



ASX Announcement

7 November 2014

Banana fibre business project

Papyrus Australia Ltd (ASX: PPY) ("PPY"/"Company") is pleased to advise it has now entered into a binding Joint Venture Agreement ("JV Agreement") for a banana fibre business project to manufacture banana fibre fruit and vegetable trays (as an alternative for plastic trays presently used by the industry) following extensive evaluation and analysis and the contractual "off-take" commitment of an established distributor of such products in Australia.

The Company wishes to thank MAP Capital Advisors Pty Ltd ("MAP Capital") (refer ASX Announcements 1 March 2013 and 9 September 2013) for their support and comprehensive analysis of the business opportunity, and the introduction to the established industry distributor.

The business project is for the manufacture of products to assist fruit and vegetable growers and sellers to package and display their products utilising natural materials made from waste banana fibre. The operation will be based in Australia at the factory site at Walkamin in banana growing area of the Atherton Tablelands in Far North Queensland.

The parties to the JV Agreement are the Company with 85% shareholding and the established distributor 15% in consideration of market introductions and the "off-take" commitment. The Company's Managing Director together with the established distributor participated in a very successful product manufacture trial in China earlier this year to identify specialised machinery and equipment for the manufacturing processes. The established distributor and his customers are very excited about the banana fibre products.

The JV will be incorporated and will manufacture the products under an exclusive licence within Australia granted by PPY. The licence will be for a period of 5 years with a right of renewal for a further 5 years subject to the joint venture meeting agreed performance targets.

PPY's capital investment will be requisite cash, its existing equipment, intellectual property and know-how. PPY will also supply (at the cost of the joint venture)

engineering and management support. PPY will provide establishment services and on-going management support for the operation of the JV.

Managing Director's loan to Company

The Company's Managing Director Ramy Azer and his wife Phoebe Azer have facilitated a second cash loan to the Company to enable it, among other purposes, to advance the proposed banana fibre business project outlined above.

Talisker Pty Ltd (which is wholly owned by Ramy Azer and his wife Phoebe Azer) and the Company have agreed that Talisker shall lend the Company up to an amount of \$250,000 ("the loan") which may be drawn down by the Company from time to time as required from 3 December 2014.

The relevant terms on which the loan will be advanced by Talisker to the Company are at a commercial rate of interest, the loan is unsecured and will only be repayable from future revenues or from the proceeds of any future equity raisings, provided that if repayment of the loan at any particular time would materially prejudice the ability of the Company to repay its creditors as a whole then any proposed repayment of the loan shall be deferred until such time as such repayment would not materially prejudice the ability of the Company to repay its creditors as a whole.

The Company is again indebted to the Managing Director and his wife Phoebe Azer for facilitating such financial accommodation as required.

Egypt

The Company has earlier this year successfully transported containers of machinery from Walkamin to the Papyrus Egypt, Sohag factory in Egypt, to enable the Papyrus Egypt banana fibre project to commence once all requisite capital funding is secured for the project, which includes capital for further payments to the Company for the sale of banana veneering and other machinery.

Our Egyptian partner has completed the construction and fit-out of the factory in Sohag which is ready for production of banana veneer for sale to the building products and furniture industries, and the production of banana fibre for panel production.

The Managing Director is in Egypt where he will hold ongoing discussions with the Papyrus Egypt partners and their banker, the National Bank of Egypt, with a view to

finalising financial accommodation from the bank to enable Papyrus Egypt to pay a further instalment to the Company for the purchase of the banana veneering and other machinery, all of which is essential to enable Papyrus Egypt to commence manufacturing production of veneer, and fibre for panel production through an “off-take” arrangement as previously announced.

AGM 25 November 2014

The Company has recently given Notice of the Annual General meeting (AGM) to be held on 25 November 2014.

The Company anticipates that there will be further information for shareholders regarding the banana fibre business project at Walkamin, the progress of, or the outcome of the banking arrangements in Egypt, to be given at the AGM and shareholders are encouraged to attend.

ENDS