



2007 ANNUAL GENERAL MEETING DOCUMENTS

1. Chairman's Letter of Invitation to attend
2. Notice of Annual General Meeting
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6. Annual Report



15th October 2007

Dear Shareholder

ANNUAL GENERAL MEETING

I am pleased to invite you to attend the third Annual General Meeting of Papyrus Australia Ltd to be held at the Conference Room 1, Rendezvous Allegra Hotel, 55 Waymouth Street, Adelaide, South Australia on Monday 19 November 2007 at 11.00 am.

If you are unable to attend the meeting in person, I encourage you to return the enclosed Proxy Form. The Proxy Form should be returned by post or faxed to the Company's Office or Share Registry so that it is received by 11.00 am on Saturday, 17 November 2007.

The Australian Government recently introduced legislation allowing the default option for receiving annual reports to be via a company's website. You will now receive timely, cost effective and low environmental impact online annual reports unless you request a printed copy. We will notify you in your AGM pack when the annual report becomes available on our website. Include in your AGM pack is an elections form for you to complete and forward to the company share registry in you wish to continue to receive a hard copy of future annual reports.

Initial shareholders and other option holders are reminded that their listed options will expire on 31st March 2008. These options are currently valuable but will have no value if not converted into shares before that date. Given the price history of your Papyrus shares the 20c payment to exercise your options into shares should prove an attractive investment; I encourage option holders to take the opportunity to exercise their options prior to the expiry date. Formal notice in accordance with the Listing Rules of ASX will be given in due course.

Yours sincerely,

DAVID WYATT

CHAIRMAN

Encl.



PAPYRUS AUSTRALIA LIMITED

(ABN 63 11 08 68 409)

NOTICE OF 3rd ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

19 November 2007

Time of Meeting

11.00a.m. CST

Place of Meeting

Conference Room 1
Rendezvous Allegra Hotel
55 Waymouth Street Adelaide SA 5000



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the third Annual General Meeting of Shareholders of Papyrus Australia Ltd will be held at the Conference Room 1, Rendezvous Allegra Hotel, 55 Waymouth Street, Adelaide, South Australia on Monday 19th November 2007 at 11.00am.

AGENDA

Ordinary Business

- 1] To receive and consider the financial statements for the year ended 30 June 2007 and accompanying reports of the directors and auditors thereon.

To consider and, if thought fit, pass the following items as ordinary resolutions:-

- 2] **Re-election of Mr Graeme Menzies as a director of the Company**
"That Mr Graeme Menzies, having retired by rotation in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, being eligible and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."
- 3] **Re-election of Mr Edward Byrt as a director of the Company**
"That Mr Edward Byrt, having retired by rotation in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, being eligible and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."
- 4] **Adoption of the remuneration report**
"That the Company adopt the Remuneration Report for the year ended 30 June 2007 as set out in the Company's Annual Report."

Special Business

- 5] **Ratification of previous issues of Securities**
"That for the purpose of Rules 7.4 and 7.5 of the Listing Rules of ASX Limited, the issue on 6th December 2006 of 6,500,000 fully paid ordinary shares at an issue price of \$0.32 cents per share to excluded offerees who are clients of Taylor Collison Ltd be ratified and approved."
- 6] **Approval of Employees and Officers Share Option Plan**
"That, for the purpose of ASX Listing Rule 7.2, Exception 9 of the Listing Rules and for all other purposes, the Company approve the issue of securities under the employee incentive option scheme for employees known as "Papyrus Australia Ltd Employees and Officers Option Plan", the rules of which are annexed as Annexure "A" to the Explanatory Notes accompanying this Notice of Meeting, as an exception to Listing Rule 7.1".

7] **Issue of securities to Mr Ramy Azer**

"That for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 and Listing Rule 7.1 of the Listing Rules of the ASX Limited, approval is given for the issue to Ramy Azer ("RA") 634,413 ordinary shares in the Company at a deemed issue price of \$0.4944 cents per share in satisfaction of the liability of the Company to repay to RA a loan of \$313,654 in accordance with the terms and conditions of an agreement entered into between RA, the Company and Papyrus Technology Pty Ltd, a wholly owned subsidiary of the Company, dated 2 December 2004 as disclosed in the prospectus pursuant to which the Company sought listing on ASX Limited."

Dated this 13th day October 2007

BY ORDER OF THE BOARD
PAPYRUS AUSTRALIA LTD



VINCENT RIGANO
COMPANY SECRETARY

Voting

A Proxy Form is enclosed with this Notice.

Explanatory Notes

The Explanatory Notes accompanying this Notice of Annual General Meeting are incorporated in and comprise part of this Notice of Annual General Meeting, and should be read in conjunction with the this Notice.

EXPLANATORY NOTES

Voting:

1. The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that the shares of the Company that are quoted on the ASX Limited as at 7.00pm on 15 November 2007, will be taken, for the purposes of the General Meeting, to be held by the persons who held them at that time. Accordingly, those persons will be entitled to attend and vote at the meeting.
2. A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights.
If the Member does not specify the proportion of votes the proxy may exercise, then each proxy will be taken to exercise one half of the votes held and subject to the proxy with fractional entitlements to votes being disregarded.
3. A proxy duly appointed need not be a Member. In the case of joint holders all must sign.
4. A form of proxy accompanies this Notice and, to be effective, the form and any document necessary to show the validity of the form of proxy must be lodged at the registered office of the Company not less than 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
5. Directors and Officers of all corporate shareholders should note that unless the corporate shareholder either:
 - (a) completes and lodges with the Company a valid appointment of proxy in accordance with the instructions on the enclosed Proxy Form; or
 - (b) completes and either lodges with the Company prior to the meeting a form of appointment of or certificate of appointment of personal representative in accordance with the provisions of Section 250D of the Corporations Law or causes such personal representative to attend the meeting with such form of appointment or certificate; or
 - (c) has appointed an attorney;and such proxy, personal representative or attorney attends the relevant meeting, then such corporate shareholder will be unable to exercise any votes at the relevant meeting.
6. Proxies and corporate appointment of representative forms may be returned to the Company in any of the following ways:
 - (a) by delivery (by hand, mail, courier) to the Company at:
 - (i) Registered Address: Ground Floor, Elizabeth House, 231 North Terrace Adelaide, South Australia 5000 Australia;
 - (ii) Share Registry: Computershare Investor Services Pty Ltd, Level 5, 115 Grenfell Street, Adelaide SA 5000 Australia;
 - (b) by mail to Papyrus Australia Limited at
 - (i) Registered Office: PO Box 3030, Rundle Mall, Adelaide, South Australia 5000 Australia;
 - (ii) Share Registry: Computershare Investor Services Pty Ltd, GPO Box 1903 Adelaide SA 5000 Australia;
 - (c) by facsimile: + 61 8 8236 2305.

Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Act.

Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:

- 2 directors of the company; or
- a director and a company secretary of the company; or
- for a proprietary company that has a sole director who is also the sole company secretary - that director.

For the Company to rely on the assumptions set out in Sections 129(5) and (6) of the Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the proprietary company must state that next to his or her signature.

Where a proprietary company executes a proxy under the hand of a sole signatory that company shall be deemed to have warranted to the Company that the corporate shareholder is a proprietary company that has no appointed a company secretary as permitted by Section 204A of the Corporations Act.

Completion of a proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and attends the meeting in person then the proxy's authority to speak and vote for that Member is suspended while the Member is present at the meeting.

Where a proxy form or form of appointment of or certificate of appointment of personal representative is lodged and is executed under power of attorney the power of attorney must be lodged in like manner as a proxy.

The enclosed proxy form provides further details on appointing proxies and lodging proxy forms.

"Snap-shot" Time

The Company may specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting. The Company's directors have determined that all Shares of the Company that are quoted on ASX as at 7.00pm CST on 15 November 2007 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

Corporate Representative

Any corporate Shareholder who has appointed a person to act as its corporate representative at the meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the meeting or handed in at the meeting when registering as a corporate representative.

Resolution 1: To receive and consider the financial statements for the year ended 30 June 2007

Shareholders should receive a copy of the Company's Annual Report for the year ended 30 June 2007 at the same time as this notice. Shareholders are asked to receive and consider these financial statements and the accompanying reports of the directors and auditors thereon.

Resolution 2: To consider the re-election of Mr Graeme Menzies as a director of the Company

In accordance with the Company's Constitution Mr Graeme Menzies automatically retires from the conclusion of this meeting, and being eligible, offers himself for re-election.

The resolution to be put to the meeting is:

To consider and, if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:
"That Mr Graeme Menzies, having retired by rotation in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, being eligible and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."

Resume of the candidate for re-election to the office of director is as follows:-

Graeme A Menzies	Director (Non-executive).
Qualifications	LLB.
Experience	Mr. Menzies has been a board member since September 2004. He is a director of Moby Oil & Gas Ltd, China Cattle Limited and Octanex NL. He is a legal practitioner with over 30 years experience in the areas of corporate restructures, takeovers and capital raising.

Resolution 3: To consider the re-election of Mr Edward M Byrt as a director of the Company

In accordance with the Company's Constitution Mr Edward Byrt automatically retires from the conclusion of this meeting, and being eligible, offers himself for re-election.

The resolution to be put to the meeting is:

To consider and, if thought fit to pass, with or without amendment, the following resolution as an ordinary resolution:

"That Mr Edward Byrt, having retired by rotation in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, being eligible and having offered himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting."

Resume of the candidate for re-election to the office of director is as follows:-

Edward M Byrt Director (Non-executive).

Experience Mr. Byrt has been a board member since December 2004. He is a legal practitioner with over 30 years experience specialising in the areas of commerce and public law, corporate governance and international business.

Resolution 4: Adoption of the remuneration report

The Annual Report for the year ended 30 June 2007 contains a Remuneration Report which sets out the remuneration policy for the Group and reports the remuneration arrangements in place for the executive Director, specified Executives and non-executive Directors. The report is set out in the Directors' Report of the Annual Report.

Under the provisions of the Corporations Act 2001, the shareholder vote is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should the resolution not be passed. However, the Board has determined that it will take the outcome of the vote into consideration when reviewing the remuneration policy.

Resolution 5: Ratification of previous issues of Securities

The allottees of the shares referred to in Resolution 5 on the Notice of Meeting were clients of the firm of Taylor Collison Limited and who were excluded offerees within the meaning of Section 708 of the Corporations Act 2001 ('the Act'). The Company issued a notice under Section 708A (5) (e) of the Act on 7 December 2006.

The full amount subscribed under the placement made on 6 December 2006 was \$2,080,000 (before expenses) and those funds will be used to continue to fund the development of the Company's banana ply technology with the aim of achieving commercial production and for working capital purposes generally.

The Resolution proposes that the placement be ratified and approved. Under Listing Rule 7.1 the Company may not issue securities exceeding 15% of its ordinary shares in any twelve month period unless the issue is approved by shareholders in general meeting under Listing Rule 7.3. An issue of securities made without prior approval under Listing Rule 7.1 is treated as having been made with approval if the issue did not breach Listing Rule 7.1 and the holders of ordinary securities subsequently approve the placement. The placement proposed to be approved did not breach Listing Rule 7.1 and ratification is now sought.

The Company will disregard any votes cast on the resolution by a person who participated in the issue or any of their associates within the meaning of the Act. However, the Company will not disregard a vote if:

- (a) it is cast by an allottee of the shares or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6: Approval of Employees and Officers Share Option Plan

The Company currently has in place the Papyrus Australia Ltd Employees and Officers Option Plan ("Plan") under which employees may be offered the opportunity to receive options to subscribe for shares in the Company in order to increase the range of potential incentives available to them and to strengthen links between the company and its employees.

The Plan is designed to provide incentives to the employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that options are a cost effective and efficient means of incentivising employees. To enable the Company to secure employees who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Under the Plan, the Board may offer to eligible persons the opportunity to receive such number of Employee Options in the Company as the Board may decide and on terms set out in the rules of the Plan, a copy of which is contained in Annexure "A" of the Explanatory Notes. Employee Options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

ASX Listing Rule 7.1 restricts the number of shares and options a listed entity can issue without shareholder approval. ASX Listing Rule 7.2 contains a number of exceptions to ASX Listing Rule 7.1. In particular, Exception 9(a) provides, in the case of an employee incentive scheme established before an entity is listed, that ASX Listing Rule 7.1 does not apply to an issue under the scheme if within 3 years before the date of issue a summary of the terms of the scheme was set out in a prospectus. The Plan was established before the Company was granted official quotation by ASX in April 2005. In accordance with Rule 7.2 Exception 9(a), a summary of the terms of the Plan was included in the prospectus dated 19 January 2005 issued by the Company.

The exemption from Rule 7.1 previously conferred by Listing Rule 7.2 Exemption 9(a) ceases to apply upon the expiration of three years from the date of the prospectus.

However, Exception 9(b) of the ASX Listing Rule 7.2 provides that ASX Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within 3 years before the date of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

In accordance with the requirements of ASX Listing Rule 7.2 Exception 9(b) the following information is provided:-

- (a) a copy of the rules of the Plan is attached as Annexure "A" to the Notice;
- (b) 1,250,000 Employee Options have previously been issued under the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 6.

The Company will disregard any votes cast on the resolution by any director of the company or their associates within the meaning of the Act. However, the Company will not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

As the Directors are excluded from voting on this resolution they do not wish to make a recommendation as to how shareholders ought to vote in respect of the resolution. The Chairman intends to vote any undirected proxies in favour of Resolution 6.

Resolution 7: Allotment of Shares to Ramy Azer

In relation to Resolution 7 and for the purpose of Listing Rule 10.11 and in accordance with the provisions of Listing Rule 10.13 the following information is provided:

- (a) The shares will be issued to Ramy Azer ("RA").
- (b) The number of Shares to be placed to RA will be as set out in Resolution 7.
- (c) It is proposed that the securities will be issued by not later than 18 December 2007 being a date less than one (1) month after the date of the meeting.
- (d) RA is a director of the Company. At present RA has a relevant interest in 20,592,000 fully paid ordinary shares in the capital of the Company representing 35.35% of its issued capital. On completion of the proposed placement of shares to RA, RA will

have a relevant interest in 36.36% of the issued capital of the Company: an increase of 1.01%. RA also holds 11,213,115 options to acquire shares in the capital of the Company.

- (e) The deemed issue price of the shares is as set out in the resolution.
- (f) The shares are ordinary shares, which will rank pari passu with all other shares on issue in the capital of the Company from the date of their issue and allotment.
- (g) No funds will be raised by the issue but the issue and allotment will discharge a liability of \$313,654 owed by Papyrus Technology Pty Ltd, a wholly owned subsidiary of the Company.
- (h) The Company will disregard any votes cast on the resolution by RA and any of its associates. However, the Company will not disregard a vote if:
 - (i) it is cast by RA or any of its associates as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
 - (ii) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

The placement of the Shares to RA is a related party benefit and the requirements of Chapter 2E of the Corporations Act 2001 are dealt with below.

By a loan agreement dated 2 December 2004 between RA, the company ("PAL") and Papyrus Technology Pty Ltd ("PTPL") and summarised in the prospectus dated 19 January 2005 ("the Prospectus"). RA agreed that the sum of \$313,654 reflected as a non-current liability in the financial statements of PTPL and representing the liability of PTPL to repay to RA loan funds has been agreed to be repayable as set out below.

In summary, repayment of the loan was deferred until after PAL became listed on ASX Limited (ASX) and was further deferred thereafter until such time as PAL and its controlled entities have been determined to have traded on a profitable basis as established by and reflected in the Audited Financial Statements of PAL and its controlled entities prepared on a consolidated basis in relation to a financial period of one year ending on a Balance Date subsequent to the listing of PAL on ASX. Following the above situation arising, the loan would only have been repayable from moneys which would otherwise have been available for distribution to members by way of dividend.

PAL has the right to repay the loan at any time and it may do this from its available funds from time to time or from the proceeds of an issue which may be made for that purpose or generally for the purpose of raising additional working capital.

What is relevant for present purposes is that Clause 2.4 of the loan agreement provides RA with the right at any time to convert the loan into equity by subscription for shares in the capital of PAL at the higher of the deemed issue price under the Prospectus and 80% of the then market price of the shares determined in like manner as in relation to a placement where the deemed issue price is determined to be 80% of the average market price of securities calculated as provided in Listing Rule 7.3.3 of the Listing Rules.

The right of RA to convert the loan into equity is subject to compliance with the requirements of the Act and the Listing Rules from time to time.

The loan does not bear interest against PTPL.

Insofar as the terms of the agreement are concerned, the directors of PAL consider that the arrangements fall within the scope of Section 210 of the Act which provide that Member approval is not needed to give a financial benefit on terms that:

- (a) would be reasonable in the circumstances if the public company or entity and the related party were dealing at arm's length; or
- (b) are less favourable to the related party than the terms referred to in paragraph (a).

The terms of the loan need to be considered at the time the loan was made. At that time PAL was seeking listing and was offering shares for subscription at \$0.20 with a free fractional option entitlement the loan was unsecured and repayable on demand.

It would be reasonable for any lender to PAL on commercial terms in those circumstances to have required:

- (a) PAL to give registered charges lodged with ASIC on commercial terms to provide security over the assets of PAL and its subsidiaries;
- (b) RA to have charged a commercial rate of interest;
- (c) RA to have required interest to be paid monthly in advance;
- (d) PAL to have provided a like right of conversion into equity but without the provision which meant that the conversion could not be at below the deemed issue price of shares under the Prospectus;

- (e) RA to have required a specific term by which the loan had to be repaid and not allow PAL to defer liability until PAL was both listed and profitable: which might never happen;
- (f) RA not to have permitted PAL to restrict repayment of the loan to be only from proceeds of an issue for the purpose or otherwise from moneys otherwise available for distribution to members as dividends.

RA did not require these terms from PAL and clearly the terms of the loan as made were significantly more in favour of PAL than could have otherwise been obtained when dealing at arm's length with any third party.

The effect of the loan agreement was to significantly defer liability to repay the loan and to make repayment of it conditional upon the achievement of a series of conditions which will ensure that PAL has the ability to repay the debt of its now subsidiary. A further financial benefit from PAL point of view is that the loan may be converted into equity.

In the circumstances, the Directors do not consider that the terms of the loan provided any financial benefit to RA but if they did, the directors are of the opinion that the terms fall within Section 210 of the Act.

Notwithstanding that the directors consider that the benefit falls within the operation of Sections 210 of the Act, and that the terms of the loan are reasonable within the terms of that Section such that members' approval is not required, the directors consider that it is appropriate that members vote on the resolution and that they be provided with the information that they would have been required to be provided if the directors had not formed the view that the benefits were reasonable. Consequently, the following information is provided as would have been required by Section 219 of the Act:

- (a) The related party who benefits from the resolution and the placement is RA.
- (b) The nature of any financial benefit is that RA will be issued with 634,413 ordinary shares in the Company at an deemed issue price of \$0.4944 cents per share in satisfaction of the liability of the Company to repay to RA a loan of \$313,654 in accordance with the terms and conditions of an agreement referred to in Resolution 7. The benefit, if any, is that RA receives the benefit of the 20% discount from market price as referred to in the loan agreement
- (c) The only director to have an interest in the outcome of the proposed resolution is RA and his benefit is that he the allottee of the shares and will benefit from the issue thereof and from any increase in the value thereof.
- (d) RA has a relevant interest in 20,592,000 fully paid ordinary shares in the capital of the Company representing 35.35% of the voting power attached to its issued capital. On completion of the proposed placement of shares to RA, RA will have a relevant interest in 21,226,413 shares representing 36.36% of the voting power attached to the issued capital of the Company: an increase in voting power of 1.01%. RA also holds 11,213,115 options to acquire shares in the capital of the Company

In accordance with the loan agreement a written notice of intention dated the 11 September 2007 was forwarded by RA to PAL advising of RA's intention to exercise the right to convert the loan to equity in accordance with Clause 2.4 of the loan agreement.

Clause 7.3.3 of the ASX Listing Rules provides that the minimum listing price of the securities "may be fixed or a stated percentage that is at least 80% of the average market price of the securities in that class. The average is calculated over the last 5 days on which sales in the securities were recorded before the date on which the issue was made or, if there is a prospectus, Product Disclosure Statement or offer information statement relating to the issue, over the last 5 days on which sales in the securities were recorded before the date of the prospectus, Product Disclosure Statement or offer information statement is signed.

The closing price of the securities on the 5 trading days before the notice of intention to convert the loan to equity was provided to PAL was:-

Date	Closing Price of securities	Trade Occurred (Y / N)	Closing Price used to determine average exercise price
31 August 07	\$0.59	Y	\$0.59
3 September 07	\$0.64	N	-
4 September 07	\$0.61	Y	\$0.61
5 September 07	\$0.65	Y	\$0.65
6 September 07	\$0.62	Y	\$0.62
7 September 07	\$0.62	N	-
10 September 07	\$0.62	Y	\$0.62

Average price of securities over the five trading days \$0.618
 Deemed Issue price of securities based on 80% of the average price \$0.4944

The Company will disregard any votes cast on the resolution by RA or any of his associates within the meaning of the Act. However, the Company will not disregard a vote if:

- (a) it is cast as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Each of the directors of PAL other than RA, who has an interest in the outcome of the resolution, recommends to members that they vote in favour of the resolution for the following reasons:-

- The conversion of the loan to equity removes a long term liability and strengthens the balance sheet of the company.
- Cash that would have otherwise been used to repay the loan remains in the company.

However, each member must form his own opinion in relation to the resolution and vote as he or she considers appropriate having regard to the information contained in this explanatory memorandum.

The Chairman intends to vote any undirected proxies in favour of Resolution 7.

EXPLANATORY NOTES

Annexure "A"

PAPYRUS AUSTRALIA LIMITED
(ABN 63 11 08 68 409)

EMPLOYEE AND OFFICERS
OPTION PLAN

PAPYRUS AUSTRALIA LIMITED
(ABN 63 11 08 68 409)

EMPLOYEE AND OFFICERS OPTION PLAN

TERMS AND CONDITIONS

1. INTERPRETATION

1.1 The following words have these meanings in this plan unless the contrary intention appears.

“**Associate**” has the meaning given to that term in the Corporations Act 2001.

“**ASX**” means Australian Stock Exchange Limited.

“**Company**” means **Papyrus Australia Limited** (ABN 63 11 08 68 409).

“**Directors**” mean the directors of the Company from time to time.

“**Eligible Person**” means any employee of the Company or a member of the Group whether in a full time or part time position, including any director, secretary, public officer. Without limiting the generality of the term “employee” a person will be deemed to be an employee of the Company or a member of the Group where the services of that person are provided to the Company or such member of the Group by an independent contractor where the person so seconded acts in accordance with the instructions of management of the Company or of any member of the Group and does not exercise independent discretion in the performance of and carrying out of his or her responsibilities as an independent contractor provided that the provision of such services is on a regular basis and whether part-time or full-time.

“**Exercise Notice**” means a notice in substantially the same form as that contained in the Schedule.

“**Exercise Price**” means the price at which each Option may be exercised, which shall be the market value of a fully paid ordinary share in the capital of the Company on the issue date which is to be that value calculated by the Board having regard to various matters relevant to the Company or which is to be the market value of an ordinary share in the Company as determined by an expert appointed by the Board (and reasonably believed by the Board to be a competent valuer).

“**Group**” means the Company or any controlled entity of the Company.

“**Listing Rules**” means the official listing rules from time to time of ASX.

“**Option**” means an option to acquire a Share issued pursuant to the Plan.

“**Option Period**” means the period specified in the terms of grant of an Option as the period during which it may be exercised ending at the time of its expiry on the last date on which it may be exercised.

“**Participant**” means an Eligible Person who has been issued and presently holds Options.

“**Plan**” means the employee option plan of the Company comprising the terms and conditions herein set out.

“**Share**” means a fully paid ordinary share in the capital of the Company.

1.2 The singular includes the plural and vice versa.

1.3 The masculine includes the feminine and neuter; the feminine includes the masculine and neuter; the neuter includes the masculine and feminine.

2. ISSUE OF OPTIONS

2.1 The Directors may issue Options to Eligible Persons.

2.2 The total number of unissued Shares in respect of which Options have been granted under this Plan when aggregated with the number of outstanding options granted or shares issued pursuant to all employee share and option schemes established by the Company shall not exceed ten percent (10%) of the aggregate of the total number of issued ordinary Shares in the capital of the Company calculated as at the date of the letter of offer on the basis that all shares and other securities convertible into shares had been converted. This includes options, convertible notes and any other securities convertible into shares. For the purpose of the Plan "shares" means fully paid ordinary shares in the capital of the Company.

2.3 The Directors may in their sole discretion select those Eligible Persons to whom Options shall be made and determine the number of Options to be offered to an Eligible Person. The Directors may have regard to the length of the period of service and record of employment of the Eligible Person with the Company and the potential contribution of the Eligible Person to the Company.

2.4 Invitations offered to employees and directors must be accepted within 28 days or such other period as the Board may determine and upon receipt of a duly signed acceptance in the appropriate time frame, the Company will issue the accepting party a certificate for the options granted provided that, if within that time frame, the employee or director ceases to be employed by the Group, no obligation to grant the options exists. Unless otherwise determined by the Board, the options are to be granted free of cost.

2.5 The options can be granted on such terms and conditions as to restrictions on exercise, performance contingencies, hurdles and targets as the Board considers reasonable in the interests of the Group as a whole.

2.6 The number of Options to be offered to an Eligible Person under the Plan shall be notified in a letter of offer from the Company. Acceptance of such offer shall be in writing in a form acceptable to the Directors.

3. EXERCISE

3.1 Each Option shall entitle the Participant to subscribe for one Share upon exercise of the Option.

3.2 If the Participant has not exercised an Option by the end of the Option Period, the Option will lapse in accordance with its terms of grant.

3.3 Each Option may be only exercised at the Exercise Price.

3.4 The Options shall be exercisable wholly or in part in parcels of 100 or multiples thereof by delivering to the Company at its registered office a duly completed and executed Exercise Notice.

3.5 Shares issued pursuant to the exercise of Options will be allotted within the time periods required by the Listing Rules of ASX (whilst the Company is admitted to the Official List) or otherwise within not more than 10 Business Days after (but not including) the date of receipt by the Company of:

(a) the Exercise Notice;

(b) the Option certificate; and

(c) payment of the Exercise Price.

3.6 The Eligible Person's right to exercise the Options shall continue until the expiration of the Option Period, subject to the following conditions:

3.6.1 If a Participant ceases to be an Eligible Person (except in the cases set out in clauses 3.6.2 and 3.6.3), then, unless otherwise resolved by the Board in its unfettered discretion, Options held by the Participant and not exercised within 30 days from the date on which the Participant ceases to be an Eligible Person shall be cancelled and shall cease to be of effect. Without limiting the generality of the foregoing the Board may specify a period in substitution for that 30 day period where a Participant ceases to be an Eligible Person due to retrenchment or normal retirement from the workforce.

3.6.2 If a Participant dies, the right of the Participant to exercise Options not at that time exercised shall vest in the Participant's executor and/or administrator or, on distribution and finalisation of the Participant's estate, in the beneficiaries entitled thereto and such persons shall have a period of 12 months from the date of death of the Participant to exercise any such Options which in lieu of the 30 day period referred to.

3.6.3 If the Company is wound up, any Options held by the Participant and not at that time exercised shall be cancelled and shall cease to be of effect.

4. SHARE RANKING

4.1 Options will not confer an entitlement to share in dividends declared and paid by the Company.

4.2 Each Share issued pursuant to the exercise of an Option shall rank equally in all respects with the then issued Shares.

5. ASSIGNMENT

Options are not assignable or transferable without the prior written consent of the Directors except in the case of the death of a Participant when Options may be transmitted to the Participant's executor and/or administrator or, on distribution and finalisation of the Participant's deceased estate, to the beneficiaries entitled thereto.

6. FURTHER ISSUES

6.1 Bonus Issues

(a) In the event of a bonus issue to shareholders the number of shares over which the Option is exercisable will increase to the number of shares that the holder of the Option would have received if the Option had been exercised before the record date for the bonus issue.

(b) The company shall notify each Option holder and each relevant stock exchange within one month after the record date for a pro-rata bonus issue of the adjustment to the number of shares subject to the Option.

6.2 New Issues

An Option will not confer an entitlement to participate in pro rata issues of shares offered to shareholders until exercise of the Option. The Participant shall be given at least 10 Business Days notice prior to the Record Date to determine entitlements to the issue to enable the Participant to exercise the Options then capable of exercise and to participate in the issue.

- 6.3 In the event that the Company obtains admission ("becomes listed") to the official list of the Australian Stock Exchange ("ASX") before the expiry date and in the event of a pro rata issue (except a bonus issue) to shareholders, the Exercise Price of an Option will be reduced according to the following formula.

$$O' = O - \frac{E[P-(S+D)]}{N + 1}$$

- O' = the new Exercise Price of the Option which may not be reduced below 20¢.
- O = the Old Exercise Price of the Option.
- E = the number of shares into which one Option is Exercisable.
- P = the average market Price per share (weighted by reference to volume) of the shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.
- S = the Subscription price for shares under the pro rata issue.
- D = the Dividend due but not yet paid on the existing shares (except those to be issued under the pro rate issue).
- N = the Number of shares with rights or entitlements that must be held to receive a right to one new share.

7. RECONSTRUCTION, REORGANISATION OR DISTRIBUTION

- (i) In the event of any proposed reconstruction, reorganisation or distribution of the issued capital of the Company all the terms and conditions of this Option Plan shall be deemed to be modified so as to remove all restrictions on exercise thereof so as to permit such options to be immediately exercisable by the holders thereof.
- (ii) If the Participant does not avail himself of the acceleration right in (i) above and exercise to Options prior to any such reconstruction reorganisation or distribution of the issued capital of the Company, then the number and nominal value of the Shares that each Participant is entitled to subscribe for shall be reconstructed in the manner in which options to acquire ordinary shares are required to be reconstructed in accordance with the provisions of the listing Rules having regard to the nature of the reconstruction or reorganisation of the shares in the capital of the Company.

8. TAKEOVER OR MERGER

In the event that either

- (i) a bona fide takeover bid pursuant to the Corporations Act 2001 is made for more than 50% of the issued share capital of the Company; or
- (ii) the Company makes an announcement that it proposes to merge with another company by means of a Scheme of Arrangement to be effected pursuant to the Corporations Act 2001; or
- (iii) the Company proposes to effect a merger with any other company by any other lawful means; all the terms and conditions of this Option Plan shall be deemed to be modified so as to remove all restrictions on exercise thereof so as to permit such options to be immediately exercisable by the holders thereof.

9 ESCROW

In the event that:

- (i) an Eligible Person is offered a grant of Options;
- (ii) a Participant shall hold any Options;

which are, or become, subject to restriction imposed by ASX pursuant to the Listing Rules it shall be a term of grant thereof that the grantee thereof shall be required to enter into a restriction agreement with the Company in the form required pursuant to the Listing Rules and, in addition, if required by the provisions of the Listing Rules or ASX generally, each such Eligible Person or Participant shall likewise enter into a restriction agreement in such form and for such period as required by ASX pursuant to the provisions of the Listing Rules.

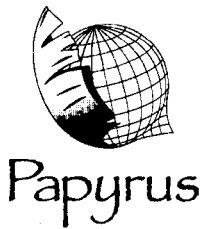
9 LISTING RULES

Nothing contained in this Plan shall, if the Company becomes listed on the ASX, release the Company from complying with the Listing Rules of the ASX, and the Listing Rules shall override any relevant provision hereof and in particular:

- (a) Notwithstanding anything contained in these terms and conditions, if the Listing Rules prohibit an act being done, the act shall not be done.
- (b) Nothing contained in these terms and conditions prevents an act being done that the Listing Rules require to be done.
- (c) If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (d) If the Listing Rules would otherwise require these terms and conditions to contain a provision and it does not contain such a provision, these terms and conditions are deemed to contain that provision.
- (e) If the Listing Rules require these terms and conditions not to contain a provision and it contains such a provision these terms and conditions are deemed not to contain that provision.
- (f) If any provision of these terms and conditions is or becomes inconsistent with the Listing Rules, these terms and conditions are deemed not to contain that provision to the extent of the inconsistency.

10. ADMINISTRATION AND AMENDMENT OF PLAN

- 10.1 Subject to clause 10.2, the Plan shall in all respects be administered by the Directors, who may make such rules for the conduct of the Plan consistent with its terms and conditions as they see fit.
- 10.2 The terms and conditions of the Plan may be altered by special resolution of the Company in general meeting. At any meeting called to approve an alteration of the Plan, the shareholders who are eligible to participate in the Plan and their Associates shall not vote on the matter.



Papyrus Australia Ltd
 ABN 63 110 868 409

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Proxy Form

All correspondence to:

Computershare Investor Services Pty Limited
 GPO Box 1903 Adelaide
 South Australia 5001 Australia
 Enquiries (within Australia) 1300 556 161
 (outside Australia) 61 3 9415 4000
 Facsimile 61 8 8236 2305
 www.computershare.com

Appointment of Proxy

I/We being a member/s of Papyrus Australia Limited and entitled to attend and vote hereby appoint

<input type="checkbox"/>	the Chairman of the Meeting (mark with an 'X')	OR	<input type="text"/>
--------------------------	--	-----------	----------------------

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Papyrus Australia Limited to be held at the Conference Room 1, Rendezvous Allegra Hotel, 55 Waymouth Street, Adelaide, South Australia, 5000 on 19 November 2007 at 11.00am and at any adjournment of that meeting.



IMPORTANT: FOR ITEM 6 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Item 6 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of that item and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 6 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 6.

Voting directions to your proxy - please mark

to indicate your directions

		For	Against	Abstain*		For	Against	Abstain*	
2	Re-election of Mr Graeme Menzies as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	5	Ratification of previous issues of Securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Re-election of Mr Edward Byrt as a director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6	Approval of Employees and Officers Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Adoption of the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7	Issue of securities to Mr Ramy Azer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointing a second Proxy

I/We wish to appoint a second proxy

<input type="checkbox"/>	Mark with an 'X' if you wish to appoint a second proxy.	AND	<input type="text"/>	%	OR	<input type="text"/>
--------------------------	---	------------	----------------------	----------	-----------	----------------------

State the percentage of your voting rights or the number of securities for this Proxy Form.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/Sole Director and
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

In addition to signing the Proxy Form in the above box(es) please provide the information below in case we need to contact you.

Contact Name

Contact Daytime Telephone

Date

PPY

7PR



How to complete the Proxy Form

1 Your Address

This is your address as it appears on the company's Share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's Share registry or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's Share registry or at www.computershare.com.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 11.00am on 19 November 2007. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

IN PERSON	Registered Address - Ground Floor, Elizabeth House, 231 North Terrace, Adelaide, South Australia, 5000, Australia Share Registry - Computershare Investor Services Pty Limited, Level 5, 115 Grenfell Street, Adelaide, South Australia, 5000, Australia
BY MAIL	Registered Office - PO Box 3030, Rundle Mall, Adelaide, South Australia, 5000, Australia Share Registry - Computershare Investor Services Pty Limited, GPO Box 1903, Adelaide, South Australia, 5001, Australia
BY FAX	+61 8 8236 2305



Papyrus

PAPYRUS AUSTRALIA LIMITED

ABN 63 110 868 409

www.papyrusaustralia.com.au

ANNUAL REPORT
2007



PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

CORPORATE DIRECTORY

DIRECTORS

David Michael Wyatt (Chairman)
Ramy Abraham Azer (Managing Director)
Donald Clinton Stephens
Christopher David Smerdon
Edward Michael Byrt
Graeme Alan Menzies

COMPANY SECRETARY

Vincent Rigano

Ground Floor, Elizabeth House,
231 North Terrace Adelaide SA 5000

CHIEF OPERATING OFFICER

Grant Douglas Pigot

PRINCIPAL OFFICE

1 Sherriffs Road,
Lonsdale SA 5160

AUDITORS'

Grant Thornton
Level 1,
67 Greenhill Road,
Wayville SA 5034

COMPANY SOLICITORS'

Norman Waterhouse Lawyers
Level 15,
45 Pirie Street
Adelaide Vic. 5000

COMPANY BROKERS

Taylor Collison Limited
Level 2,
12 Pirie Street
Adelaide SA 5000
Inquiries: (08)8212 2688

SHARE REGISTRAR

Computershare Investor Services Pty Ltd
Level 5,
115 Grenfell Street
Adelaide SA 5000



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Papyrus

CHAIRMAN'S REPORT



Dear shareholders,

The past year has seen your Company continue to make solid progress towards commercialisation of the banana-ply technology.

Highlights of the year include the construction and commissioning of the first commercial Papyrus manufacturing line and the granting of our patent. The company moved to new headquarters at Lonsdale near Adelaide soon after the construction and commissioning of the commercial manufacturing line. This rapid and effective relocation of the machinery augurs well as a model for shipment and commissioning of future production lines.

As is detailed in the Operations Report the company has developed formal agreements with a diverse group of market partners. The market response to the initial sample product has been very encouraging and confirms broad market demand at average prices exceeding the Prospectus forecasts.

The Papyrus Board has been undertaking a comprehensive strategic review in recent months assisted by a team of external advisors with extensive corporate experience including specific paper industry knowledge. This review will position the company for the next stage of business development. Specific details will be released progressively as appropriate and at the AGM.

Initial shareholders and other option holders can participate in capital raising by exercising their options any time before they expire on 31st March 2008. Details and a form to exercise these options accompany this mailing. Given the price history of your Papyrus shares the 20c payment to exercise your options into shares should prove an attractive investment.

In support of our growing operations we have continued to build our team of talented professionals. I acknowledge the continued leadership of Mr. Ramy Azer our Managing Director and CEO and the dedicated efforts of his hard working team.

I also acknowledge the support of my fellow Directors who have continued to play a valuable role in strategic and corporate guidance of your company.

In conclusion, I thank you for your ongoing and patient support. We are confident that Papyrus Australia will enter the next phase of business development in the year ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'D. M. Wyatt'. The signature is fluid and cursive, written over a white background.

David Wyatt
Chairman

Papyrus Australia Ltd

Operations Report 2006/2007

Corporate

During the reporting period, the following events occurred:

- A placement of 6,500,000 shares was made.
- 348,400 listed and 816,845 unlisted options were converted to ordinary shares.
- 22,293,249 shares and 20,864,496 unlisted options were released from ASX escrow.
- 1,000,000 unlisted options were issued expiring in 2011.
- The members register increased by 46.8% to a total of 1,467 members.

Operations

1. ENGINEERING

The Company is now well into the final phase of the commercialisation process as described in the Company Prospectus, dated 19th January 2005.

Scale - Up of the Production Line

The first Papyrus commercial manufacturing line was constructed in Adelaide as a joint effort between the Company and engineering integration specialist, SAGE Automation.

The line was delivered to the new Papyrus Headquarters in Lonsdale, South Australia in April 2007. The Lonsdale site provides the Company with the resources and space to expand as the Company grows in the future.

The first Papyrus Commercial line embodies all of the learning and information that the Company has aggregated during the past 10 years of development and signals the end of the development process.

Commissioning of the Commercial Production Line

The final stage of the commercialisation process involves commissioning the first commercial manufacturing line and performing all of the tests necessary to prove the capability of the technology to manufacture a range of products with broad market appeal.

This process involves a detailed examination of all mechanical aspects of the line to confirm expected functionality and capacity. In addition, a detailed examination of all relevant programming required as this will provide the environment in which specific product recipes will be developed, in consultation with our identified Customer groups.

The commissioning and production trial process is proceeding well and outcomes are as expected.



The first commercial Papyrus Manufacturing Line, immediately after installation at Papyrus HQ, Lonsdale.

2. ADMINISTRATION

Intellectual Property

The Papyrus technology protection process involves the lodgement of patent applications worldwide. These applications have been made in the 126 contracting states of the PCT, with a priority date of 16 September 2004.

The Papyrus patent was granted in Australia in February 2007.

The Company has now entered the national phase of patent applications in both PCT and non-PCT contracting states, with the same priority date as specified above. Non PCT countries include Malaysia, Taiwan, Thailand, Argentina, Bolivia, Peru and Venezuela.

The Papyrus trademarks are filed and are in the process of registration in Australia initially, followed by other Countries as required.

Strategic Plan

The Papyrus Board has been undertaking a comprehensive strategic review in recent months assisted by a team of external advisors with extensive corporate experience including specific paper industry knowledge.

This review will position the company for the next stage of International Business Development. The Company is proceeding with the implementation of the first phase of its new strategic plan.

3. CUSTOMERS & MARKETS

Heads Of Agreement

The Company has developed formal agreements with a diverse group of Customers as part of the Technology commercialisation process. The intent of the agreements is to work with a select group of Customers to develop the first products to be manufactured by the commercialised Papyrus Technology.

Once the development work is complete, the Company and each Customer will develop and agree upon a formal sales and marketing plan for each product. The sales and marketing plan will be used to measure on-going performance and maximise return.

DaiEi Australia (Printing & Stationary Markets)

DaiEi Australia is a subsidiary of the global DaiEi network, founded in Japan over 80 years ago and has built a reputation for expertise and reliability in paper markets around the world, including Japan, China, India, south East Asia, USA, South America and Africa.

DaiEi have expressed interest in the Papyrus material for a number of applications including:

- High value printing papers & parchments
- Craft and scrap-booking applications
- Specialty applications (wraps & labels)

Eveneer (Building & Furniture Markets)

Elton Group Pty Ltd (Eveneer) are manufacturers and importers of a wide range of environmentally sustainable wood veneers and plywood. They supply both the Australian and New Zealand markets as well as Europe and the United Arab Emirates.

Eveneer have identified the Papyrus product range as suitable for both premium decorative veneer applications as well as structural applications in plywood.

Guise Group (General Packaging Markets)

Guise Group own and operate successful specialised divisions servicing the packaging, board and paper industries. In addition to short run high value, decorative boxes for the cosmetics, jewellery, shoes and other markets, Guise Group also manufacture a range of pasted board products that are subsequently converted into cartons for a wide variety of application including meat, seafood and other products.

Guise Group have identified a variety of applications for the Papyrus products, both decorative and functional to improve the overall functionality, appearance and sustainability of the products that they currently manufacture.

Food & General Packaging Markets

The Company is also working closely with a company that specialises in the supply of food contact and general packaging products to the Australian and New Zealand markets.

Food packaging is a highly demanding market in which to operate and requires specialist expertise and knowledge regarding regulations and the practicalities of protecting food items.



The Papyrus Manufacturing Line undergoing production trials at Lonsdale.

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

CORPORATE GOVERNANCE STATEMENT

The board of directors is responsible for the corporate governance of Papyrus Australia Ltd (the Company) and its controlled entity (the Group). Summarised in this statement are the main corporate governance practices that have been developed by the board and were in place at the end of the financial year.

Board Responsibilities

The board of directors is accountable to shareholders for the performance of the Group and has an overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the managing director.

The key responsibilities of the board include:

- ✧ Approving the strategic direction and related objectives for the Group and monitoring management performance in the achievement of these objectives.
- ✧ Adopting budgets and monitoring the financial performance of the Group.
- ✧ Reviewing the performance of the managing director.
- ✧ Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- ✧ Ensuring all major business risks are identified and effectively managed.
- ✧ Ensuring that the Group meets its legal and statutory obligations.

Managing Director and Company Secretary Declaration to the Board of Directors

The declaration made by the managing director and the company secretary to the board with regard to the integrity of the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board. The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Board Composition

At the date of this statement the board consists of five non-executive directors, Dr. D Wyatt, Mr. G Menzies, Mr. C Smerdon, Mr. E Byrt and Mr. D Stephens and one executive director Mr. R Azer. Dr. Wyatt, who is also chairman of the board, and Mr. Stephens hold significant equity securities in the company. Messrs Menzies, Smerdon and Byrt have no other material relationship or association with the company or its subsidiaries other than their directorships. The company therefore has three independent directors as those relationships are currently defined.

The board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of directors including details of their qualification and experience are set out in the Directors' Report of this Annual Report.

The composition/membership of the board is subject to review in a number of ways, as outlined below:

- ✧ The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.
- ✧ Board composition is also reviewed periodically either when a vacancy arises or if it is considered that the board would benefit from the services of a new director, given the existing mix of skills and experience of the board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the board.

Board Remuneration

Remuneration of the non-executive directors is reviewed and approved by the board.

The maximum aggregate annual remuneration which may be paid to non-executive directors is currently \$300,000. This cannot be increased without approval of the Company's shareholders.

Remuneration of the managing director is reviewed and approved on an annual basis by the non-executive directors.

Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's constitution directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the board believes that a significant conflict exists the director concerned does not receive the relevant board papers, is not present at the meeting whilst the item is considered and takes no part in any decision including the conflict.

Director and Senior Management Dealings in Company Securities

The Company's constitution permits directors to acquire securities in the Company; however company policy prohibits directors and senior management from dealing the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- ✧ Any major announcements
- ✧ The release of the Company's quarterly, half yearly and annual financial results to the Australian Stock Exchange; and
- ✧ The Annual General Meeting.

Directors must advise the chairman of the board before buying or selling securities in the Company. All such transactions are reported to the board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Stock Exchange, the company advises the Exchange of any transaction conducted by directors in securities in the Company.

Board Committees

The board of directors takes ultimate responsibility for corporate governance including the functions of:

- ✧ Establishing compensation arrangements of its managing director and its senior executives and officers
- ✧ Appointment and retirement of non-executive directors
- ✧ Appointment of auditors
- ✧ Areas of Business Risk
- ✧ Maintenance of Ethical Standards

The board of directors seeks independent professional advice as necessary in carrying out their duties and responsibilities.

Audit Committee

At the date of this statement, the audit committee comprises three directors of the company, Mr. Donald Stephens, Dr. D Wyatt and Mr. Chris Smerdon along with the company secretary. Members' qualifications and attendance at the meetings of the committee are included in the directors' report. The committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

The audit committee reviews the performance and independence of the external auditor and where necessary makes recommendations for the appointment and removal of the Companies auditor.

Continuous Disclosure

The Company has a policy that all shareholders and investors have equal access to the Company's information. The chairman ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The company secretary has primary responsibility for all communications with the ASX.

Code of Ethics

Directors, management and staff are expected to perform their duties for the Group in a professional manner and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.

The Role of Shareholders

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the Group's state of affairs. Information is communicated to shareholders as follows:-

- ✧ The annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document);
- ✧ The half-yearly report contains summarised financial information and a review of the operations of the Group during the period (the financial report is sent to any shareholder who requests it);
- ✧ The ASX quarterly cash reports containing summarised financial information and a review of operations of the group during the periods;
- ✧ Notices of all meetings of shareholders.

All information disclosed to the ASX is posted on the company's web site

www.papyrusaustralia.com.au

Departures from ASX Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations"

In a number of instances the Company has departed from the various recommendations. This is primarily due to the size of the Company and the nature and scope of its operations and the cost benefit of adopting such recommendations. These departures and reasons for departure are as follows:

- ✧ There have been no formal disclosures of policies or processes. Given the involvement of all directors it is not considered that formal policies or processes are yet required as principles are followed.
- ✧ The board has formed an audit committee which has formulated the objectives and responsibilities for that committee. No other committees have been established. As previously noted this is because of the size of the Company and board. The board takes ultimate responsibility for these matters.



Papyrus



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PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the financial period ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the year are:

Dr. David M Wyatt	Mr. Edward M Byrt
Mr. Ramy A Azer	Mr. Graeme A Menzies
Mr. Donald C Stephens	Mr. Christopher D Smerdon

Directors have been in office since the start of the financial year to date of this report unless otherwise stated.

Company Secretary

The following person held the position of company secretary at the end of the financial year:

Mr Vincent Rigano - Bachelor of Accountancy, Certified Practising Accountant. Mr. Rigano has in excess of 26 years experience in providing accounting, corporate secretarial and consulting services to a large number of corporate clients. Mr. Rigano was appointed company secretary on 8 September 2004.

Principal Activities

The principal activities of the consolidated entity during the period was the commercialisation of the banana paper technology.

No significant change in the nature of the principal activities occurred during the financial year.

Operating Results

The operating loss of the consolidated entity after providing for income tax was \$1,377,922.

Dividends Paid or Recommended

No dividends were paid during the financial year and no dividends are recommended to be paid.

Review of Operations

Corporate

During the financial year, 348,400 listed options were converted to shares at 20 cents per share. In addition, 441,845 unlisted class "A" options and 375,000 unlisted class "B" options were converted to shares at 25 cents and 30 cents per share respectively.

On the 13 August 2006, 500,000 unquoted options exercisable at 40 cents per share were issued for nil consideration and formed part of a contract of employment with a vesting date of 14 August 2007. A further 500,000 exercisable at 50 cents were issued on the same date with a vesting date of 14 August 2008. The options are restricted from exercise or transfer until the expiry of the relevant vesting date.

On the 6 December 2006, a placement for 6,500,000 ordinary shares at \$0.32 cents per share was made.

Operational

The company focus to date has been on engineering activities associated with building the first commercial manufacturing line to produce the material derived from the banana tree trunk.



DIRECTORS' REPORT (Cont)

Operational (cont)

All operations were relocated to Lonsdale to allow sufficient space for the installation of the first Commercial Scale Papyrus Manufacturing Line that was delivered in April. The Lonsdale plant allows significant room for expansion for the construction of Papyrus Manufacturing Lines for our clients.

Following a design and construction project undertaken with Technology Partner SAGE Automation, the Papyrus Commercial Scale Manufacturing line was installed and commissioned at Lonsdale. The Line is undergoing a series of production trials that will allow all functional elements of the line to be tested.

The Australian Patent Office officially granted the Papyrus Patent Number 2005284690. In addition to the coverage provided by the PCT, application for patents has been made in non PCT Countries where banana is grown and/or significant manufacturing resources exist.

Heads of Agreement were signed with four Companies that formalised long standing working relationships and cover product and market development, sales and distribution activities for the supply of banana fibre products produced from the Papyrus Manufacturing Lines.

The company will continue with the production trials and production of samples that will be used for confirmation of the final product designs as well as for trial and evaluation by customer groups.

Financial Position

The net assets of the consolidated entity as at 30 June 2007 amounted to \$3,807,215, with a cash position of \$2,193,065.

The directors believe the group is in a sound financial position to continue its operations.

Significant Changes in State of Affairs

The following significant change in the state of affairs occurred during the period:

On the 6 December 2006, a share placement for 6,500,000 shares at 32 cents per share was made.

On the 14 April 2007, 22,293,294 shares together with 13,341,496 'A' class options and 7,523,000 'B' class options were released from ASX escrow.

After Balance Day Events

No material events have occurred subsequent to balance date.

Information on Directors

- David M Wyatt** - Chairman (Non-executive).
- Qualifications - PhD, MBA, Graduate Diploma Education, Bachelor Applied Science.
- Experience - Appointed chairman in 2004. Board member since 2004. Current director of the Queensland Government's seed investment fund (Biostart) and former managing director of PanBio Ltd between 1991 to 1998.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	1,587,514	167,114
	Options	1,793,757	83,557



PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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DIRECTORS' REPORT (Cont)

Special Responsibilities Responsibilities include overall strategic direction and leadership of the board and its committees
- and member of the Audit committee.

Directorships held in
other listed entities - Nil

Ramy A Azer - Managing Director (Executive).

Qualifications - MSTC, MSc (Eng), Grad Dip Bus, Bachelor Engineering (Mechanical).

Experience - Board member since 2004 and managing director since 2005. He has 10 years experience with Papyrus Technology Pty Ltd.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	-	20,926,229
	Options	-	11,213,115

Special Responsibilities - Responsibilities include overseeing and direction of the engineering and commercialisation process of the banana technology.

Directorships held in
other listed entities - Nil

Donald C Stephens - Director (Non-executive).

Qualifications - Bachelor of Accounting, FCA.

Experience - Board member since 2004. Director of Mithril Resources Ltd and company secretary of Minotaur Exploration Ltd and Petrathem Ltd. He is a Chartered Accountant with 21 years experience.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	217,114	-
	Options	83,557	3,250,000

Special Responsibilities - Responsibilities include corporate governance and is a member of the Audit Committee.

Directorships held in
other listed entities - Current director of Mithril Resources Ltd.

Edward M Byrt - Director (Non-executive).

Qualifications - LLB.

Experience - Board member since 2004. He is a legal practitioner with over 30 years specialising in commerce and public law, corporate governance and international business.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	-	950,536
	Options	-	-



DIRECTORS' REPORT (Cont)

Special Responsibilities - Responsibilities include assistance and advice in legal and operational matters.

Directorships held in other listed entities - Nil

Graeme A Menzies - Director (Non-executive).

Qualifications - LLB.

Experience - Board member since 2004. He is a legal practitioner with over 30 years experience in the areas of corporate restructures, takeovers and capital raising.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	51,790	-
	Options	783,424	-

Since listing Mr. Menzies has sold 15,057 ordinary shares.

Special Responsibilities - Responsibilities include assistance and advice in legal and operational matters.

Directorships held in other listed entities - Current director of Moby Oil & Gas Ltd and Octanex NL.

Christopher D Smerdon - Director (Non-executive).

Qualifications - Nil

Experience - Board member since December 2004. He has 4 years experience as Managing Director of Vectra Corporation Ltd and extensive experience in management and building of new businesses. He is a current director of the South Australian Government Motorsport Board, Kangaroo Island Sealink Pty Ltd and Coachlines of Australia Pty Ltd.

		Direct	Indirect
Interest in Shares and options	Ordinary Shares	180,483	-
	Options	-	970,241

Special Responsibilities - Responsibilities include assistance and advice on operational matters and Member of the Audit Committee.

Directorships held in other listed entities - Nil

Remuneration Report

This report details the nature and amount of remuneration for each director of Papyrus Australia Ltd, and for the executives receiving the highest remuneration.



PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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DIRECTORS' REPORT (Cont)

Remuneration Report (cont)

Remuneration Policy

The current remuneration policy is the application of market rates for remuneration purposes, the intention is that any future policy will be designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated entity's financial results.

The board currently determines the nature and amount of remuneration for board members and senior executives of the consolidated entity.

The executive directors and other executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is expensed as incurred. Executives are also entitled to participate in the company share option scheme. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates based on comparable companies for time, commitment and responsibilities. The board determines payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Details of Remuneration

The remuneration for each director and specified executive of the consolidated entity during the year was as follows:

	Salary, Fees & Comm- issions	Superan- nation Contribution	Options	Total
Directors	\$	\$	\$	\$
Dr. D M Wyatt	40,000	3,600	-	43,600
Mr. R A Azer	194,200	12,976	-	207,176
Mr. D C Stephens	30,000	2,700	-	32,700
Mr. E M Byrt	30,000	2,700	-	32,700
Mr. G A Menzies	30,000	2,700	-	32,700
Mr. C D Smerdon	30,000	2,700	-	32,700
Specified Executives				
Mr. V P Rigano	30,000	2,700	-	32,700
Mr. G D Pigot	129,198	10,003	11,301	150,502
	513,398	40,079	11,301	564,778

DIRECTORS' REPORT (Cont)

Options Issued as Part of Remuneration for the year ended 30 June 2007

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to directors and executives of Papyrus Limited to increase goal congruence between executives, directors and shareholders.

Directors	Date Granted	Granted No.	Fair Value on issue *	Expense Recognised During the Current Year
Dr. D M Wyatt		-	-	-
Mr. R A Azer		-	-	-
Mr. D C Stephens		-	-	-
Mr. E M Byrt		-	-	-
Mr. G A Menzies		-	-	-
Mr. C D Smerdon		-	-	-
Specified Executives				
Mr. V P Rigano		-	-	-
Mr. G D Pigot	14 August 2006	1,000,000	20,000	11,302
		1,000,000	20,000	11,302

* Fair value has been calculated using the Black-Scholes methodology as detailed in Note 20 to the Financial Statements.

Employment Contracts of Directors and Senior Executives

The employment conditions of the managing director, Mr Azer, are formalised in contracts of employment.

The company may terminate the employment contract without cause by providing twelve (12) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options granted in accordance with the company's employee share option plan not exercised before or on the date of termination will lapse.

Director Loans

A liability exists in the wholly owned subsidiary, Papyrus Technology Pty Ltd, between the subsidiary and Mr. R Azer. The conditions of the loan agreement are such that the loan is non-interest bearing, is repayable at the time that the Group is profitable or may be converted to shares at Mr R. Azer's option. At 30 June 2007 the loan outstanding was \$313,615.

Meetings of Directors

During the financial year, 12 meetings of directors were held. Attendance by each director during the year were as follows:

	Directors' Meetings		Audit Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Dr. D M Wyatt	12	12	3	2
Mr. R A Azer	12	12	-	-
Mr. D C Stephens	12	12	3	3
Mr. E M Byrt	12	12	-	-
Mr. G A Menzies	12	10	-	-
Mr. C D Smerdon	12	11	3	3

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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DIRECTORS' REPORT (Cont)

Indemnifying Officers

The company has agreed to pay premiums to insure each of the directors and the secretary of the company against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officers of the company, other than conduct involving a wilful breach of duty in relation to the company. The policy will be effective from the 1 July 2007 and the total premium to be paid \$12,297.

Options

At the date of this report, the following options to acquire ordinary shares had been issued:

Grant Date	Date of Expiry	Exercise Price	Balance 30 June 2006	Exercised	Issued	Number Under Option	
						Listed	Unlisted
2 December 2004	31 March 2010	\$0.25	16,615,000	375,000	-	-	16,240,000
2 December 2004	31 March 2010	\$0.30	8,935,000	441,845	-	-	8,493,155
14 April 2005	31 March 2010	\$0.25	2,000,000	-	-	-	2,000,000
14 April 2005	31 March 2008	\$0.20	9,952,750	855,900	-	9,096,850	-
16 May 2005	15 May 2010	\$0.25	50,000	-	-	-	50,000
30 June 2006	31 March 2010	\$0.40	200,000	-	-	-	200,000
14 August 2006	13 August 2011	\$0.40	-	-	500,000	-	500,000
14 August 2006	13 August 2011	\$0.50	-	-	500,000	-	500,000
			37,752,750	1,672,745	1,000,000	9,096,850	27,983,155

No person entitled to exercise options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

During the year ended 30 June 2007, and to the date of this report, the following ordinary shares were issued on the exercise of listed options granted at IPO. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
14 April 2005	\$ 0.20	855,900

During the year ended 30 June 2007, and to the date of this report, the following ordinary shares were issued on the exercise of un-listed options granted prior to IPO. No amounts are unpaid on any of the shares.

Grant Date	Exercise Price	Number of Shares Issued
2 December 2004	\$ 0.25	375,000
2 December 2004	\$ 0.30	441,845

Proceedings on Behalf of the Company

No person has applied to the court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of these proceedings.

Non-audit Services

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007.

Environmental Issues

The Group's operations are not currently subject to any significant environmental regulations under either Commonwealth or State legislation. The Group however believes that it has adequate systems in place for the management of any future environmental regulations.



PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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DIRECTORS' REPORT (Cont)

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2007 has been received and is attached.

Signed in accordance with a resolution of the Board of Directors.

Ramy AZER, Director

Dated this 13th Day of September 2007

Chartered Accountants and Business Advisers

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF POPYRUS AUSTRALIA LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Papyrus Australia Ltd for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at Adelaide this 13 day of September 2007

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**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	Consolidated Group		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenues	2	149,241	160,023	149,241	160,023
Depreciation expense	3	(11,296)	(10,581)	(7,479)	(5,735)
Employment benefits expenses		(597,274)	(325,818)	(597,274)	(325,818)
Other expenses	3	(887,393)	(681,587)	(888,718)	(677,673)
Loss before income tax		(1,346,722)	(857,963)	(1,344,230)	(849,203)
Income tax expense	4	31,200	-	31,200	-
Loss for the year		(1,377,922)	(857,963)	(1,375,430)	(849,203)
Loss attributable to members of the parent entity		<u>(1,377,922)</u>	<u>(857,963)</u>	<u>(1,375,430)</u>	<u>(849,203)</u>

		Cents	Cents
Basic earnings per share (cents per share)	7	(2.56)	(1.71)
Diluted earnings per share (cents per share)	7	(2.56)	(1.71)

The accompanying notes form part of these financial statements

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

BALANCE SHEET
AS AT 30 JUNE 2007

		Consolidated Group		Parent Entity	
	Note	2007	2006	2007	2006
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and Cash Equivalents	8	2,193,065	2,144,009	2,192,851	2,143,794
Trade and Other Receivables	9	109,618	65,434	109,618	65,434
TOTAL CURRENT ASSETS		2,302,683	2,209,443	2,302,469	2,209,228
NON-CURRENT ASSETS					
Trade and Other Receivables	9	-	-	62,054	62,190
Financial Assets	10	-	-	230,085	230,085
Property, Plant and Equipment	12	1,548,963	53,230	1,534,115	34,566
Intangible Assets	13	1,972,863	1,280,880	1,392,840	700,857
TOTAL NON-CURRENT ASSETS		3,521,826	1,334,110	3,219,094	1,027,698
TOTAL ASSETS		5,824,509	3,543,553	5,521,563	3,236,926
CURRENT LIABILITIES					
Trade and Other Payables	14	1,174,891	216,581	1,154,445	194,946
Short-Term Provisions	15	48,555	15,186	48,555	15,186
TOTAL CURRENT LIABILITIES		1,223,446	231,767	1,203,000	210,132
NON-CURRENT LIABILITIES					
Trade and Other Payables	14	313,655	313,655	-	-
Other Non-Current Liabilities	16	480,193	124,136	480,193	124,136
TOTAL CURRENT LIABILITIES		793,848	437,791	480,193	124,136
TOTAL LIABILITIES		2,017,294	669,558	1,683,193	334,268
NET ASSETS		3,807,215	2,873,995	3,838,370	2,902,658
EQUITY					
Issued Capital	17	6,333,275	4,033,434	6,333,275	4,033,434
Reserves	18	157,982	146,681	157,982	146,681
Accumulated Losses		(2,684,042)	(1,306,120)	(2,652,887)	(1,277,457)
TOTAL EQUITY		3,807,215	2,873,995	3,838,370	2,902,658

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

Note	Ordinary Issued Capital \$	Accumulated Losses \$	Share Options Reserve \$	Total \$
Consolidated Group				
Balance as at 1 July 2005	4,021,934	(448,157)	134,895	3,708,672
Shares issued during the year	11,500	-	-	11,500
Loss attributable to members of the parent entity	-	(857,963)	-	(857,963)
Options reserve on recognition of employee share options	-	-	11,786	11,786
Balance as at 30 June 2006	4,033,434	(1,306,120)	146,681	2,873,995
Shares issued during the year (net of transaction costs)	2,299,841	-	-	2,299,841
Loss attributable to members of the parent entity	-	(1,377,922)	-	(1,377,922)
Options reserve on recognition of employee share options	-	-	11,301	11,301
Balance as at 30 June 2007	6,333,275	(2,684,042)	157,982	3,807,215
Parent Entity				
Balance as at 1 July 2005	4,021,934	(428,254)	134,895	3,728,575
Shares issued during the year	11,500	-	-	11,500
Loss attributable to members of the parent entity	-	(849,203)	-	(849,203)
Options reserve on recognition of employee share options	-	-	11,786	11,786
Balance as at 30 June 2006	4,033,434	(1,277,457)	146,681	2,902,658
Shares issued during the year (net of transaction costs)	2,299,841	-	-	2,299,841
Loss attributable to members of the parent entity	-	(1,375,430)	-	(1,375,430)
Options reserve on recognition of employee share options	-	-	11,301	11,301
Balance as at 30 June 2007	6,333,275	(2,652,887)	157,982	3,838,370

The accompanying notes form part of these financial statements

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated Group		Parent Entity	
		2007 \$	2006 \$	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		100	5,956	100	5,956
Payments to suppliers and employees		(1,544,018)	(696,704)	(1,544,154)	(696,302)
Grant funding received		922,566	-	922,566	-
Interest received		158,661	164,125	158,661	164,125
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	19	(462,691)	(526,623)	(462,827)	(526,221)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		(1,064,911)	(20,927)	(1,064,910)	(20,926)
Payment of development costs		(691,983)	(534,706)	(691,983)	(534,706)
Repayment of loans by related parties		-	-	136	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		(1,756,894)	(555,633)	(1,756,757)	(555,632)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of shares		2,268,641	11,500	2,268,641	11,500
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		2,268,641	11,500	2,268,641	11,500
Net increase/(decrease) in cash held		49,056	(1,070,756)	49,057	(1,070,353)
Cash at the beginning of financial year		2,144,009	3,214,765	2,143,794	3,214,147
Cash at end of financial year	8	2,193,065	2,144,009	2,192,851	2,143,794

The accompanying notes form part of these financial statements



NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of Papyrus Australia Ltd and controlled entities, and Papyrus Australia Ltd as an individual parent entity. Papyrus Australia Ltd is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Papyrus Australia Limited comply with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity that Papyrus Australia Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(b) **Income Tax (cont)**

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Papyrus Australia Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2005. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(c) **Plant and Equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(d) **Depreciation**

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

Class of fixed assets	Depreciation Rates
Plant & Equipment	10 - 40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the Lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expenses to the income statement.

Impairment testing is performed annually for goodwill and tangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(g) Intangibles

Patents and Intellectual Property

Patents and intellectual property are recognised at cost of acquisition. Patents and intellectual property have a finite life and are carried at cost less any accumulated amortisation and impairment losses. Patents and intellectual property are amortised on a systematic basis matched to the future economic benefits over the useful life of the cash-generating assets to which they relate.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

(h) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Available-for-sale Financial Assets

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

(h) **Financial Instruments (cont)**

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(i) **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(k) **Goods and Services Tax (GST)**

Revenues, expenses & assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) **Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(m) **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

(n) **Government Assistance**

Government assistance relating to expense items are recognised as income over the periods necessary to match the assistance to the costs they are compensating. Assistance relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight line basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained externally and within the group.

Key Estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Significant Accounting Estimate

The group has capitalised the development costs related to the development of the Banana Ply Paper Technology, the recoverability of this asset is dependent on the successful commercialisation. At 30 June 2007 the commercialisation was not complete.

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 2 - REVENUE				
Operating Activities				
Interest received from other parties	149,141	154,067	149,141	154,067
Other revenue	100	5,956	100	5,956
	<u>149,241</u>	<u>160,023</u>	<u>149,241</u>	<u>160,023</u>

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 3 - LOSS FOR THE YEAR				
Expenses				
Depreciation of non current assets:				
Plant and equipment	11,296	10,581	7,479	5,735
Other expenses				
Audit fees	27,000	16,500	27,000	16,500
Professional service	174,184	186,925	174,184	186,925
Travel and accommodation	69,243	33,077	69,243	33,077
Directors fees	160,000	160,000	160,000	160,000
Company secretarial	30,000	30,000	30,000	30,000
Rent & communication expenses	86,374	4,393	86,374	4,393
Patent expenses	155,157	57,316	155,157	57,316
Share registry and ASX expenses	65,245	87,783	65,245	87,783
Other expenses	120,190	105,593	121,515	101,679
	887,393	681,587	888,718	677,673

NOTE 4 - INCOME TAX

The components of tax expense comprise:

Deferred tax	31,200	-	31,200	-
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The prima facie tax on losses from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax (benefit) from ordinary activities before income tax at 30% (2006: 30%)	(404,017)	(257,389)	(403,269)	(254,761)
Add: Non-allowable items	20,583	2,649	20,583	2,649
Add: Tax losses not brought to account	383,433	254,740	382,686	252,112
Add: Deferred tax asset not brought to account for tax effect on share transaction costs	31,200	-	31,200	-
Income tax attributable to entity	31,200	-	31,200	-

Tax Losses

A deferred tax asset have not been recognised in respect of carried forward tax losses because it is not probable that future taxable profits will be available against which the consolidated entity can utilise the benefits from them.

The directors estimate that the potential deferred tax assets at the year end not brought to account is

	669,373	254,740	665,998	252,112
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NOTE 5 - KEY MANAGEMENT PERSONNEL COMPENSATION

- (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year.

Key Management Person	Position
Dr. D M Wyatt	Chairman - Non-Executive
Mr. R A Azer	Managing Director - Executive
Mr. D C Stephens	Director - Non-Executive
Mr. E M Byrt	Director - Non-Executive
Mr. G A Menzies	Director - Non-Executive
Mr. C D Smerdon	Director - Non-Executive
Mr. V P Rigano	Company Secretary
Mr. G D Pigot	Chief Operating Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5 - KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

(b) Key Management Personnel Compensation

2007	Cash, Salary & Commission \$	Post	Share Based	Total \$
		Employment Benefit Super- annuation \$	Payments Options* \$	
Key Management Personnel				
Dr. D M Wyatt	40,000	3,600	-	43,600
Mr. R A Azer	194,200	12,976	-	207,176
Mr. D C Stephens	30,000	2,700	-	32,700
Mr. E M Byrt	30,000	2,700	-	32,700
Mr. G A Menzies	30,000	2,700	-	32,700
Mr. C D Smerdon	30,000	2,700	-	32,700
Mr. V P Rigano	30,000	2,700	-	32,700
Mr. G D Pigot	129,198	10,003	11,301	150,502
	513,398	40,079	11,301	564,778

* The fair value of options issued to key management personnel has been calculated in accordance with the Black-Scholes methodology as detailed in Note 20.

2006	Cash, Salary & Commission \$	Post	Share Based	Total \$
		Employment Benefit Super- annuation \$	Payments Options \$	
Key Management Personnel				
Dr. D M Wyatt	40,000	4,000	-	44,000
Mr. R A Azer	125,000	13,417	-	138,417
Mr. D C Stephens	30,000	4,050	-	34,050
Mr. E M Byrt	30,000	4,050	-	34,050
Mr. G A Menzies	30,000	3,000	-	33,000
Mr. C D Smerdon	30,000	3,000	-	33,000
Mr. V P Rigano	30,000	3,000	11,786	44,786
	315,000	34,517	11,786	361,303

(c) Options Granted as Remuneration

2007	Granted	No.	Value per option at grant date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
Key Management Personnel						
Mr. G D Pigot Tranche A	500,000		0.03	0.40	14-August-2007	13-August-2011
Mr. G D Pigot Tranche B	500,000		0.01	0.50	14-August-2008	13-August-2011
	1,000,000					

All options were granted for nil consideration.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 5 - KEY MANAGEMENT PERSONNEL COMPENSATION (CONT)

(d) Option Holdings

Number of Options held by Key Management Personnel

	Balance	Granted as	Options	Balance	Total
	1 July 2006	Compen- sation	Exercised	30 June 2007	Exercisable 30 June 2007
Dr. D M Wyatt	1,877,314	-	-	1,877,314	1,877,314
Mr. R A Azer	11,213,115	-	-	11,213,115	11,213,115
Mr. D C Stephens	3,333,557	-	-	3,333,557	3,333,557
Mr. E M Byrt	816,845	-	816,845	-	-
Mr. G A Menzies	783,424	-	-	783,424	783,424
Mr. C D Smerdon	970,241	-	-	970,241	970,241
Mr. V P Rigano	3,026,874	-	-	3,026,874	3,026,874
Mr. G D Pigot	-	1,000,000	-	1,000,000	-
	22,021,370	1,000,000	816,845	22,204,525	21,204,525

(e) Shareholdings

Number of Shares held by Key Management Personnel

	Balance	Received as	Options	Net Change	Other*	Balance
	1 July 2006	Compen- sation	Exercised			30 June 2007
Dr. D M Wyatt	1,754,628	-	-	-	-	1,754,628
Mr. R A Azer	20,926,229	-	-	-	-	20,926,229
Mr. D C Stephens	217,114	-	-	-	-	217,114
Mr. E M Byrt	133,691	-	816,845	-	-	950,536
Mr. G A Menzies	36,733	-	-	15,057	-	51,790
Mr. C D Smerdon	180,483	-	-	-	-	180,483
Mr. V P Rigano	153,747	-	-	-	-	153,747
	23,402,625	-	816,845	15,057	-	24,234,527

* Net Change Other refers to shares purchased and sold during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

Consolidated Group		Parent Entity	
2007	2006	2007	2006
\$	\$	\$	\$

NOTE 6 - AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:

- auditing or reviewing the financial report	27,000	16,500	27,000	16,500
- other services	-	-	-	-
	<u>27,000</u>	<u>16,500</u>	<u>27,000</u>	<u>16,500</u>

NOTE 7 - EARNINGS PER SHARE

(a) Reconciliation of Earnings to Loss

Loss for the year	(1,377,922)	(857,963)
Earnings used in the calculation of basic EPS	<u>(1,377,922)</u>	<u>(857,963)</u>
Earnings used in the calculation of dilutive EPS	<u>(1,377,922)</u>	<u>(857,963)</u>

(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS

53,926,081 50,043,832

Weighted average number of options outstanding during the year used in calculation of dilutive EPS

- -

Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS

53,926,081 50,043,832

Options on issue during the year have an anti dilutive effect and therefore have not been included in the calculation of diluted earnings per shares.

	Cents	Cents
Basic earnings per share (cents per share)	(2.56)	(1.71)
Diluted earnings per share (cents per share)	(2.56)	(1.71)

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 8 - CASH & CASH EQUIVALENTS				
Cash at bank and in hand	61,438	36,809	61,438	36,594
Short term deposits	2,131,627	2,107,200	2,131,413	2,107,200
	2,193,065	2,144,009	2,192,851	2,143,794

The effective interest rate on short-term deposits was 6.03% (2006:5.4%), these deposits have an average maturity of 60 days.

RECONCILIATION OF CASH

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the Balance sheet as follows:

Cash & Cash Equivalents	2,193,065	2,144,009	2,192,851	2,143,794
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NOTE 9 - TRADE AND OTHER RECEIVABLES

CURRENT

GST receivable	102,516	48,812	102,516	48,812
Sundry receivables	7,102	16,622	7,102	16,622
	109,618	65,434	109,618	65,434

NON-CURRENT

Amounts receivable from:
- Wholly owned subsidiaries

	-	-	62,054	62,190
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NOTE 10 - FINANCIAL ASSETS

NON-CURRENT

Available-for-sale Financial Assets
Unlisted investments, at cost
- Shares in controlled entities

	-	-	230,085	230,085
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Shares in controlled entities comprise investment in the ordinary issued capital of Papyrus Technology Pty Ltd. There is no fixed return or maturity date attached to this investment.

Recoverability of the carrying amount of shares in controlled entities is dependant on the successful development of the machine to convert banana trees into banana ply products (BPP) and the sale of these BPP products.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 11 - CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	2007		2006	
		Percentage Owned (%)			
Parent Entity: Papyrus Australia Ltd	Aust.	-	-	-	-
Subsidiaries of Papyrus Australia Ltd: Papyrus Technology Pty Ltd	Aust.	100	100	100	100
		Consolidated Group		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

Plant & equipment at cost	98,392	89,592	49,666	40,867
Accumulated depreciation	(47,658)	(36,362)	(13,780)	(6,301)
Capital works in progress	1,498,229	-	1,498,229	-
	1,548,963	53,230	1,534,115	34,566

Movements in carrying amounts

Balance at beginning of year	53,230	46,397	34,566	19,375
Additions	8,800	20,927	8,798	20,926
Disposals	-	(4,000)	-	-
Depreciation expense	(11,296)	(10,094)	(7,478)	(5,735)
Capital works in progress	1,498,229	-	1,498,229	-
Carrying amount at end of year	1,548,963	53,230	1,534,115	34,566

NOTE 13 - INTANGIBLE ASSETS

Patents and Intellectual Property				
Cost	580,023	580,023	-	-
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	580,023	580,023	-	-
Development costs				
Cost	1,392,840	700,857	1,392,840	700,857
Accumulated amortisation and impairment	-	-	-	-
Net carrying value	1,392,840	700,857	1,392,840	700,857
Total Intangibles	1,972,863	1,280,880	1,392,840	700,857

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 13 - INTANGIBLE ASSETS (cont'd)

	Patents and Intellectual Property \$	Development Costs \$
Consolidated Group		
Year ended 30 June 2006		
Balance at beginning of year	580,023	700,857
Additions	-	-
Disposals	-	-
Amortisation charge	-	-
Impairment loss	-	-
	<u>580,023</u>	<u>700,857</u>
Year ended 30 June 2007		
Balance at beginning of year	580,023	700,857
Additions	-	691,983
Disposals	-	-
Amortisation charge	-	-
Impairment loss	-	-
	<u>580,023</u>	<u>1,392,840</u>
Closing value at 30 June 2007	580,023	1,392,840

Development costs, patents and intellectual property have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the cash-generating assets to which they relate. At 30 June 2007, the project to which these intangible assets relate has not been completed. As a result no amortisation has been recognised.

The recoverable amount of intangible assets is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 3 year period. The cash flows are discounted using the yield of 3 year government bonds at the beginning of the budget period and a discount factor of 3.23%.

Management has based the value-in-use calculation on budgets which use management's best estimates of projected revenues from the expected date of the project's commercialisation. Costs are calculated taking into consideration historical costs of materials and estimated weighted average inflation rates. Discount rates are pre-tax and are adjusted to incorporate risks associated with the project.

Consolidated Group		Parent Entity	
2007	2006	2007	2006
\$	\$	\$	\$

NOTE 14 - TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities				
Trade payables	540,968	176,153	520,522	155,709
Sundry payables and accrued expenses	633,923	40,428	633,923	39,237
	<u>1,174,891</u>	<u>216,581</u>	<u>1,154,445</u>	<u>194,946</u>

NON-CURRENT

Unsecured liabilities				
Loan from director (Note 22)	313,655	313,655	-	-
	<u>313,655</u>	<u>313,655</u>	<u>-</u>	<u>-</u>

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 15 - SHORT-TERM PROVISIONS

	Consolidated Group	Parent Entity		
	\$	\$		
Employee Entitlements				
Opening balance at 1 July 2006	15,186	15,186		
Additional provisions	33,369	33,369		
Amounts used	-	-		
	<u>48,555</u>	<u>48,555</u>		
Balance at 30 June 2007	<u>48,555</u>	<u>48,555</u>		
	Consolidated Group	Parent Entity	2007	2006
	2007	2006	2007	2006
	\$	\$	\$	\$
Analysis of Total Provisions				
Current	<u>48,555</u>	<u>15,186</u>	<u>48,555</u>	<u>15,186</u>

NOTE 16 - OTHER NON-CURRENT LIABILITIES

Deferred Government Assistance	<u>480,193</u>	<u>124,136</u>	<u>480,193</u>	<u>124,136</u>
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NOTE 17 - ISSUED CAPITAL

57,743,245 (2006: 50,0078,000) fully paid ordinary shares

	<u>6,333,275</u>	<u>4,033,434</u>	<u>6,333,275</u>	<u>4,033,434</u>
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	Consolidated Entity	
	2007	2006
	No.	No.
Ordinary shares		
At the beginning of the reporting period	50,078,000	50,020,500
Shares issued in the year:		
- 6 September 2006	5,000	-
- 6 December 2006	6,500,000	-
- 12 December 2006	17,000	-
- 1 February 2007	40,000	-
- 20 February 2007	26,000	-
- 14 March 2007	18,750	-
- 1 May 2007	68,495	-
- 8 May 2007	755,000	-
- 22 May 2007	92,500	-
- 19 June 2007	142,500	-
Shares issued in the previous year:		
- 21 October 2005	-	5,000
- 10 January 2006	-	5,000
- 13 January 2006	-	6,500
- 1 February 2006	-	25,000
- 8 March 2006	-	6,000
- 30 March 2006	-	5,000
- 3 April 2006	-	5,000
	<u>57,743,245</u>	<u>50,078,000</u>
At Reporting date	<u>57,743,245</u>	<u>50,078,000</u>

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 17 - ISSUED CAPITAL (CONT)

During the year 348,400 listed options were exercised for ordinary shares at an exercise price of \$0.20 per share.

During the year 441,845 and 375,000 un-listed options were exercised for ordinary shares at an exercise price of \$0.25 and \$0.30 per share respectively.

During the year a placement for 6,500,000 ordinary shares at \$0.32 cents per share was made.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 18 - RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options and options issued to brokers as part of the broker sponsoring agreement.

	Consolidated Group		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 19 - CASH FLOW INFORMATION				
Reconciliation of cash flows from operations with Profit/(Loss) after Income Tax				
Profit/(Loss) after income tax	(1,377,922)	(857,963)	(1,375,430)	(849,203)
Non-cash flows in profit				
- Depreciation	11,296	10,581	7,479	5,735
- Net loss on disposal of plant and equipment	-	3,513	-	-
- Share option expense	11,301	11,786	11,301	11,786
- Tax effect of float costs	31,200	-	31,200	-
Changes in assets and liabilities, net of the effects of purchase of subsidiary				
- (Increase)/Decrease in trade and other receivables	(44,184)	25,522	(44,184)	26,713
- Increase/(Decrease) in trade payables and accruals	516,192	147,379	517,381	146,189
- Increase/(Decrease) in other liabilities	356,057	124,136	356,057	124,136
- Increase/(Decrease) in other non-current liabilities	33,369	8,423	33,369	8,423
Cash flow from operations	(462,691)	(526,623)	(462,827)	(526,221)

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20 - SHARE BASED PAYMENTS

On 14 August 2006, 500,000 share options were granted to key management personnel with a vesting date of 14 August 2007 at an exercise price of \$0.40, and a further 500,000 share options granted with a vesting date of 14 August 2008 at an exercise price of \$0.50. The options are exercisable from vesting date and on or before 13 August 2011. The options hold no voting or dividend rights and are non-transferable. At balance date, no vesting rights had occurred.

All options granted to key management personnel are for ordinary shares in Papyrus Australia Ltd, which confer a right to one ordinary share for every option held.

	2007		2006	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	22,021,370	0.27	21,821,370	0.27
Granted	1,000,000	0.45	200,000	0.40
Forfeited	-	-	-	-
Exercised	816,845	0.27	-	-
Expired	-	-	-	-
Outstanding at year-end	22,204,525	0.28	22,021,370	0.27
Exercisable at year-end	21,204,525	0.27	2,951,874	0.25

The options outstanding at 30 June 2007 had a weighted average exercise price of \$0.28 and a weighted average remaining contractual life of 2.75 years. Exercise prices range from \$0.25 to \$0.50 in respect of options outstanding at 30 June 2007.

The weighted average fair value of the options granted during the year was \$0.02

This price was calculated by using a Black Scholes option pricing model applying the following inputs:

	Vesting Date			
		14-Aug-07		14-Aug-08
Weighted average exercise price	\$	0.40	\$	0.50
Weighted average life of option (years)		5.00		5.00
Underlying share price	\$	0.29	\$	0.29
Expected share price volatility		13.00%		13.00%
Risk free interest rate		5.82%		5.82%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent	Entity
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 21 - EVENTS AFTER THE BALANCE SHEET DATE				
No material events have occurred subsequent to balance date.				
NOTE 22 - RELATED PARTY TRANSACTIONS				
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.				
Wholly Owned Group				
The wholly owned group consists of those entities listed in Note 11.				
Loans to the wholly owned subsidiary relate to the provision of working capital.				
Transaction with related parties:				
Management fees were paid to DCS Corporate Advisors Pty Ltd for management services provided. Mr. D C Stephens is a director of DCS Corporate Advisors Pty Ltd.	24,000	20,000	24,000	20,000
Legal fees were paid to Menzies & Partners for provision of legal services. Mr. G A Menzies is a partner of Menzies & Partners.	5,500	-	5,500	-
Legal fees were paid to Norman Waterhouse Lawyers for provision of legal advice. Mr. E M Byrt is a director of Norman Waterhouse Lawyers.	10,852	1,238	10,852	1,238
Accounting fees were paid to V P Rigano & Co Pty Ltd for accounting services provided. Mr V P Rigano is a director of V P Rigano & Co Pty Ltd.	36,000	24,000	36,000	24,000
A non interest bearing loan liability of \$313,655 (2006: \$313,655) exists between Papyrus Technology Pty Ltd and Mr. R Azer. The conditions of the loan arrangements are such that the loan is non interest bearing, is payable at the time that the group generates a profit from ordinary activities after income tax or converted to shares at Mr. R. Azer's option.	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23 - FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries.

- (i) Treasury Risk Management
The board of directors meet on a regular basis to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.
- (ii) Financial Risks
The main risk the group is exposure to through its financial instruments is liquidity risk.
- Liquidity Risk
The consolidated group manages liquidity risk by monitoring cash flows and ensuring that adequate unutilised facilities are maintained.

(b) Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on a class of financial assets and financial liabilities, is as follows:

	Weighted Average		Floating Interest Rate		Non Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash and cash equivalents	6.03%	5.40%	2,193,065	2,144,009	-	-	2,193,065	2,144,009
Receivables	-	-	-	-	109,618	65,434	109,618	65,434
			<u>2,193,065</u>	<u>2,144,009</u>	<u>109,618</u>	<u>65,434</u>	<u>2,302,683</u>	<u>2,209,443</u>
Financial Liabilities								
Trade and sundry payables	-	-	-	-	1,488,546	530,236	1,488,546	530,236
			<u>-</u>	<u>-</u>	<u>1,488,546</u>	<u>530,236</u>	<u>1,488,546</u>	<u>530,236</u>
Total Net Financial Assets			<u>2,193,065</u>	<u>2,144,009</u>	<u>(1,378,928)</u>	<u>(464,802)</u>	<u>814,137</u>	<u>1,679,207</u>

(b) Net Fair Value of Financial Assets and Liabilities

The net fair value of cash, cash equivalent and non interest bearing monetary financial assets and financial liabilities of the consolidated group approximate their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based on discounting future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

The balances are not materially different from those disclosed in the Balance Sheet of the consolidated group.

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	Consolidated Group		Parent	Entity
	2007	2006	2007	2006
	\$	\$	\$	\$
NOTE 24 - CAPITAL AND LEASING COMMITMENTS				
Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the financial statements				
Payable - minimum lease payments				
- not later than 12 months	118,256	7,854	118,256	7,854
- between 12 months and 5 years	357,580	41,086	357,580	41,086
	<u>475,836</u>	<u>48,940</u>	<u>475,836</u>	<u>48,940</u>

The property lease is a non-cancellable lease with a three year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the lower of CPI or 4% per annum. An option exists to renew the lease at the end of the three year term for an additional term of 3 years.

The vehicle leases are non-cancellable leases with a 2 to 4 year term and a residual pay-out value of \$24,503.

NOTE 25 - SEGMENT REPORTING

Business segments

The consolidated group has one business segment being the Research and Development and Commercialisation division which is involved in the commercialisation of the Banana Ply Paper (BPP) technology.

Geographical segments

The consolidated entities operates solely within Australia.

NOTE 26 - CHANGES IN ACCOUNTING STANDARDS

New accounting standards and interpretations

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in the preparation of the financial statements at reporting date

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
7	Financial Instruments: Disclosure	Aug-05	1-Jan-07
8	Operating Segments	Feb-07	1-Jan-09
101	Presentation of Financial Statements (Amended)	Oct-06	1-Jan-07
123	Borrowing Costs (Amended)	Jun-07	1-Jan-09
	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [
2007-4	AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023, & 1038]	Apr-07	1-Jul-07

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as attached , are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and the performance for the year ended on that date of the company and consolidated group;
2. the Managing Director and Company Secretary have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view;
3. in the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Ramy AZER, Director

Dated this 13th Day of September 2007

Chartered Accountants and Business Advisers

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PYPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409****Report on the financial report**

We have audited the accompanying financial report of Papyrus Australia Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the Directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards, which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we complied with the independence requirements of the *Corporations Act 2001*.

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Auditor's opinion

In our opinion:

- (a) The financial report of Papyrus Australia Ltd is in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

GRANT THORNTON
South Australian Partnership
Chartered Accountants



S J GRAY
Partner

Signed at Adelaide this 13 day of September 2007

PAPYRUS AUSTRALIA LTD AND CONTROLLED ENTITIES
ABN 63 110 868 409

SHAREHOLDERS INFORMATION

All shareholder information is current as at 19 September 2007.

Difference in Results Reported to ASX

There is no material differences between the figures reported in the financial statements and those lodged with the ASX in the Company's September 4E.

Cash Usage

The entity has used its cash and assets in a form readily converted to cash and in a manner which is consistent with its business objectives.

Audit Committee

The members of the audit committee are set out in the director's report.

Corporate Governance

Papyrus's corporate governance practices are set forth in the section headed Corporate Governance of the Annual Report.

Substantial Holders

Substantial Holders in the Company are set out below:

	Number Held	Percentage
Ordinary Shares		
Ramy Azer	20,592,000	35.35%

Quoted Equity Securities

There are 58,250,745 quoted ordinary shares and 1,467 holders of these shares.

There are 9,096,850 quoted options.

There are 20 shareholdings held in less than marketable parcels.

Voting Rights

There are two classes of equity securities issued by the Company, ordinary shares and options, with voting rights attached only to the ordinary shares. One share equates to one vote.

Distribution of security holders

Category (size of Holding)	Number Ordinary Shareholders	Number listed Option Holders
1 - 1,000	78	2
1,001 - 5,000	316	249
5,001 – 10,000	419	119
10,000 – 100,000	601	204
100,000 – and over	53	6
	<hr/> 1,467	<hr/> 580

Restricted and Unquoted Equity Securities

Ordinary Shares

There are no restricted and/or unquoted ordinary shares.

Options

There are 27,983,155 unquoted options, and 20 holders of these options.

Substantial Unquoted Options Holders

Substantial Holders in the Company are set out below:

Unquoted Options	Number Held	Percentage
Ramy Azer	11,213,115	40.07%

20 Largest Shareholders – Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Ramy Azer	20,592,000	35.35%
2	Bond Street Custodians Ltd	1,780,500	3.05%
3	David Wyatt	1,754,628	3.02%
4	Mohamad Abbas	1,125,000	1.93%
5	Stroud Nominees Pty Ltd	950,536	1.63%
6	Your Childs Nursery Pty Ltd	750,662	1.29%
7	Vincent Peter Rigano	600,000	1.03%
8	Glenn Jobling & Brian Jobling	458,455	0.79%
9	Dagres Pty Ltd	357,000	0.61%
10	Gary Raymond Christoffel	354,512	0.61%
11	Papyrus International Pty Ltd	334,229	0.57%
12	Resource Asia Ltd	315,000	0.54%
13	Stephen John Ardron	269,121	0.46%
14	Collin Keith Menzies & Patricia May Menzies	230,000	0.39%
15	Cleveland & Associates Pty Ltd	221,000	0.38%
16	Donald Stephens	217,114	0.37%
17	Michael Andrew Whiting & Tracey Anne Whiting	212,875	0.37%
18	Mousetrap Nominees Pty Ltd	208,750	0.36%
19	John Farms Scobie	200,000	0.34%
20	Carmel Elizabeth Whiting	200,000	0.34%
		<hr/>	
		31,131,382	59.56%

Company Particulars

The name of the company secretary is Mr. Vincent Rigano.

The address of the principal registered office is:

C/- V P Rigano & Co.
 Certified Practicing Accountants
 Ground Floor Elizabeth House
 231 North Terrace Adelaide SA 5000.
 Telephone (08) 8223 5133.

The address of the principal administration office is:

1 Sherriffs Road Lonsdale SA 5160.
 Telephone (08) 8186 2936.
 Website: www.papyrusaustralia.com.au

The address of the register of securities is:

Computershare Investor Services Pty Ltd
 Level 5, 15 Grenfell Street Adelaide SA 5000.
 Telephone (08) 8236 2300.

Papyrus Australia Ltd is not listed on any other stock exchanges other than ASX.

ASX code: PPY



Notes

