

ISSUE THREE

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WHO IS PAPYRUS?

Papyrus Australia Limited ('Papyrus') is the developer of a world-first technology that converts the waste trunk of the banana palm into alternatives to forest wood products to be used in the paper, packaging, furniture, building, construction and other industries.

The Papyrus process uses a renewable fibre source that is fully sustainable, does not contribute to the destruction of natural or purpose-planted forests and does not consume any chemicals or water during manufacture.

Papyrus' commercialisation strategy is to license its technology to suitable entities that will establish banana veneer and banana fibre production factories in locations where bananas are grown.

There are about 10 million hectares of banana plantations worldwide which create 2.5 billion tonnes of decomposing raw material. It is estimated that each tonne of banana plantation waste can lead to greenhouse gas emissions of up to 1.3 tonnes of CO₂e. This material can be utilised by the Papyrus technology and converted to useable fibre products.

For more information about Papyrus, visit

www.papyrusaustralia.com.au

PAPYRUS ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of Papyrus Australia Ltd will be held at Meeting Room B, The Hilton Adelaide, 233 Victoria Square, Adelaide (SA) on Tuesday, 30 November 2010 at 10:30am (Adelaide time).

THE PAPYRUS MISSION

Papyrus' objective is to license its technology to suitable entities in locations where banana is grown. This long-term goal includes two key areas:

1. Selling licences of the Papyrus technology
2. Developing and selling the Papyrus machinery for processing banana tree trunks

In order to sell our concept, we must first prove the validity of our technology, machinery and products, which has been the purpose of the Walkamin showcase factory for the past year.

LATEST NEWS

THE PAPYRUS TEAM FOCUS

The September 2010 newsletter identified five key areas in which the Papyrus team were focusing in order to meet the overall mission of the company. The following sections detail the progress made in these areas.

WALKAMIN UPDATE

Papyrus aims to continue the work of constructing the panel production line, erecting an automated log (banana tree trunk) yard and integrating the various functions of the factory production line towards greater automation.

The construction of the automated log yard in October resulted in the temporary shutdown of the Beta Veneering Unit (BVU). The log yard has now been commissioned and is capable of processing 10,000 billets per week. Prior to this installation throughput to the BVU was in the order of 650 – 1000 billets per week, operating for three days per week.

Additionally a new cutting blade has been designed and installed in the BVU and has resulted in an immediate improvement in quality of veneer produced.

It is expected that at the time of publication of this newsletter the production rate will be in the order of 3500 - 5000 billets per week with the BVU operating five days a week.

The veneer production line is now operational. Wet veneers are being transferred into the oven as they are emitted from the BVU, resulting in a more consistent dry product. However, more finessing of this process is required in order to minimise the spoil rate and wastage.

The panel production line is currently in the installation and commissioning phase.

The Walkamin showcase facility has now developed sufficiently to hand over the day to day management to the host plantation farmer in line with the concept model. Following a restructuring of responsibilities in July this year the factory operation has matured quickly to enable the handover to Bruce Watkins to now take place.

PRODUCT TESTING AND PRODUCT SALES

Papyrus aims to continue product testing factory veneer and panel output as well as product sales.

In October, Five Star Finishers, a Queensland company specialising in veneer processing, completed an assignment of making a number of banana veneer tabletops. These tabletops are currently being market tested and preliminary results are encouraging (a sample can be viewed on the website). With the improved operation of the BVU and new drying procedures, a reduction in spoil rate is anticipated.

There have been no sales of veneer over the past two months due to the downtime required to establish the automated log yard and new blade assembly. This week 1000 square metres of veneer has been sold for €5 per square metre and is in transit to the buyer in Egypt.

In addition to the veneer, Papyrus has produced sample quantities of fibre. The fibre comes from the outer core of the banana tree trunk having been veneered by the BVU and then shredded through the slice and dice process creating fibre chips. These fibre chips have then been cold pressed into sample panels with encouraging results.

Papyrus staff are continuing to experiment with various mixtures to determine the optimum combination for pressing panel. Moulds for the pressing process are currently under design and construction and the recently acquired heat press is under commissioning. By heat pressing the fibre, it will significantly increase the efficiency of the panel pressing process.

BETA VENEERING UNIT

Papyrus aims to continue the development and construction of the next generation Beta Veneering Unit.

The design for the next generation BVU has been completed.

An Australian company has been awarded the contract to construct the base assemblies for two BVUs and these are expected to be delivered in January 2011.

To protect the intellectual property held by Papyrus, the Australian Advanced Manufacturing Centre Pty Ltd (wholly owned subsidiary of Papyrus) will then complete the machines upon delivery.

Acceptance test criteria have also been developed and will be administered by an independent engineering firm.

AAMC

The Australian Advanced Manufacturing Centre Pty Ltd (wholly owned subsidiary)

Papyrus aims to gear the AAMC for the manufacturing of plant and equipment for supply to newly established factories in Australia and overseas.

AAMC recently took the opportunity to acquire the assets of a small local tooling company that was closing its business. The workshop assets have been transferred to AAMC's premises and two toolmakers from the acquisition have also joined the staff of AAMC.

AAMC now has greater in-house capacity to pursue its role in supporting the company to develop and supply plant and equipment for establishing factories including support to the continuing development at our Walkamin facility.

ENVIRONMENTAL VALUE

As previously reported, Sigma Global, an international management company specialising in global environmental markets, has been commissioned to advise Papyrus on the environmental benefits available from the conversion of banana tree trunks (waste material) into usable products.

There are two main aspects under consideration:

1. The benefit derived by removing redundant banana tree trunks from the plantation thus making farming easier and more efficient
2. The harvesting of banana tree trunks to be converted through the Papyrus patented technology and process to commercial products. Papyrus' product focus is veneer for the furniture market and fibre to make panels for the construction industry.

In Australia, the government is still grappling with carbon pricing (and previously an Emissions Trading Scheme) but this is not so in many other countries in the world. As a result, Papyrus has had to identify the potential benefit of creating environmental value in countries in which Papyrus may have its licensed technology. This is being communicated in the Information Memorandum for the international investor market.

The research indicates there are significant opportunities available to Papyrus to create value from the environmental benefits of the Papyrus technology. Sigma Global's report advises that carbon assets known as Certified Emission Reductions (CERs), which can be traded, are currently priced at €13 and are estimated to be worth between €11 and €39 by 2016. Based on the production model for a potential factory in Egypt, the report identified a potential for CER generation of up to 107,600 per annum. Using low and high carbon pricing scenarios leads to a range of revenue net present values of up to €14.4m.



OVERSEAS OPPORTUNITIES

Papyrus aims to continue investigating opportunities for its technology in Egypt and Europe as a marketplace for its product.

For the past several months, the Papyrus team has been developing a comprehensive Information Memorandum (IM) as a next step in the commercialisation of the Papyrus technology.

The IM contains detailed information required by potential significant investors including:

- market potentials
- costs of production
- financial modelling
- competitor analysis
- value in the market
- readiness of technology
- securitisation of intellectual property
- environmental and carbon value
- geographic and location advantage for banana growing regions
- potential markets.

The board has approved the release of the completed IM to specific potential investors mainly in Europe and Egypt (all such investors are required to sign a Confidentiality Agreement). The IM is issued under the restriction that the use of the information provided cannot be used for any other purpose other than the investment. The objective of the IM is to attract investors/partners to work with Papyrus in establishing a significant manufacturing facility in a banana growing country to produce both panel and veneer for sale through Papyrus' sales and marketing contacts in Europe.

Expressions of interest have been received from two related Egyptian companies that have a synergistic fit with the Papyrus technology and process. A draft Term Sheet has been issued to the parent company which is currently conducting due diligence.



PAPYRUS AUSTRALIA APPOINTS NEW DIRECTOR

Papyrus has appointed Colin Dunsford as a director of the company.

During his more than 40-year professional career, Dunsford has had extensive experience with a wide range of corporate, government and incorporated clients in Australia and the United States of America.

"I'm thrilled to be joining Papyrus at such an important time. The Papyrus technology has outstanding opportunities worldwide and I'm looking forward to helping the company in its international commercialisation strategy," Dunsford said.

Dunsford retired from his most recent position as a partner and Division Head of the Adelaide Assurance and Business Advisory Division of Ernst and Young in July 2010. He remains as chairman of Ernst and Young South Australia, as well as being chair of the Bedford Group, Independent Gaming Corporation and Leaders Institute of South Australia.

PAPYRUS WINS 'INNOVATION OF THE YEAR' AWARD

DISTRIBUTION

This newsletter distributed by Computershare has been e-mailed to those shareholders who have nominated to receive Papyrus communications via e-mail.

Papyrus encourages the use of e-mail in its communications as it is faster, it creates savings for the company and it is more kind to the environment

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If you are not a shareholder and would like to receive this publication via email please send an email to

news@papyrusaustralia.com.au

Papyrus Australia was awarded the 'Innovation of the Year' award by the BPN Sustainability Awards. Held on 13 October, the BPN Awards rewarded designers, builders and manufacturers for best practice in sustainability.

BPN Awards judge Dick Clarke, who is the sustainability director for the Building Designers Australia, said the Papyrus technology brings a profound change to the industry.

"I have been a judge of the BPN Sustainability Awards for four years and the Papyrus technology is the best innovation I have seen yet," Clarke said.

"Not only does the Papyrus technology turn a waste product into a high-value material with so many applications, but it does it in a way that provides the economic opportunities for low-income banana growers to be on equal footing with other players in the market. Papyrus opens the doors to equitable global development," he added.

Papyrus was also a finalist in the Banksia Environmental Awards' Clean Technology and People's Choice awards categories announced on 15 October.

ANNUAL REPORT 2010

The 2010 annual report was published in October and is available on the website: www.papyrusaustralia.com.au

IN THE MEDIA

Papyrus has featured in various media over recent weeks including the Packaging Magazine online, Queensland Business Review, Architecture & Design, In Business, Cairns Post and Building Product News.

To view some of the media coverage about Papyrus, visit our [website](http://www.papyrusaustralia.com.au).

