

PAPYRUS AUSTRALIA LTD

ACN 110 868 409

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY MEMORANDUM

PROXY FORM

Date of Meeting

30 November 2010

Time of Meeting

10.30 am (SA time)

Place of Meeting

Meeting Room B, The Hilton Adelaide
233 Victoria Square, Adelaide, South Australia

NOTICE OF ANNUAL GENERAL MEETING

PAPYRUS AUSTRALIA LTD ACN 110 868 409

Notice is hereby given that the annual general meeting of shareholders of Papyrus Australia Ltd (**Company**) will be held at 10.30 am (SA time) on 30 November 2010 at Meeting Room B, The Hilton Adelaide, 233 Victoria Square, Adelaide, South Australia.

Ordinary Business

To receive and consider the Financial Statements for the year ended 30 June 2010 and accompanying reports of the Directors and Auditor.

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

Resolution 1: Election of Mr Russell Burton

'That Mr Russell Burton, being a member who, in accordance with clause 8.1(l)(3) of the Constitution of the Company, has at least 30 days before the meeting served on the Company a notice signed by him signifying his desire to be a candidate for election to the office of director at the meeting, is elected as a Director with effect immediately following the conclusion of the meeting.'

Resolution 2: Re-election of Mr Graeme Menzies

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

Resolution 3: Re-election of Mr Edward Byrt

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

Resolution 4: Adoption of the Remuneration Report

'That the Company adopt the Remuneration Report for the year ended 30 June 2010 as set out in the Company's Annual Report.'

Special Business

Resolution 5: Approval of Employees and Officers Share Option Plan

'That for the purpose of ASX Listing Rule 7.2, Exception 9 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 Share Option Plan", the rules of which is attached as Annexure B to the Explanatory Memorandum which is attached to and forms part of this Notice as an exception to ASX Listing Rule 7.1.'

DATED: 25 October 2010

**BY ORDER OF THE BOARD
PAPYRUS AUSTRALIA LTD**



**PIERRE VAN DER MERWE
COMPANY SECRETARY**

NOTES:

1. Explanatory Memorandum

The Explanatory Memorandum accompanying this Notice of Annual General Meeting is incorporated in and comprises part of this Notice of Annual General Meeting and should be read in conjunction with this Notice of Annual General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Memorandum which contains definitions of capitalised terms used in both this Notice of Annual General Meeting and the Explanatory Memorandum.

2. Voting Exclusion Statement – Resolution 5

The Company will disregard any votes cast in respect of Resolution 5 by a Director of the Company and any associate of a Director of the Company.

However the Company need not disregard a vote if:

- (a) 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
- (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.

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

4. '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 Directors have determined that all shares of the Company that are quoted on ASX as at 10.30 am (SA time) on 28 November 2010 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. 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.

EXPLANATORY MEMORANDUM

This Explanatory Memorandum forms part of a Notice convening an annual general meeting of shareholders of Papyrus Australia Ltd (**Company**) to be held on 30 November 2010. This Explanatory Memorandum is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Memorandum, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1, 2, 3, 4 and 5.

All of the resolutions are ordinary resolutions. They are separate resolutions and in no way dependent on each other.

RESOLUTION 1: ELECTION OF MR RUSSELL BURTON

Clause 8.1(l)(3) of the Constitution provides that a person may be elected to the office of a director at a general meeting if, being a member, he or she has at least 30 days before the meeting served on the Company a notice signed by him or her signifying his or her desire to be a candidate for election at that meeting. Mr Russell Burton has served on the Company a notice (a copy of which is attached as Annexure A to this Explanatory Memorandum) pursuant to clause 8.1(l)(3) of the Constitution. Accordingly, Mr Russell Burton stands for election to the Board. Mr Burton's reasons in support of his election to the Board are contained in the notice which is attached as Annexure A to this Explanatory Memorandum.

The Directors recommend that shareholders vote against Resolution 1.

RESOLUTION 2: RE-ELECTION OF MR GRAEME MENZIES

In accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, at every Annual General Meeting one third of the Directors for the time being must retire from office and in accordance with clause 8.1(h) of the Constitution are eligible for re-election. Accordingly Mr Graeme Menzies retires in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution and, being eligible, offers himself for re-election.

A resume for Mr Menzies follows:

Graeme Menzies, LLB (Non-Executive Director)

Mr Menzies is a Barrister and Solicitor with over 40 years experience in practice. He commenced legal practice in 1972. He established his own legal practice in 1988 focusing on company and corporate law, primarily relating to takeovers, mergers, reconstructions, listings and capital raisings. Mr Menzies continues to work solely in the corporate arena, both as a solicitor and, more recently, as an employee of a commercial consultancy firm which provides commercial consultancy advice and management relating to his areas of expertise. He is presently a director of Moby Oil and Gas Limited (ASX Code: MOG), Octanex NL (ASX Code: OXX) and Exoil Limited (NSX Code: EXX), as well as a number of unlisted companies.

Mr Menzies has been a Director since 2004.

The Directors (other than Mr Menzies) recommend that shareholders vote in favour of Resolution 2.

RESOLUTION 3: RE-ELECTION OF MR EDWARD BYRT

In accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution, at every Annual General Meeting one third of the Directors for the time being must retire from office and in accordance with clause 8.1(h) of the Constitution are eligible for re-election. Accordingly Mr Edward Byrt retires in accordance with ASX Listing Rule 14.4 and clause 8.1(e)(2) of the Constitution and, being eligible, offers himself for re-election.

A resume for Mr Byrt follows:

Edward Byrt, LLB (Non-Executive Chairman)

Mr Byrt is a legal practitioner with over 30 years experience specialising in commerce and public law, corporate governance and international business. He is a specialist strategic advisor for major development and infrastructure projects within Australia and offshore.

Mr Byrt is a business advisor and Board member of several leading organisations in South Australia. He is Presiding Member of the Development Assessment Commission, Chairman of the China Cluster, The Australian Advanced Manufacturing Centre Pty Ltd and SMAC Technologies Pty Ltd, Deputy Chairman of Bedford Industries Inc., a Director of Treyo Leisure & Entertainment Ltd (ASX listed) and a Board member of the SA Housing Trust and the Aboriginal Foundation of SA Inc.

Mr Byrt is also a member of the Company's Audit committee and has been a Director since 2004.

The Directors (other than Mr Byrt) recommend that shareholders vote in favour of Resolution 3.

RESOLUTION 4: ADOPTION OF THE REMUNERATION REPORT

The Annual Report for the year ended 30 June 2010 contains a Remuneration Report which sets out the remuneration policy of the Company and reports the remuneration arrangements in place for the Managing 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, the shareholder vote on Resolution 4 is advisory only and will not require the Company to alter any arrangements detailed in the Remuneration Report, should Resolution 4 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: APPROVAL OF EMPLOYEES AND OFFICERS SHARE OPTION PLAN

The Company currently has in place the Papyrus Australia Ltd Employees and Officers Share 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 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 attached as Annexure B to this Explanatory Memorandum. 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(b) 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 this rule.

As the Company last approved the issue of securities under the Plan for the purposes of ASX Listing Rule 7.2, Exception 9 at its 2007 AGM, the purpose of Resolution 5 is to seek approval of the issue of securities under the Plan for the purposes of ASX Listing Rule 7.2, Exception 9 and for all other purposes.

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 "B" to this Explanatory Memorandum;
- (b) 450,000 options have been issued under the Plan since the date that the Plan was last approved by shareholders; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 5.

As the Directors are excluded from voting on Resolution 5 they do not wish to make a recommendation as to how shareholders ought to vote in respect of Resolution 5. The Chairman intends to vote any undirected proxies in favour of Resolution 5.

GLOSSARY

In this Explanatory Memorandum and Notice of Annual General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

ASX means ASX Limited ACN 008 624 691;

ASX Listing Rules means the official listing rules of ASX;

Board means the board of directors of the Company;

Company or Papyrus Australia Limited means Papyrus Australia Ltd ACN 110 868 409;

Constitution means the constitution of the Company;

Corporations Act means *Corporations Act 2001* (Cth);

Director means a director of the Company;

Meeting means the annual general meeting of shareholders convened by the Notice; and

Notice means the notice of annual general meeting to which this Explanatory Memorandum is attached.

ANNEXURE A

Notice of nomination and acceptance of nomination of Russell Leslie Burton for election as a member of the Board of Directors of Papyrus Australia.

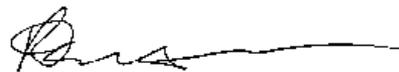
Under section 8.1 (1) (4) of the *Papyrus Australia Constitution* I hereby nominate Russell Leslie Burton for election to the Board of Directors of Papyrus Australia at the 2010 AGM.

Vera Vladimirovna Barton



01-10-2010

Under section 8.1 (1) (4) of the *Papyrus Australia Constitution* I hereby consent to the nomination for election to the Board of Directors of Papyrus Australia at the 2010 AGM.



Russell Leslie Burton

01/10/2010

ANNEXURE A

**Statement in support of Russell Leslie Burton's
nomination for election to the Board.**

Russell Burton feels strongly that the Walkamin factory needs to be up and working quickly and to its fullest potential, in order to demonstrate a successfully working banana stem veneering factory to potential licensees and also in order to generate revenue to help the Company pursue its other goals. The factory generated no revenue last financial year. A question he have asked himself is: how best can the Company achieve successful sales of the product and the process to a worldwide market. The answer as he sees it, is that the Walkamin factory become a top priority of the Company to show potential customers a factory that works effectively, efficiently and reliably. Russell believes the Company needs to market its processes and products. This can only be done by selling to repeat customers on a commercial scale. A product or process that has not been proven in the market place would be an unattractive prospect. Russell believes that it is possible to achieve this goal within a short time frame.

Russell also believes that the patents owned by Papyrus Technology Ltd are the primary assets of our company and need to be acknowledged as such.

If elected to the board, Russell will work hard to bring these visions to fruition.

In support of Russell Burton's election to the Board, the following points are offered:

- He has been a shareholder since 2006;
- He is the founding member of the group 'Friends of PPY' and co-ordinates 'Friends of PPY' website. He believes strongly in the potential of the Company;
- He has been involved in research into soft stem fibre production, and holds a patent relating to processing banana stem material;
- He is an experienced manager in the Catholic education system and has been involved in many aspects of business including logistics, training, purchasing and personnel management;
- He has the skills and knowledge needed to get the Walkamin factory producing commercial quantities of high grade banana stem veneer and board;
- He is prepared to apply his knowledge and experience to put the above visions into effect, and to represent the views of the shareholders at meetings of the Board.



Vera Barton
Nominating Member

01/10/2010



Russell Burton
Nominee

1/10/2010

ANNEXURE B

RULES OF THE PYPYRUS AUSTRALIA LTD EMPLOYEES AND OFFICERS SHARE OPTION PLAN

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In these Rules, unless the contrary intention appears:

“Associated Company” means at any time any body corporate that at that time is a related body corporate of the Company within the meaning of section 50 of the Corporations Act 2001;

“ASX” means Australian Securities Exchange Limited and includes any body corporate which may hereafter succeed to the powers, functions and duties of Australian Securities Exchange Limited;

“Board” means the directors acting as the board of directors of the Company;

“Business Day” means a day on which the stock market of ASX is open for trading in securities;

“Certificate” means the certificate issued by the Company to a Holder in respect of an Option;

“Company” means Papyrus Australia Ltd ACN 110 868 409;

“Director” means a director of a Group Company from time to time;

“Eligible Person” means at any time a person who then is an employee or an officer (whether full-time or part-time) of a Group Company or a consultant to a Group Company;

“Exercise Price” means, in respect of an Option, the subscription price per Share, determined in accordance with clause 12, payable by a Holder on exercise of the Option;

“Expiry Date” means, in relation to an Option, the period of 5 years from and including the Issue Date of the Option;

“Group” means, collectively the Company and each of the Associated Companies;

“Group Company” means the Company or any Associated Company;

“Holder” means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;

“Issue Date” means, in relation to an Option, the date on which the Company grants that Option;

“Listing Rules” means the Official Listing Rules of ASX;

“Market Value” means:

- (a) the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the day on which the Board resolves to offer an Option (excluding special crossings and overnight sales); or
- (b) in circumstances where there has been no trading in the Shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX (excluding special crossings and overnight sales);

“**Option**” means an Option issued under the Plan to subscribe (subject to clause 11) for a Share;

“**Permanent Disablement**” means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience;

“**Permitted Nominee**” has the meaning given to it by clause 5.4;

“**Plan**” means The Papyrus Australia Ltd Employees and Officers Share Option Plan established in accordance with these Rules;

“**Redundancy**” means, in relation to an Eligible Person, a determination by the Board that the relevant Group Company’s need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of any Group Company of his own accord);

“**Retirement**” means, in relation to an Eligible Person, retirement by that Eligible Person from any Group Company at age 60 or over or such earlier age as considered appropriate by the Board;

“**Rules**” means these rules, as amended from time to time;

“**Shares**” means fully paid ordinary shares in the capital of the Company.

1.2 Interpretation

In these Rules, unless the contrary intention appears:

- (a) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a gender includes all genders; and
- (d) an expression defined in, or given a meaning for the purposes of, the Corporations Act 2001 or the Listing Rules has the same meaning where used in these Rules.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute and uncontrolled discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. NUMBER OF OPTIONS TO BE ISSUED

The Company shall not offer or issue Options to any Eligible Person in accordance with the plan if the total number of shares the subject of Options, when aggregated with:

- 3.1 the number of shares in the same class which would be issued were each outstanding offer or invitation or option to acquire unissued shares in the Company, being an offer or invitation made or option acquired pursuant to the Plan or any other employee or officer share scheme extended only to employees or officers (including directors) of Group Companies, to be accepted or exercised (as the case may be); and
- 3.2 the number of shares in the same class issued during the previous five years pursuant to the Plan or any other employee or officer share scheme extended only to employees or officers (including directors) of Group Companies,

(disregarding any offer or invitation made, or option acquired or share issued following the making of an offer or invitation, to a person situated at the time of receipt of the offer or invitation outside Australia or any offer or invitation which, pursuant to Chapter 6D of the Corporations Act 2001, does not need disclosure to investors), would exceed 5% of the total number of issued shares in that class of the Company as at the time of the proposed offer or issue.

4. ENTITLEMENT TO PARTICIPATE

- 4.1 The Board may from time to time determine in its absolute and uncontrolled discretion that any Eligible Person is entitled to participate in the Plan and the extent of that participation. The determination of the Board shall be binding and neither the Board nor any director of the Company shall be obliged to give any reason for a determination.
- 4.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.
- 4.3 Unless otherwise determined by the Board in its absolute and uncontrolled discretion, no Eligible Person shall be entitled to participate in the Plan unless that Eligible Person has been in continuous employment with a Group Company or has provided consulting services on a continuous basis for at least 12 months prior to the Issue Date.
- 4.4 The Plan shall not form part of any contract of employment between any Group Company and any of its employees or officers or any consulting agreement between any Group Company and any consultant and shall not confer directly or indirectly on any such employee, officer or consultant any legal or equitable right whatsoever against any Group Company.

5. OFFER OF OPTIONS

- 5.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Persons at such times and on such terms as the Board considers appropriate in its absolute and uncontrolled discretion. Each offer must state:
 - (a) that the Eligible Person to whom it is addressed may accept the whole or any lesser number of Options offered. The offer may stipulate a minimum number of Options and any multiple of such minimum or any other number which may be accepted;
 - (b) the period within which the offer may be accepted; and
 - (c) any other matters which the Board may determine.

- 5.2 Upon receipt of an offer of Options, an Eligible Person may, within the period specified in the offer:
- (a) accept the whole or any lesser number of Options offered by notice in writing to the Board; or
 - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the offer by notice in writing to the Board. The Board may, in its absolute and uncontrolled discretion, resolve not to allow such renunciation of an offer in favour of a nominee without giving any reason for such decision.
- 5.3 Each Option will be issued free.
- 5.4 Upon:
- (a) receipt of the acceptance referred to in paragraph 5.2(a); or
 - (b) the Board resolving to allow a renunciation of an offer in favour of a nominee ("**Permitted Nominee**") and the Permitted Nominee accepting the whole or any lesser number of Options offered by notice in writing to the Board,
- then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be issued Options subject to these Rules.
- 5.5 Certificates for Options will be dispatched within 10 Business Days after their Issue Date (or within such lesser period (if any) as may be required by the Listing Rules).
- 5.6 If Options are issued to a Permitted Nominee of an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

6. QUOTATION

- 6.1 The Company will not apply for official quotation by ASX of any Options.
- 6.2 If the Company's Shares have been granted official quotation by ASX, the Company must apply for official quotation of all Shares allotted pursuant to the exercise of Options not later than 10 Business Days after the date of allotment (or within such lesser period (if any) as may be required by the Listing Rules).

7. NOT TRANSFERABLE

Subject to clause 10.3, Options are not transferable.

8. EXERCISE OF OPTIONS

- 8.1 Subject to these Rules, Options may be exercised at any time during the period commencing after the Issue Date and ending on the Expiry Date.
- 8.2 Options not exercised on or before the Expiry Date will automatically lapse.
- 8.3 Options may only be exercised by notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and must be accompanied by:
- (a) the Exercise Price for the number of Options specified in the notice; and
 - (b) the Certificate for those Options, for cancellation by the Company.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

- 8.4 Subject to clause 8.2, within 10 Business Days after the notice referred to in clause 8.3 becomes effective (or within such lesser period (if any) as may be required by the Listing Rules), the Board must:
- (a) allot and issue the number of Shares specified in the notice to the Holder;
 - (b) cancel the Certificate for the Options being exercised; and
 - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.

9. SHARES ALLOTTED ON EXERCISE OF OPTIONS

All Shares allotted upon exercise of Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the Holders to participate fully in:

- 9.1 dividends declared by the Company after the date of allotment; and
- 9.2 all issues of securities made or offered pro rata to holders of Shares.

10. CEASING TO BE AN ELIGIBLE PERSON

- 10.1 If at any time prior to the Expiry Date of any Options, an Eligible Person ceases to be an Eligible Person for any reason other than Retirement, Permanent Disability, Redundancy or death, all Options held by such Eligible Person or his Permitted Nominee (as the case may be), will, to the extent that they have not been exercised beforehand, automatically lapse on the first to occur of:
- (a) The expiry of the period of one (1) calendar months from the date of such occurrence, and
 - (b) The Expiry Date.
- 10.2 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the date of such occurrence.
- 10.3 If at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's legal personal representative may:
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
 - (b) whether or not he becomes so registered, exercise those Options as if it were the Holder of them in accordance with these Rules; and
 - (c) if the deceased Holder had already given the Company a notice of exercise of his Options, pay the Exercise Price in respect of those Options.

11. ENTITLEMENT TO PARTICIPATE IN FUTURE ISSUES

11.1 New Issues

Holders may only participate in new issues of securities to holders of Shares if an Option has been exercised and Shares allotted in respect of the Option before the record date for determining entitlements to the issue. The Company must give at least nine Business Days' notice (or such greater period of notice (if any) as may be required by the Listing Rules) to Holders of any new issue before the record date for determining entitlements to the issue in accordance with the Listing Rules.

11.2 Bonus Issues

If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Holder would have received if the Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). Upon issue the Bonus Shares will rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

11.3 Pro Rata Issue

If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares, the Exercise Price of an Option will be reduced according to the following formula:

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

A = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of Shares into which one Option is exercisable.

P = the average closing sale price per Share (weighted by reference to volume) recorded on the stock market of ASX during the 5 trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises).

S = the subscription price for a security under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11.4 Reorganisation of Capital

If, prior to the expiry or lapse of any Options, there is a reorganisation of the issued capital of the Company, those Options will be reorganised to the extent necessary to comply with the Listing Rules.

11.5 Advice

In accordance with the Listing Rules, the Company must give notice to each Holder of any adjustment to the number of Shares for which the Holder is entitled to subscribe or to the Exercise Price pursuant to the provisions of clauses 11.2, 11.3 or 11.4.

12. **EXERCISE PRICE OF OPTIONS**

The Exercise Price of each Option will be determined by the Board when it resolves to offer the Option and will be not less than the Market Value of a Share at that time.

13. **AMENDMENTS TO THE RULES**

The Board may alter, delete or add to these Rules at any time (save for the provisions of clause 3), but, where the Company is admitted to the Official List of ASX, its resolution to do so has no effect unless the requirements of the Listing Rules in relation to the alteration, deletion or addition have been complied with.

14. **NOTICES**

Notices may be given by the Company to any Holder either personally or by sending by post to his address as noted in the Company's records or to the address (if any) within the Commonwealth of Australia supplied by him to the Company for the giving of notices. Notices of any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by any Director or Secretary of the Company. A notice of exercise of Options shall not be deemed to be served on the Company until actually received.

INTENTIONALLY BLANK



Papyrus Papyrus Australia Ltd
ABN 63 110 868 409

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10:30am (Adelaide time) Sunday 28 November 2010**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

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

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form →**



Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Papyrus Australia Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

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 Ltd to be held at Meeting Room B, The Hilton Adelaide, 233 Victoria Square, Adelaide SA 5000 on Tuesday, 30 November 2010 at 10:30am (Adelaide time) and at any adjournment of that meeting.

Important for Item 5: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 5 below, please mark the box in this section. 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 5 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 5 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business

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

Ordinary Business

	For	Against	Abstain
1 Election of Mr Russell Burton as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Mr Graeme Menzies as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Re-election of Mr Edward Byrt as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

5 Approval of Employees and Officers Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of Items 2 to 5 and against Item 1 of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

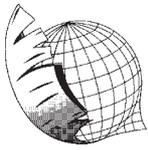
Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____ / ____ / ____



Papyrus Papyrus Australia Ltd
ABN 63 110 868 409

Building 16
35-37 Stirling Street
THEBARTON SOUTH AUSTRALIA 5031
Australia



Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Papyrus Australia Ltd. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following;

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESSE environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESSE are also updated.

Yours sincerely

Pierre Van Der Merwe
Company Secretary