



ASX ANNOUNCEMENT
1 November 2006

September 2006 Quarter: Highlights and Outlook.



Papyrus Australia's Prototype Production Lines in our Adelaide workshops.

1. The Company signed an agreement with the Commonwealth Government accepting a **\$1.2 Million Commercial Ready grant** to assist the commercialization of the Banana Ply Technology. Payments from this grant are matched with equal Company expenditure and are milestone based.
2. The Company also achieved an **important Engineering milestone** by effectively completing **the first phase of the project**, stages one to four, originally described in the prospectus dated 19th January 2005. This incorporated the **design, construction and integration of the various elements of the prototype production line**.
3. The Company believes that it now has all information required for the design, specification and construction of a full commercial manufacturing plant.

4. On 17th October 2006 the Company announced that it had signed a **contract with SAGE Automation (SA) Pty Ltd** for that company to undertake the detailed design phase of the project, to construct the first commercial manufacturing line to produce the Papyrus banana ply. It is expected that this work will be complete within 5-6 weeks. Actual construction of the resultant manufacturing line will be subject to a competitive tender process once the **detailed blueprints and specifications** are available.
5. The Company believes that the **construction of the full commercial line will be completed in early 2007** at which stage the commissioning and trials phase will commence in Adelaide.
6. The Company has decided to complete this commissioning phase in Adelaide rather than North Queensland so that it has ready access to its engineering support base. **An effective supply chain of banana raw materials has been established** which is expected to be sufficient for the anticipated volume of trial production.
7. The Company is **continuing discussions with interested parties in North Queensland to host the first production facility**. These discussions were delayed by the devastation to the region from Cyclone Larry earlier in 2006.
8. The Company **plans to relocate the commercial production line to North Queensland** when it has successfully completed its trials. The small and portable nature of the design is expected to facilitate this move as a model for commissioning additional production plants in the future.
9. **Intellectual Property:** The Company announced on 18th October 2006 that the **Australian Patent Office had officially accepted the Papyrus patent application**. This follows a rigorous examination of the application by an Australian Patent Examiner, following which no objections were raised. The patent application is now on open display for three months during which third parties are able to formally oppose grant of a patent. If no valid objections are made the Company expects the grant of the patent in early 2007. This **phase signals the commencement of the national phase of the Company's patent strategy**.
10. At the end of the quarter the Company's **cash reserves were \$1,775,000** (unaudited).

About Papyrus

Papyrus Australia Ltd listed on the Australian Stock Exchange in April 2005 to develop and commercialise proprietary technology that will convert banana trunk fibre waste into banana ply. This material has some unique properties (fire retardant, water repellent) with natural resilience and a unique texture. The banana ply will complement existing paper manufacture and marketing operations by providing raw material for the development of niche products based on these properties.

The Company has been awarded a Commercial Ready Grant of \$1.2M through Ausindustry, to take its technology through to commercial production.

The Company is building a prototype production facility to produce the banana ply material from banana waste. The process is cost effective and environmentally sustainable, with low energy and water requirements. Bananas are grown in over 160 countries, making the raw material a readily available and renewable resource. www.papyrusaustralia.com.au

For further information, please contact:

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