Net financing cash flows	100	370
Net increase (decrease) in cash held	(55)	(88)
1.21 Cash at beginning of quarter/year to date	118	151
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	63	63

+ 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	-
1.25	Aggregate amount of loans to the parties included in item 1.11	
1.26	Explanation necessary for an understanding of the transactions	
	Not applicable	

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 (Loan from MD)	250	143
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	60	107
4.2 Deposits at call	3	3
4.3 Bank overdraft		
4.4 Other (provide details)		
Total: cash at end of quarter (item 1.23)	63	110

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

Sign here: Date: 30 April 2014
 Donald Stephens
 (Company secretary)

+ 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.

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