



ASX Announcement

9 September 2013

Business Proposal

Papyrus Australia Ltd (ASX: PPY) ("PPY" / "Company") is pleased to advise it has now entered into a Non-Binding Term Sheet ("Term Sheet") to enter into a joint venture company ("JV"). This follows an extensive evaluation and analysis with MAP Capital Advisors Pty Ltd ("MAP Capital"), a leading independent boutique investment and advisory house with offices in Sydney and Melbourne (ASX Announcements: 1 March 2013 & 30 August 2013).

MAP Capital's brief was to:

- provide the Board of Directors with an independent strategic view of the position of the Company and the opportunities available to better exploit its intellectual property;
- assist the Company in its discussions and negotiations with existing joint venture partners, and those introduced by MAP Capital both in Australia and overseas, and
- advise on appropriate capital raising approaches in the short and medium terms to improve shareholder value in the Company.

Following extensive review of the Company's history, present position and market opportunities for banana fibre products, MAP Capital advised the Company to seek to establish an operating facility in Australia to produce banana fibre product for the local market. After further analysis of various product opportunities and financial modelling MAP Capital advised the Company to first undertake the production of what is known generically as papier mache products which have the lowest capital entry requirement (being products such as egg cartons, wine packaging, fruit packaging, etc).

MAP Capital has recommended the formation of a JV company to commence a new business for the manufacturing of products to assist fruit and vegetable growers and sellers to package and display their appropriate products utilising materials made from waste banana fibre. The operation will be based in Australia at the Company's factory site at Walkamin in the Atherton Table Lands in Far North Queensland.

PPY will have a 25% shareholding in the JV, with other parties, including investors, the balance. The JV will manufacture the products under an exclusive licence within Australia granted by PPY. The licence will be for a period of 5 years with a right of renewal for a further 5 years subject to the JV meeting agreed performance targets. The operation of the JV will be self-funding. PPY's capital investment will be its existing equipment, site, intellectual property and know-how. PPY will also supply (at the cost of the JV) engineering and management support.

The proposal also contemplates PPY granting a total of 10 million options (unlisted) to the other parties in proportion to their pro rata equity interest in the JV at an exercise price of \$0.018 per ordinary share with the option expiry date being 18 months from the grant date being the date on which the full form legal documents are executed. The period set in the Term Sheet for negotiation, due diligence, completion of the raising of finance and completion of the requisite documentation to execution is 30 days.

During this period the Company's Managing Director together with MAP's Managing Director and representative from the operator investor will be travelling to China to inspect and procure some identified equipment for the manufacturing processes.

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