



PAPYRUS AUSTRALIA LTD

AGM 2006

Chairman's Address

Dr David Wyatt
Chairman

Adelaide

Papyrus Australia Limited

Monday 20 November 2006

Good morning ladies and gentlemen, I'm David Wyatt the Company's Chairman. Welcome to Papyrus Australia's 2nd Annual General Meeting.

Before we start could you please check that your mobile phones have been silenced. Thank you. Now let me explain how we propose to conduct your AGM today. Every opportunity will be given to those who wish to speak or ask questions on any of the agenda items.

When we come to questions or comments about agenda items in due course, would you please raise your hand and when I call on you please announce your name before your comment or question.

It is now the appointed time for the meeting and a quorum is present. I would like to start by introducing the directors of Papyrus Australia ...Donald Stephens, Ramy Azer, Chris Smerdon, Graeme Menzies, Ted Byrt & Vince Rigano our Company Secretary.

I also note the presence of representatives of the auditors Grant Thornton and thank them for their attendance today. They are available to answer any shareholder questions on the financial accounts. I also note that representatives of our share registrar Computershare are here today.

The notice of meeting has been sent to all members and copies of the notice of meeting are available here today. I therefore propose that we take the notice of meeting as read.

Before moving to the agenda items, I would like to give an overview of our performance during the past year. This will be followed by a short video introduced by our Managing Director and Chief Executive Ramy Azer.

The past year has seen your Company continue to make solid progress towards commercialization of the banana-ply technology. In my address at the AGM last year I stated that "no one has ever done what we are doing before and we are operating in uncharted waters." This has indeed been

the situation as we continued to encounter novel challenging problems, most of which have now been resolved. As outlined in the original Prospectus (January 2005) Papyrus Australia remains essentially on plan to commission its first commercial production line in 2007. Over the past year the Company has constructed and tested all of the components of the pilot production system and efforts are now fully focused on the scale-up to commercial production. We have recently been working with SAGE Automation specifying the detailed design blueprints for the commercial manufacturing line which will soon commence construction. 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.

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. 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.

Cyclone Larry did not adversely impact the Company as we have continued to receive sufficient banana tree trunks for our testing purposes. However, the devastation to the banana growing areas in Far North Queensland did slow our on-going discussions with potential partners and suppliers in that area. These discussions have recently been resumed and we remain confident that appropriate arrangements will be in place before our commercial production line is ready in 2007.

In parallel with our core engineering project we have continued to work closely with our strategic partners in the paper industry as we refine product specifications to meet market needs. Last week we announced very promising early market acceptance of the Banana ply products from a range of customers, each operating in diverse market segments.

1. **DaiEi Australasia** are part of the global DaiEi group, with annual sales in excess of 2.5 million tonnes of paper worldwide. DaiEi have selected the Papyrus banana ply to initially target the high end of the printing industry, due to the unique appearance and texture of the product and its capacity to be printed using most common methods. DaiEi Australasia Managing Director Tony Wood said they were keen to introduce the Papyrus product to their Customers in Australia and overseas with its environmental sustainability particularly compelling. He also said there was strong interest in the Papyrus product overseas for specialty wraps, parchment and high value packaging. A supply contract is currently being developed with DaiEi.

2. **Elton Group** are a Victorian based Company, specialising in the supply of timber laminates for interior decoration, shop fitouts and specialty marine applications. The Papyrus banana ply material is unique in the market in terms of appearance, function and the fact that it is derived from a waste product. Elton Group Managing Director, Michael Elton said that they were excited to introduce this product to their Customers here in Australia as well as their partners in Africa and Europe. He also said they expected very strong interest in samples they will take to Italy later in November.

3. Papyrus Australia is also working closely with a **major supplier of product for the carton industry**. They have a specific focus on cartons for high moisture goods such as airfreight seafood, fruit and vegetables. The high wet strength and grease resistant properties of the Papyrus banana ply can be used to greatly enhance the function of these containers without affecting their capacity to be recycled in the normal manner. Traditional waxes and poly coatings may no longer be required in all applications. This company manufactures an array of products in a number of highly relevant markets and have formally expressed their interest in the Papyrus product in their market spaces in Australia and New Zealand.

Papyrus Australia now has the capacity to produce limited volumes of sample material from our prototype production line in Adelaide. We are now ramping up our market development activities in preparation for projected production from our full commercial line next year. We are encouraged by the early enthusiastic acceptance of our novel product and feel this augers well for the success of the Company as it moves to commercial operations.

In July 2006 we achieved another of our Prospectus goals when Papyrus Australia was awarded a \$1.2 Million Commercial Ready Grant from the Commonwealth Government. These matched grants, which are highly competitive with a rigorous application and industry review process, are further independent validation of the commercial strength of the Papyrus project. This grant will assist cash flow over the next few years. The Company continues its frugal approach to spending as it conserves funds for the relatively expensive construction and commissioning of the commercial line.

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.

In support of our growing operations we have continued to build our small team of talented professionals. I acknowledge the continued leadership of Ramy Azer our Managing Director and CEO and the dedicated efforts of his hard working team. We recently welcomed our new Chief Operating Officer Grant Piggot who is already making an impact in several key areas including market development.

I also acknowledge the support of my fellow Directors who have continued to play a valuable role and ask the necessary hard probing questions on your behalf.

Papyrus Australia is currently at another of the key crossroads in its development as it grapples with the challenges of finally constructing and commissioning its full commercial production line. This is another critical step for the Company.

During the year the Papyrus share price has been volatile but generally strong relative to the original listing. We were also pleased that our shareholder base increased significantly to

approximately 1,000. The Company has made solid progress but is still early stage. Hence it will continue to be regarded as speculative until it moves through the commercialization phase.

In conclusion, I thank you for your ongoing and patient support. We remain confident that Papyrus Australia will finally enter commercial production in the year ahead.

David Wyatt
Chairman