



19 February 2008

Dear Option Holder,

### Reminder of Expiry of 31 March 2008 Options

The Directors of Papyrus Australia Limited wish to remind holders of 31 March 2008 options exercisable at 20 cents (ASX Code: PPYO) that these options will expire on 31 March 2008.

These options were issued to every investor who bought shares when the company first listed on the Australian Securities Exchange as per the Papyrus Australia limited Prospectus dated 19 January 2005.

These Options were quoted and traded on the Australian Securities Exchange. Every option can be converted into a PPY share for 20 cents. PPYO options will cease quotation at the close of trading on Thursday, 20 March 2008. If payment for the exercise of these options is not received by 31 March 2008 the options will lapse and all rights under the options will cease at that time. Dispatch of holding statements for the new shares will take place on 16 April 2008.

Courses of action available to option holders include:

- **Exercise your options** – by no later than 5:00pm EST, 31 March 2008.
- **Sell your options** – quotation of the options will cease at the close of trading on 20 March 2008.
- **Do nothing** – if you do not take any action to exercise your options prior to 31 March 2008, the options will expire and your rights to purchase shares at 20 cents will lapse.

Based on recent trading data for both PPY shares and PPYO options these options are currently valuable. Whilst the Company encourages option holders to convert PPYO to full PPY shares, there is no obligation upon option holders to exercise their options. Option holders who wish to exercise options should complete the attached 'Option Expiry Notice' form and forward it together with a cheque for our receipt by 31 March 2008 to:

Computershare Investor Services Pty Ltd  
GPO Box 1903  
Adelaide S.A. 5001  
Telephone 1300 556 161  
Facsimile + 61 8 8236 2305

Computershare Investor Services Pty Ltd  
Level 5  
115 Grenfell Street  
Adelaide S.A. 5000

Cheques should be made payable to "Papyrus Australia Limited" in Australian dollars only and crossed "Not Negotiable".

On the back of this letter is a summary of recent successes which should be considered when exercising your options.

Yours sincerely,

Vince Rigano  
Company Secretary

**Recent successes:**

- Production trials on the first commercial Papyrus Manufacturing line continue at Papyrus Headquarters in Lonsdale, SA. The line has undergone a rigorous process of testing and modification, as part of the overall project of preparation as a commercially viable manufacturing line. In addition, the Company has produced more materials and these have been supplied to our selected Customer partners for the purpose of trial and evaluation.
- Papyrus was successful in obtaining a variation to the Commercialisation Grant from AusIndustry. The variation process included a complete re-evaluation of the project and a visit to Papyrus and inspection of the first Papyrus Commercial Manufacturing Line by Senior Executives from Canberra. As a reflection of their confidence in the project and the achievements of the Company to date, the total grant sum approved was increased from \$1.18M to \$1.53M. \$250,000 of these additional funds have already now been paid to the Company.
- The Company has continued the process of Patent protection in over 140 countries after the Patent was granted in Australia in February 2007. Termed the National Phase of the Patent application process, the Patent will now be examined in these Countries prior to formal acceptance in due course. The Countries selected possess one or more of the critical areas of interest to the Company, which include significant banana cultivation activities, paper making capability or machinery manufacturing capacity. Over the past year, the Company has identified additional opportunities for extension of the current patent and expansion of the portfolio through additional patents relating to the Papyrus Technology and products.
- The Company continues the strategic planning process that considers all demands on resources required during the final phase of the commercialisation process. The strategic plan documents the specific methodology the Company will employ to execute these final elements, culminating in the installation of a commercially viable manufacturing operation, working amongst a plentiful supply of raw materials.

**Other Data:**

1. The latest available market sale price on the Australian Securities Exchange Limited (ASX) before the date of this notice for those securities to which the Options may be converted was 60 cents on 13 February 2008.
2. The highest and lowest sale price on the ASX for the three months preceding the date of this notice and the respective dates of sales for those securities to which the Options may be converted were:

Highest	-	76 cents on 14 /12/2007
Lowest	-	45 cents on 22/01/2008