

ISSUE ONE

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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 plantain and banana palm (banana) 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.

There are about 10 million hectares of banana plantations worldwide which create 2.5 billion tonnes of decomposing raw material. 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

MESSAGE FROM THE CHAIRMAN



Today symbolically marks a new beginning for Papyrus Australia in several ways.

Publication of this e-newsletter represents a much needed and genuine endeavour by the company to keep our shareholders better informed about the company's progress. The Board is committed to a fresh, responsive and informative relationship with its most valuable supporters through this medium.

At the outset I want to acknowledge that the Board is very disappointed with the current share price. Recent global market corrections are not representative of the true value of the company.

Over time, shareholders have asked what is the future direction of the company and where is the company going with its innovative technology. Each issue of this quarterly e-newsletter will attempt to answer these and other important questions as they arise.

At the 2009 AGM, the future direction of the company as an innovative technology development and licensing company was clearly enunciated. The company continues to develop new technologies and has substantively progressed its plans to license its technology to investors who want to establish banana fibre and veneer factories in locations where bananas are grown in abundance.

The tropical regions of the world are places where banana is grown in abundance. Australia's banana plantations by comparison account for less than 1 per cent of the world's banana plantations and accordingly the commercial opportunities to establish banana fibre and veneer factories outside of Australia are significant.

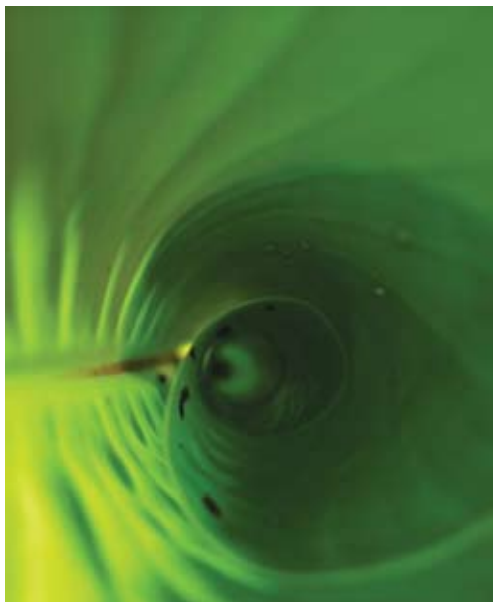
The company's Walkamin factory is being developed as a demonstration factory to provide a showcase to the world as to how a banana fibre and veneer factory can be set up and integrated into a functioning banana plantation established for fruit production. Demonstrating the production capability of that factory and hence the profitability of a banana fibre and veneer factory is the goal in attracting investors to purchase factories to be established elsewhere in banana growing regions in the world under licence from Papyrus.

Market acceptance and hence demand for the sustainable banana fibre and veneer products is also our responsibility. We have exhibited our products in Europe and in Australia and, as a consequence, there have been several technical product specific trials undertaken by fibre board merchants, flooring and wall panel manufacturers, furniture makers and other users of traditional timber fibre and veneer products who have unanimously endorsed the sustainable banana products as 'green' and as superior alternatives to forest sourced timber fibre and veneer products.

There are many products to be made from banana tree trunk fibre which we could license (and in the future will) but, at present, time and financial priorities means that licensing the rights for production of fibre for board and veneer for furniture are the most valuable and profitable options. That is what we are pursuing.

We welcome all feedback and comments you may have about this newsletter. Please contact us on news@papyrusaustralia.com.au

Ted Byrt (Chairman)



CONVERSION OF OPTIONS PROVIDES CAPITAL FOR GROWTH

The company has received \$1.211M from the conversion of existing and unlisted options as follows:

11 March 2010	\$218,000
6 April 2010	\$993,000
Total	\$1,211,000

The funds received will be used for the ongoing development of the company. The company's cash at bank is currently \$2.8M.

APPOINTMENTS AND RETIREMENTS

Papyrus has appointed an executive consultant, Mr Geoff Whitbread (BBus, MBA, Juris Doctor), an experienced CEO who is responsible for corporate and administrative functions of the company.

Papyrus also welcomes Mr Pierre Van Der Merwe, the new company secretary who replaces Mr Vince Rigano who has retired from this position. Mr Van Der Merwe is a Chartered Accountant with over 20 years experience and is currently a director of HLB Mann Judd (SA) Pty Ltd, a firm of Chartered Accountants in Adelaide.

Dr David Wyatt, previously the chairman of Papyrus and more recently a non-executive director, has retired as a director of the company.

The Board of Directors would like to take this opportunity to thank Dr Wyatt and Mr Rigano for their considerable contributions to the company.



Dr David Wyatt



Mr Vince Rigano

PAPYRUS JOINS THE AUSTRALIAN CLEANTECH INDEX

Papyrus Australia Ltd is now listed and operating in the Australian CleanTech Index.

This Index was launched in 2008 to track the 75 Australian-listed stocks in the cleantech industry with a combined market capitalisation of more than \$13 billion in March 2008.

The ACT Australian CleanTech Index, the first of its kind in Australia, provides investors with a vehicle to diversify into the emerging cleantech investment category. It provides assessment and investment analysis for the cleantech sector.

The ACT Australian CleanTech Index will be updated each month and published on the [Australian CleanTech website](#). Comments on performance will be released on a quarterly basis.

For further information on the clean technology sector, please refer to the [ASX's fact sheet](#). The sector fact sheet highlights a number of ASX-listed companies that operate in the renewable energy, alternative fuels, waste & recycling, energy efficiency and carbon sectors, based on constituents of the Australian CleanTech Index.



WALKAMIN FACTORY UPDATE

Since November 2009, our first working factory in Walkamin, Far North QLD, has been producing veneer and has recently had a considerable increase in production. With the arrival of three new tractors at Walkamin to facilitate expanded harvesting of banana tree trunks, and the resolution of a number of minor residual engineering issues with the operating plant, Papyrus expects that production of veneer will increase over the next two months to a stage where that production will support sales on an ongoing commercial basis.

Papyrus' host farmer at Walkamin, Bruce Watkins, has directed the integration and has concluded that the harvesting of banana tree trunks following fruit harvesting does not interfere at all with the primary focus of banana fruit production. In fact, Bruce Watkins has said that the banana tree harvesting adds immediate value to his business by removing a nuisance waste product which he otherwise has to take away as well as giving him a financial return for the waste product.

Production manager at Walkamin, Colin Wyllie, and engineering manager, Bill Halliday, have addressed every technical challenge encountered over the past 12 months since the commencement of basic production activities. In assessing the progress of the company in its production activities, due consideration needs to be given to the fact that this is the first time that anyone has ever veneered a banana tree trunk to produce fibre and veneer in a commercial environment.

Production cannot go from a zero baseline to significant capacity without trial and improvement resulting in gradual increases in rate of production over time. This has been our experience at Walkamin. Papyrus is now at a rate of production which demonstrates the basic capability of producing quantities of fibre and veneer annually to justify international investment – and there is

significant upside to this production capability which we will demonstrate as the trialling continues - but product, however profitable by itself, is not Papyrus' goal.

Papyrus is in negotiation with a membrane pressing manufacturer and supplier of finished flexible door and panel surfaces and specialised timber veneer products. This company is currently undertaking trials with Papyrus veneers to increase knowledge of its attributes and uses. The company creates unique inlay design panels which are supplied to domestic and commercial interior design and fit-out companies along with the boat building industry. The Papyrus decorative veneers fit well into these categories as demonstrated by the preliminary trials.

From Walkamin, Papyrus will be producing and selling into the Australian fit-out and construction market fibre board and veneer but those revenues will be incidental to the revenues and capital growth from licenses and the manufacture of factories incorporating the latest Papyrus technologies.

Based on this progress at Walkamin, Papyrus has received substantive enquiries and expressions of interest from other Australian banana farmers to include the Papyrus technology in their own banana plantations.



NEW MACHINERY TO IMPROVE PRODUCTION

Improving the performance of the primary veneering unit, the chipper, the board moulding and the drying process are all goals that Papyrus is focused on at Walkamin. There will always be a better way of doing things and that is the role of an innovative technology development and licensing company.

Through its wholly owned subsidiary, The Australian Advanced Manufacturing Centre Pty Ltd (AAMC), Papyrus has completed the design of an upgraded version of the veneering unit. Other plant and equipment, including a new fibre shredder which will be the subject of a new patent application, has also been designed and constructed by AAMC.

New machinery developed by AAMC includes:

- The **fibre production machine** has been successfully trialled on the Walkamin site producing chip for board production. A plan has been implemented to commission it in line with the BETA technology to complete the primary conversion process.

- The new **banana trunk harvester** and transport system is operating successfully in tandem with the fruit harvesting process with no adverse affects on yield or process interruption. The trunk harvester has been able to maintain supply to the facility as and when required.
- Papyrus has, on 16 June 2010, taken delivery of a new purpose built heated board **press**. The new press will be used in determining the appropriate fibre board recipe for the commercial production of fibre board. The heated platen press can be used either in a cold or hot state to cure the boards and supply the compaction pressure as required. This press will enable the potential of the board market to be demonstrated to industry and the market.



PAPYRUS PREVAILS AT AUSSIE AWARDS

FREQUENTLY ASKED QUESTIONS

The Papyrus website will soon include a section answering questions frequently asked about the Papyrus development and progress. This will be updated regularly.

DISTRIBUTION

This first newsletter distributed by Computershare has been emailed to those shareholders who have nominated to receive Papyrus communications via email. Other shareholders will have received this newsletter by post. Papyrus encourages the use of email in its communications.

If you are a shareholder and would like to receive future publications via email then register your details at

www.computershare.com.au/easyupdate/ppy

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' technology and process having a beneficial impact on the environment has been recently recognised through several awards.

Papyrus was awarded the **Investor Ready Award** by South Australia's Top 20 Innovation Awards. The Investor Ready Award was dedicated to the business with the most complete package for investors; the innovation judged to be a commercially exciting proposition for capital investment.

IN THE MEDIA

Papyrus has also featured in various media over recent weeks.

The company appeared on the **ABC's Landline** program last 18 April.

This story followed on from another report featured seven years ago about our founder, Ramy Azer. It was a story that captured people's imagination back then. In this program, the ABC could report on our world's first factory making veneer from banana trunks to answer a global demand.

Papyrus was also featured on the **Eco Report of Sky Business News** on 27 February. In an interview with Chairman Ted Byrt, the Papyrus production process and environmental benefits were detailed. Samples of the products were also shown and their water and fire retardant characteristics explained.

An interview with Ramy Azer also appeared in the Entrepreneur section of the Australian on 26 February, detailing Ramy's journey in developing Papyrus as an environmentally-responsible and revolutionary business.

To view all media coverage about Papyrus, visit our [website](#).

The judges described Papyrus as an exciting proposition, both commercially and for the environment.

"An innovation that completely comes from left field yet is remarkably simple in concept and stunning as an answer to many environmental and social questions," said the Awards judges.

Papyrus was also the recipient of the **KPMG Excellence in Cleantech Award** as well as a finalist for the **Clever Green Innovators to Watch Award** by South Australia's CleverGreen™ Innovators to Watch Awards.

More recently at the **International Manufacturers' Monthly's Endeavour Awards**, Papyrus received two high commendations in the categories of 'Environmental solution of the year' and the 'Australian consumer/trade product of the year'.