



ASX ANNOUNCEMENT

12 June 2009

UPDATE ON COMMERCIALISATION PROGRESS

As was reported in the Company quarterly report on the 30th April 2009, the Company successfully completed the construction of the first commercial manufacturing line on schedule. All other elements of the manufacturing line were either constructed on-site by Papyrus Australia or in Adelaide and transported to North Queensland for final installation. The Company has successfully installed all plant, equipment and machinery necessary to operate the Walkamin Production Facility.

Since the re-location of the pilot plant in August 2008 to the site, the Company has successfully designed and is well advanced in developing a harvesting, transport and logistical infrastructure to integrate the banana tree trunk harvesting activities into the existing banana fruit production.

The Company has also obtained all necessary approvals from local Governments, Primary Industry, Quarantine authorities, and others to allow it to run the production facility on a commercial scale.

Also as was reported in the Company quarterly report on the 30th April 2009, the Company was in the process of commissioning the new factory in Queensland and was experiencing delays relating specifically to mechanical failures with the outer-trunk-cutting- blade- mechanism contained in the Beta Veneer Unit ("BVU") but not the core veneering mechanism which was commissioned successfully in Adelaide by Papyrus Australia early in 2009.

The BVU supplied by the independent contractor, did not pass the Acceptance Test, previously agreed by the independent contractor & Papyrus Australia Limited, therefore the BVU could not be handed over to the Production team.

Papyrus instigated an independent assessment of the status and integrity of the BVU, which established that there were a number of mechanical issues. Since the assessment was made the Company has been unable to operate the machine as a result of a dispute with the independent contractor, however, the Company has today executed an agreement with the independent contractor to enable the Company to have access to the software and automation system contained in the BVU and to resolve the dispute between the two Companies by expert determination. This arrangement will enable the Company to immediately begin the process of completing the commissioning of the BVU by resolving the mechanical issues involved and then by implementing its engineering and production plan

As a consequence of the delays with commissioning the BVU and therefore the production line, the Company was not in a position to fulfill its production time table with its partners namely:

- World Future Fibre - JV Agreement to Operate Manufacturing Line in North Queensland and Vietnam
- Hayot - Agreement to Licence Technology in European Union
- 3W Tout Bois Agreement - to Distribute and Sell Decorative Veneers Board Products in European Union.

The Company is now in negotiations with the respective partners to extend and modify the production timetable and the respective agreements.

The Company is pleased to inform the market that 3W Tout Bois recently concluded a visit to Australia and the Walkamin factory by signing an extension to its existing agreement to facilitate the possibility to market & sell the Company's products in the EU.

Papyrus management has finalised a production and engineering plan to enable the commencement of production at the Walkamin factory once the independent experts' work is completed. It is anticipated that continuous production at the Walkamin factory should commence in September, 2009 with revenue to follow soon thereafter.

About Papyrus

Papyrus Australia Ltd, the new green force in the global paper and forest products industry, listed on the Australian Stock Exchange in April 2005 to develop, commercialise and operate proprietary technology that converts banana tree trunks (an unutilised resource) into timber, board and paper products.

For the first time ever people will be able to enjoy panelled walls, attractive furniture, newsprint, paper wrappers, cardboard boxes, paper and fibreboard that is produced without any damage to the environment.

Critically scarce resources, like forests and water, can be saved.

Papyrus will soon be producing timber products and paper on an environmentally sustainable, ethical and commercially sound basis.

A world wide patent, granted in Australia in 2007, protects the Papyrus Technology and the products that it manufactures.

The Papyrus Technology produces a broad range of timber, board and paper products that are directly substitutable for many products that are currently manufactured using forest based resources.

The process uses little energy, no chemicals and produces water.

Independent research shows that the Papyrus Technology will make a significant saving of greenhouse gas emissions by comparison with conventional manufacturing methods.

The Papyrus Technology offers the world a clean, green and sustainable alternative without consuming finite forest based resources.

Production trials of the first Papyrus manufacturing line (installed in Adelaide) are complete, with the first Commercial Manufacturing Facility to be installed at Mt Uncle Plantation in North Queensland in early 2009.

Papyrus plans to take its Technology to all major banana growing regions of the world. Agreements have now been signed for the roll out of production lines in Vietnam and the Caribbean and discussions are well advanced for the Papyrus production lines to be rolled out in other regions.

The Company was awarded a Commercial Ready Grant sum of \$1.2M through Ausindustry, to take its technology through to commercial production, with the Grant sum increased to \$1.5M in 2008.

Bananas are grown in over 160 countries, making the raw material a readily available and renewable resource.
www.papyrusaustralia.com.au

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