



ASX ANNOUNCEMENT

29 January 2010

APPENDIX 4C AND COMMENTARY DECEMBER 2009

As reported in the Chairman's address at the Company's AGM, Papyrus Australia Ltd is restructuring to achieve its goal of being a technology licensing company while it continues with improved production capacity at the Walkamin factory to prove the commercial opportunities.

Further shipments of veneer have been made to 3W Tout Bois, the Company's European distributor, to assist with the process of providing samples to potential customers throughout Europe.

Since the AGM, representatives of the Board of Directors and Management visited the Walkamin factory in Far North Queensland to demonstrate the production line and the integrated process with the Mt Uncle Banana farmers, to a collection of interested parties including representatives from:

- ☐ 3W Tout Bois: the Company's European Sales and Marketing distributor.
- ☐ Flexura: a floorboard manufacturer based in Belgium.
- ☐ Delospan: a board and laminate manufacturer based in Belgium.
- ☐ MIA: a large chipboard wholesaler in Milan, Italy.
- ☐ Girogio Rivetti: a financial advisor based in Monaco.
- ☐ Taylor Collison Limited: the Company's sharebroker.

The representative groups also visited the Company's chipboard factory in Brisbane (formerly the Brimms factory) and attended a presentation to Taylor Collison Limited in Sydney.

On the 8th January, 2010 the Company announced that a sum of \$2.4 million would be raised from the exercise of Directors' options. The capital raising was successfully completed with funds to be used to acquire plant and equipment and to hire labour needed to increase production at the Walkamin factory.

Funds will be used to provide engineering capability to facilitate process and machinery improvements needed to initiate future production of fibreboard at the "former Brimms" chipboard factory in Brisbane.

During the period 13th – 21st January, 2010 Mr Ramy Azer, Managing Director and Mr Donald Stephens, Executive Director along with Mr Mario Cassin, 3W Tout Bois, attended the Domotex floorboard trade show in Hannover, Germany at the invitation of Flexura, a floorboard manufacturer in Belgium. The Flexura stand displayed the Papyrus Australia Ltd veneer and floorboard products under the brand name Beleaf™. The response to our technology and products from international floorboard buyers was very encouraging.

In addition, Messrs Azer and Stephens visited larger wholesale and production veneer and fibreboard distributors in Milan, Italy and Flexura's & Delospan's floorboard and fibreboard factories in Belgium. These visits along with their attendance at Domotex floorboard trade show, proved that the Company had developed a very competent sales and marketing group, in 3W Tout Bois, to represent Papyrus Australia Ltd in Europe and that there was a significant potential market for the Company's products in Europe.

During the overseas trip the Directors also engaged in early stage and confidential discussions with potential business partners in Europe and Egypt. No agreements have been entered into at this stage.

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 Dec 2009

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers		
1.2 Payments for		
(a) staff costs	(318)	(769)
(b) advertising and marketing	(42)	(138)
(c) research and development		
(d) leased assets	(9)	(24)
(e) other working capital	(399)	(733)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	11	21
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other –		
Net operating cash flows	(757)	(1643)

+ 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 (6 months) \$A'000
1.8	Net operating cash flows (carried forward)	(757)	(1643)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)		
	(b) equity investments		
	(c) intellectual property		
	(d) physical non-current assets		
	(e) other non-current assets	(140)	(268)
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 (Grants , creditors)		
	Net investing cash flows	(140)	(265)
1.14	Total operating and investing cash flows	(897)	(1,911)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	85	1,450
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)	(10)	(67)
	Net financing cash flows	75	1,373
	Net increase (decrease) in cash held	(822)	(538)
1.21	Cash at beginning of quarter/year to date	1,414	1,130
1.22	Exchange rate adjustments to item 1.20		
1.23	Cash at end of quarter	592	592

+ 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	305
1.25	Aggregate amount of loans to the parties included in item 1.11	

1.26 Explanation necessary for an understanding of the transactions

Executive Directors \$207k Non-Executive Directors \$53k Related entities for consulting \$45k
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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

On 23 October 2009, Papyrus Australia Ltd ('PPY') announced that it had entered into an agreement with World Future Fibre Pty Ltd ('WFF') to end the Pulp Fiction JV. The agreement resulted in the issue of 1,274,951 Ordinary Fully Paid Shares in PPY to WFF, issued at an aggregate fair value of \$528,816. The financial ramification of this transaction will result in an increase in share capital of \$528,816. The details of the assets acquired have yet to be allocated, but in large will be attributed to Property Plant and Equipment. Full details of this transaction will be disclosed in the Company's half yearly report due at the end of February 2010.

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

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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		

+ See chapter 19 for defined terms.

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	206	208
4.2 Deposits at call	386	1,206
4.3 Bank overdraft	-	-
4.4 Other (Grant Account)	-	-
Total: cash at end of quarter (item 1.23)	592	1,414

Acquisitions and disposals of business entities

	Acquisitions <i>(Item 1.9(a))</i>	Disposals <i>(Item 1.10(a))</i>
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 (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Donald Stephens
 Director

Date: 29th January 2010

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.

+ See chapter 19 for defined terms.

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.