

ASX Announcement

20 January 2011



PLACEMENT RAISES \$1.4 MILLION FOR PAPYRUS

The board of directors of Papyrus Australia Ltd (**'The Company'**) is pleased to announce that it has executed a mandate with Taylor Collison Limited to undertake a non-underwritten Placement of equity to sophisticated investors and Directors to raise \$1.4 Million before costs (**'Placement'**). The funds will be used to continue improvements in production at the Company's Walkamin Factory in far North Queensland, manufacturing and commissioning of new veneering units and for working capital purposes.

The Placement will result in the issue of 8,333,333 new shares to clients of Taylor Collison Limited and 3,333,333 new shares to Directors of the Company. The placement price for the new shares is \$0.12 and it is proposed that for every two shares subscribed, the Company will also issue one free unlisted option exercisable at any time but no later than 31 March 2013 at \$0.12. An issue of securities to Directors will require shareholder approval and the Company intends to hold a general meeting as soon practicable for this purpose.

For further information please contact the office of Papyrus Australia on + 61 8 7324 1232

Papyrus Australia Limited

Building 16
35-37 Stirling Street
THEBARTON SA 5031
AUSTRALIA

PO Box 566
Torrensville Plaza
MILE END SA 5031
AUSTRALIA

Tel: (+61) 08 7324 1232

Fax: (+61) 08 8152 0553

email@papyrusaustralia.com.au

www.papyrusaustralia.com.au

ABN: 63 110 868 409



In accordance with Listing Rule 3.10.3, the Company provides the following details of the placement shares:

Class of Securities: Fully Paid Ordinary Shares and Unlisted Options

Number to be issued: 11,666,667 ordinary fully paid shares and 5,833,333 unlisted options

Principal Terms of the Securities: The shares will carry standard rights applicable to quoted ordinary shares in the Company and will, from the date of issue, rank equally with fully paid quoted ordinary shares currently on issue.

The options will be exercisable at any time prior to 31 March 2013, at an exercise price of \$0.12.

Issue Price: \$0.12 per share and one for two attaching option

Purpose of the Issue: Issued to continue improvements in production at the Company's Walkamin Factory in far North Queensland, manufacturing and commissioning of new veneering units and for working capital purposes.

Shareholder Approval: Sophisticated investors
The Company will not seek shareholder approval prior to the issue of 8,333,333 placement shares and 4,166,666 options, as approval for this issue is not required by the Listing Rules. The Company intends to subsequently seek approval of this issue at a general meeting pursuant to Listing Rule 7.4 (subsequent approval of issue of securities).

Directors

The Company will seek shareholder approval at a general meeting to be held for the issue of 3,333,333 shares and 1,666,666 unlisted options to Directors.

Issue to Class: The issue is not being made to a class of security holders. As the issue of placement shares will be to sophisticated and/or professional investors, it will not require disclosure under the Corporations Act 2001.