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**ASX RELEASE**

**CHAIRMAN'S REPORT**

Before I consider the formal matters of business at the meeting today, I refer you to the Chairman's Report contained within the Company's Annual Report which I ask you to take as read.

As you are well aware, since the previous AGM we have all gone through an uncertain period caused by the Global Financial crisis. In addition to that economic disruption, the Company experienced delays in commissioning its' new factory in Walkamin, Far North Queensland.

However, the Company has moved forward measurably since the Chairman's report was published in October.

In the Annual Report I said that "our commercialisation strategy is focused on Papyrus Australia Ltd being a technology licensing company assisting suitable entities to establish banana veneer and banana fibre production factories in locations where banana is grown. Such commercial opportunities are well advanced and we expect significant progress in the implementation of this strategy in the coming year."

Since October 2009 the Company has announced that "its team of engineers has completed a major milestone and is producing increasing quantities of products for its European distributor, 3W Tout Bois. The factory is in continuous production of fibre and veneer with a limited labour force. The next stage of the Company's Production Plan is the scale up of production by increasing labour resources at the factory and investing in more material handling equipment."

The strategic importance of this development at our factory in Walkamin must be put in context.

Our commercialisation strategy is to become a technology licensing company and this requires us to first prove our technology and secondly, validate the commercial values of our banana veneer and fibre products in a production environment. That is being achieved at Walkamin.

This achievement is just one step in a process to ultimate commercialisation of our patented technologies.

The Board believes that the company can achieve its potential and shareholder value by assisting others to undertake the commercial veneering process at factories spread throughout the world under licence from Papyrus.

The business model envisages Papyrus retaining ownership and control of our core technologies manufacturing Banana Veneering Units (BVU), licensing their use and application worldwide by other commercial entities who will be responsible for all capital requirements to establish the factories to produce veneer and fibre for board production.

The Board believes that the Company will generate significant revenues from licensing the use of the BVU's.

The Company will also control product distribution and marketing and will generate revenues from the products acquired through the factories established under licence and sold through 3W Tout Bois into Europe.

The Company has identified Europe as its first market and has appointed 3W Tout Bois as its agent. Mr Mario Cassin is here today to answer any questions you have about the European market and its appetite

for veneer. Mr Piet De Lodder is also here today to answer any questions you have about the European market and its appetite for fibreboard.

Suffice to say the Board of Papyrus believes that the strategy of commencing our market development in Europe is the best strategy for the controlled growth of the Company. It is a fact that we cannot today produce the quantity of veneer and fibreboard which our research demonstrates the market requires. We would require very substantial capital to do that alone, hence our strategy is to license the opportunity to others for fees while retaining control over the product for sale.

Our factory at Walkamin is a pilot project to prove the technology and validate the commerciality of a banana veneer factory and we will have completed that validation by early next year.

Meanwhile we are developing our relationships to assist the Company to grow into Europe.

That has the following elements:

1. The appointment of Mario Cassin from 3W Tout Bois to guide us on product development for veneers aided by Davide Marson and Piet De Lodder for board applications.
2. In recognition of our desire to retain our “green” status, we believe that basic veneer and fibre production should take place in a region proximate to Europe. That has led us to Egypt and other countries in that region where there are plentiful banana plantations.
3. Bringing together our potential manufacturing licencees and our marketing people in Europe.

From an Australian factory and production perspective we will continue to improve the production capacity of our factory at Walkamin to produce veneer for sale in Europe and fibre for board production at our factory in Brisbane.

The Board believes that the most immediate and significant market opportunity is the production of fibreboard for the building and furniture industries, as well as quality veneers for the furniture and decorative product industries in Europe.

Because the Company has limited production capacity today we must tailor our production and our products to match our limited production capacity. This is not seen as a negative but recognized as a necessary control in our business development.

At this point I must say that while production today for sale of product and revenue is important it is only part of a validation process – it is not the end game. It is a necessary stage in the process of developing our international technology licensing business.

The Board is of the opinion that the short to medium term potential value of the Company will be measured by its capital growth not its dividend payments. This will be achieved by focusing on the commercialisation strategy of the Company being a technology licensing Company.

The Board is working hard to achieve a sound and sustainable future for Papyrus Australia Ltd and ultimately to reward the shareholders with significant returns on investment through capital growth and dividend income in the longer term.

To view all presentations please see the links below:

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CHAIRMAN