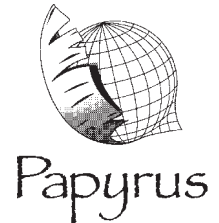


PAPYRUS AUSTRALIA LTD

231 North Terrace, Adelaide 5000, South Australia
Tel: +61 8 8223 5133 Fax: +61 8 8223 2767
Website www.papyrusaustralia.com.au
Email admin@papyrusaustralia.com.au
A.C.N. 110 868 409



22 January 2009

Dear Shareholder

INVITATION TO PARTICIPATE IN PAPYRUS AUSTRALIA LIMITED SHARE PURCHASE PLAN

The Directors of Papyrus Australia Limited (**Company**) are pleased to offer shareholders the opportunity to participate in its Share Purchase Plan (SPP). The plan entitles eligible shareholders of the Company to purchase up to A\$5,000.00 worth of fully paid ordinary shares in the capital of the Company, free from all brokerage and commissions.

Shareholders can purchase shares at 44 cents per share, subject to the provisions of the 'Share Purchase Plan Terms and Conditions'. The SPP provides a choice of five options of shares in A\$1,000.00 increments, subject to a maximum subscription of A\$5,000.00 (11,364 shares).

Accompanying this letter are two documents:

- a. 'Share Purchase Plan Terms and Conditions' which explains how the new shares will be issued should you participate in this offer; and
- b. A personalised Application Form which provides the instructions you need to follow in order to participate in the Share Purchase Plan. If paying by cheque or credit card, you will need to return the completed Application Form to the Company's Share Registry office, Computershare Investor Services Pty Limited, in the reply paid envelope, so that it is received no later than 5.00 pm, (Adelaide time), on 16th February 2009. If payment is made by BPAY, you do not need to return the Application Form but your payment must be received by 5.00 pm, (Adelaide time), on 16th February 2009. Directors reserve the right to vary these dates.

The Share Purchase Plan will open on 29th January 2009 and **close at 5.00pm (Adelaide time) on Monday, 16th February 2009**. Shareholders with a registered address in Australia or New Zealand as at the close of business on 19th January 2009 will be eligible to participate in the offer.

The funds raised will assist the Company to continue to make excellent progress toward the goal of technology commercialisation and the commencement of volume production early in the second quarter of 2009.

Commercial Facility

- Situated next to the scenic Mt Uncle Plantation in Walkamin, North Queensland, the construction of the commercial facility to house the world's first example of the Papyrus commercial manufacturing line is now almost complete, with final site works due to be completed on schedule in mid February.
- Papyrus' joint venture partner, World Future Fibre Pty Ltd (WFF), has managed the construction project as part of their responsibilities under the Joint Venture Agreement concluded in July 2008. WFF will ultimately operate the commercial facility when the Papyrus Manufacturing Line has been installed.
- Elements of the Papyrus commercial manufacturing line are now in the process of installation on schedule and this will continue through February and early March prior to commencement of production trials.
- The Company has successfully engaged plantation owners as partners in the development of the facility in North Queensland and raw materials will be supplied to the facility from plantations around the Walkamin region.
- Specific announcements detailing progress and the achievement of planning milestones will be made to the market as required.

Customers and Products

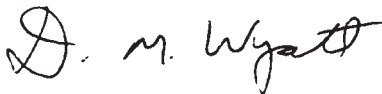
- The Company has already secured forward orders for paper and decorative veneer products in Australia and in Europe.
- In addition, the Company has sold small quantities of decorative veneer products in Australia to a major furniture and joinery finishing Company as well as an array of paper products for applications in the food and stationery markets. These Companies are committed to the purchase of commercial quantities of material as that becomes available from the Nth Qld facility in the second quarter of 2009.
- There are many Companies interested in purchasing the Papyrus products in Australia and overseas.
- The Company continues to explore Technology Licensing opportunities in regions additional to those already concluded and explained previously.
- Firm enquiries have been received from China, Japan, Sri Lanka, the Philippines and India, which have resulted in detailed submissions from parties to Papyrus relating to Licensing the Technology in these regions.
- The Company will detail progress to the market on these additional opportunities as more information becomes available.

In short, Papyrus has continued to deliver consistent, measurable progress on planned objectives and is now very close to proving to everyone the commercial viability and environmental sustainability of the Papyrus Technology.

This will be the world's first example of this authentic and important manufacturing process based upon well protected intellectual property and it is with a great sense of anticipation and excitement that I write to all of our shareholders with details of our share purchase plan.

As such, I hope that you will give favourable consideration to this offer as a convenient means of increasing your holding in, and support of, the Company in this the most exciting stage of our development.

Yours faithfully



David Wyatt
Chairman

Encls.

SHARE PURCHASE PLAN

TERMS AND CONDITIONS

PAPYRUS AUSTRALIA LIMITED ACN 110 868 409

TERMS AND CONDITIONS

These terms and conditions are the terms and conditions of the Papyrus Australia Limited (**Company**) Share Purchase Plan (**Plan**) (as contemplated by Regulatory Guide 125 and Class Order 02/831 of the Australian Securities and Investments Commission) and are binding on any shareholder completing the Share Purchase Plan Application Form which accompanies this document.

1. THE OFFER

The Offer is an invitation to offer to subscribe for fully paid ordinary shares in the Company (**Shares**) at \$0.44 per Share for either the maximum subscription of A\$5,000 (11,364 Shares) OR a choice of a variable number of shares in multiples of A\$1,000 increments as set out in the enclosed application form. You may apply for any one of the subscriptions as specified in the application form. You may refuse the Offer. The Offer to each eligible shareholder is made on the same terms and conditions. The Offer is non-renounceable (meaning that you may not transfer your right to acquire a Share under the Offer to anyone else).

2. OPENING AND CLOSING DATE OF THE OFFER

The Offer opens at 9:00 am on 29 January 2009. The Offer closes at 5:00 pm (Adelaide time) on 16 February 2009. The Directors of the Company reserve the right to change the closing date of the Offer.

No late applications will be accepted.

3. ELIGIBILITY

You are eligible to apply for Shares if:

- (a) your registered address in the Company's register of members is in Australia or New Zealand; and
- (b) you were registered or taken to be registered as a holder of fully paid ordinary shares in the Company as at close of business on 19 January 2009.

The Directors of the Company have determined that it is not practical for holders of shares with registered addresses in jurisdictions other than Australia and New Zealand to participate in the Plan.

At the date of the Offer, the Company has approximately 1,600 shareholders who would be eligible to apply.

To the extent that you hold shares on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any acceptance is in compliance with all applicable foreign laws.

Joint holders of shares are taken to be a single registered holder of shares for the purposes of determining whether they are an eligible shareholder and the certification in clause 15(c) is taken to have been given by all of them.

Where a trustee or nominee is a registered holder of shares and is expressly noted on the Company's register of members as holding shares on account of a named beneficiary, the named beneficiary will be taken to be the registered holder of those shares. An application for Shares, certification (for the purposes of clause 15(c)) or issue of Shares to the trustee or nominee will be taken to be an application or certification by, or an issue to, the named beneficiary.

4. ISSUE PRICE AND RELATIONSHIP TO MARKET PRICE

The issue price for each Share under the Offer is A\$0.44 which represents a 19.6% discount to the 5 day volume weighted average price of the Company's Shares on Australian Securities Exchange (ASX) prior to 20 January 2009 (date of announcement of the Plan) of A\$0.547.

5. RIGHTS ATTACHING TO SHARES

The rights and obligations of the Shares are contained in the constitution of the Company (which is available for inspection at the registered office of the Company during the period of the Offer). The Shares will be issued on the same terms as all other ordinary shares in the Company and the Company will apply for the Shares to be quoted on ASX.

If the Shares are not to be quoted on **ASX**, the Shares will not be issued and application funds will be refunded without interest.

6. APPLICATION FOR SHARES

If you are an eligible shareholder, you may apply on the Application Form to purchase a maximum of 11,364 Shares for a consideration of A\$5,000, OR a choice of a variable number of shares in multiples of A\$1,000 increments as set out in the enclosed application form. These parcels are subject to scaleback.

The total cost of shares purchased by each eligible shareholder (including through joint holding(s), multiple share holdings or any holding in which they have a beneficial interest(s)) must not exceed A\$5,000. If an invitation is received by an eligible shareholder who is expressly noted on the Company's register of members as a trustee or nominee on account of a named beneficiary, then any Shares issued in relation to that invitation will not be included in calculating the maximum number of Shares that may be applied for by that eligible shareholder, but will be included in calculating the maximum number of Shares that can be applied for by the named beneficiary.

The Company reserves the right to reject any application for Plan Shares to the extent that they consider that the application (whether alone or in conjunction with other applications) does not comply with these requirements, these terms and conditions or for any other reason. If an application is refused, the application monies received will be refunded without interest.

The Company reserves the rights to scale-back, pro-rata, allocations under the Offer if the total number of Shares applied for exceeds the maximum number of Shares that may be issued under the Offer.

The Company reserves the right to issue fewer Shares than an eligible shareholder applied for under the Plan (or none at all) at its sole discretion. Excess application monies will be refunded without interest.

Fractions of Shares will be rounded to the nearest share.

7. PARTICIPATION COSTS

You must pay the issue price per Share and any fees or charges incurred by you in completing the Application Form, for example, bank fees or fees of professional advisers. The Company will pay any brokerage or stamp duty.

8. ALLOTMENT OF SHARES

The Shares will be allotted as soon as possible after the closing date. The Company will send or cause to be sent to you a holding statement in due course.

9. PAYMENT FOR THE SHARES

All amounts in this Offer are expressed in Australian dollars. You must pay for the Shares by a cheque in Australian dollars drawn on a bank or financial institution in Australia and made payable to 'Papyrus Australia Limited Share Purchase Plan'. Please provide a cheque for the exact amount. If you do not provide the exact amount, the Company reserves the right to return your Application Form and cheque (in which case you will receive no Shares) or issue you a lesser number of Shares and (if necessary) return a portion of your funds. No interest will be paid on money returned. Alternatively, payment can be made by BPAY or credit card by following the instructions on the enclosed application form.

10. OFFERS UNDER THE PLAN

The Company may make more than one invitation to acquire Shares under the Plan in any 12 month period. Shareholders will not be able to acquire Shares to a value exceeding A\$5,000 pursuant to the Plan in any 12 month period. The Company may amend the terms of the Plan to provide for different terms to apply to different invitations. The Company may terminate the Plan at any time. Notice of invitations, the terms of invitations and termination of the Plan will be provided to ASX, although failure to give notice will not invalidate the event.

11. APPLICATION OF PLAN

The Company may act or omit to act in relation to the Plan (including applying the terms of the Plan) in its absolute discretion. The Company may settle any difficulty or question of fact or interpretation in relation to the Plan in any manner it thinks fit, whether generally or in relation to any participant, application or Share. The Company's decision will be conclusive and binding. The Company reserves the right to waive strict compliance with the terms of the Plan. The Directors of the Company or any delegate of them may exercise the powers of the Company under the terms of the Plan.

12. RISK

Subscription under the Plan is a speculative investment and the market price of Shares may change between the date of the Offer, the date you apply for Shares and the date of issue of Shares to you. Accordingly, the value of Shares applied for may rise or fall.

This Offer is not a prospectus and does not require the types of disclosures required under the *Corporations Act 2001* (Cth). You must rely on your own knowledge of the Company, previous disclosures made by the Company to ASX and, if necessary, consult your professional advisers when deciding whether or not to accept the Offer and participate in the Plan.

13. PRIVACY

By receiving completed Application Forms, the Company collects personal information about shareholders. The Company will use this information for the purposes of processing the Application Form and updating the records of the Company. Unless required by the law, the Company will not disclose the personal information of a shareholder to a third party or use the personal information for another purpose without the consent of the shareholder. Except as stated by the law, shareholders are able to access, upon request, their personal information or if you wish to obtain a copy of the Company's privacy policy, please contact us.

14. USE OF FUNDS

Funds raised pursuant to the Plan will be applied for engineering design and construction and to deliver on the company's milestones to take its banana ply technology to commercial production and provide ongoing working capital.

15. DECLARATION AND ACKNOWLEDGEMENT

By making your payment, an eligible shareholder:

- (a) irrevocably and unconditionally agrees to these terms and conditions and agrees not to do any act or thing which would be contrary to the spirit, intention or purpose of the Plan;
- (b) agrees to accept any lesser number of Shares than the number of Shares applied for;
- (c) certifies that the aggregate of the application price for:
 - (i) the Shares the subject of the Application Form; and
 - (ii) any other shares applied for by, or on behalf of, the eligible shareholder under the Plan or any similar plan operated by the Company in the 12 months prior to the offer,(including through joint and beneficial holdings) does not exceed A\$5,000;
- (d) agrees to be bound by the Company's constitution in respect of Shares issued under the Plan;
- (e) accepts that it will not be able to withdraw or revoke its application once it has been sent to the Company;
- (f) authorises the Company (and its officers or agents) to correct any error or omission in its Application Form and to complete the Application Form by the insertion of any missing details;
- (g) acknowledges that the Company may at any time determine that its Application Form is valid, in accordance with these terms and conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- (h) accepts the risk associated with any refund that may be sent to it by cheque to its address shown on the Company's register of members;

- (i) acknowledges that it is responsible for any dishonour fees or other costs the Company may incur in presenting a cheque for payment which is dishonoured;
 - (j) acknowledges that neither the Company nor Computershare Investor Services Pty Limited has provided it with investment advice or financial product advice, and that neither has any obligation to provide this advice, concerning its decision to apply for and buy Shares;
 - (k) acknowledges that the Company is not liable for any exercise of its discretion referred to in these terms and conditions; and
 - (l) certifies that its acceptance of an offer under the Plan will not result in it breaching the 20% limit imposed by section 606 of the *Corporations Act 2001* (Cth).
-

16. IMPORTANT DATES

The important dates in relation to this Offer are summarised below. These dates are indicative only and subject to change at the discretion of the Directors.

Record date for eligibility to participate in the Plan	19 January 2009
Despatch of Offer documentation/Offer opening date	29 January 2009
Offer closing date (subject to Directors' discretion to vary)	16 February 2009
Estimated Allotment date	24 February 2009

17. CONTACT DETAILS

Grant Pigot - Telephone 08 8186 2936



Papyrus Australia Ltd
ABN 63 110 868 409

Please return completed form 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
web.queries@computershare.com.au
www.computershare.com

Entitlement Number:
Record Date: 19/01/2009
Offer Closes: 5.00pm (Adelaide time) 16/02/09
Price per Security: A\$0.44

SHARE PURCHASE PLAN APPLICATION FORM

This personalised form can only be used in relation to the securityholding represented by the SRN or HIN printed above. This is an important document and requires your immediate attention.

If you are in doubt about how to deal with this document, please consult your financial or other professional adviser.

Pursuant to the terms and conditions of the Papyrus Australia Ltd Share Purchase Plan (SPP) contained in the letter to Papyrus Australia Ltd securityholders dated 22 January 09, Papyrus Australia Ltd is offering eligible securityholders the opportunity to purchase shares up to a maximum value of A\$5,000.00 per eligible securityholder, subject to a minimum application of A\$1,000.00.

If you do not wish to purchase additional shares under this offer there is no need to take action.

By making your payment, you agree to be bound by the Constitution of Papyrus Australia Ltd and agree that the submission of this payment constitutes an irrevocable offer to you by Papyrus Australia Ltd to subscribe for Papyrus Australia Ltd Shares on the terms of the SPP. In addition, by submitting this Application Form you certify that the aggregate of the application price paid by you for:

- the Shares the subject of the slip below; and
- any other shares and interests in the class applied for by you under the Share Purchase Plan or any similar arrangement in the 12 months prior to the date of submission of this Application Form, does not exceed A\$5,000.00.

METHOD OF ACCEPTANCE

You can apply for shares and make your payment utilising one of the payment options detailed overleaf.

Papyrus Australia Ltd may make determinations in any manner it thinks fit, in relation to any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the SPP whether generally or in relation to any participant or application. Any determinations by Papyrus Australia Ltd will be conclusive and binding on all eligible securityholders and other persons to whom that determination relates. Papyrus Australia Ltd reserves the right to waive strict compliance with and provision of the terms and conditions of the SPP, to amend or vary those terms and conditions and to suspend or terminate the SPP at any time.

Any such amendment, variation, suspension or termination will be binding on all eligible securityholders even where Papyrus Australia Ltd does not notify you of that event.

A Credit Card Payment Details

Note: Only Mastercard and Visa are accepted.

Mastercard Visa Card Number

Card Holder Expiry Date

Signature CCV Number

024790_V2

Please see overleaf for Payment Options



Biller Code: _____
Ref No: _____

B I/We wish to purchase:

2,273 shares or A\$1,000 **or** 4,546 shares or A\$2,000 **or** 6,819 shares or A\$3,000 **or** 9,091 shares or A\$4,000 **or** 11,364 shares or A\$5,000

* These share amounts may be subject to scale-back in accordance with the terms of the SPP.

C Payment Details – Please note that funds are unable to be directly debited from your bank account

Drawer Cheque number BSB number Account number Cheque amount A\$

Make your cheque or bank draft payable to Papyrus Australia Ltd Share Purchase Plan

D Contact Details

Please provide your contact details in case we need to speak to you about this slip

Name of contact person Contact person's daytime telephone number



Paperclip cheque(s) here. Do not staple.

How to complete the Application Form

Please note that photocopies of this form will not be accepted. These instructions are cross-referenced to each section of the Application Form.

A Payment Details - Credit Card

Visa and Mastercard are the only cards that can be used to support this application. Complete the "Payment by Credit Card" section of the Application Form by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card.

The payment is not guaranteed to be processed until the end of the offer period and neither the Company nor CIS will be liable for any issues arising from insufficient funds being available (ie. in the event the payment is declined at the point of process, the Company reserves the right to reject the application but will endeavour to discuss the matter with the applicant).

The CCV Number is found on the signature strip of the reverse of the credit card. Only the last three numbers are required.

B Shares applied for and Acceptance Monies

You can choose to subscribe for as many shares as you wish (based on the choices outlined overleaf) subject to maximum subscription of A\$5,000.00 (11,364 shares).

C Payment Details Cheques

You can apply for shares by utilising the payment options detailed below.

There is no requirement to return this form if paying by BPay.

By making your payment using either electronic means or by cheque, bank draft or money order, you confirm that your cheque, money order or bank draft is made in Australian currency and drawn on an Australian branch of a financial institution. Such payment must be made payable to Papyrus Australia Ltd Share Purchase Plan and crossed "Not Negotiable". Payments not properly drawn may be rejected.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance form being rejected. Paperclip (do not staple) your cheque(s) to the form where indicated. Cash will not be accepted. Receipt of payment will not be forwarded.

D Contact Details

Enter the name of a contact person and telephone number. These details will only be used in the event that the registry has a query regarding this form.

The directors reserve the right to make amendments to this form where appropriate.

Lodgement of Acceptance

If you are applying for shares and your payment is being made using BPay, you do not need to return this form. Your payment must be received by no later than 5.00pm (Adelaide time) on 16 February 2009. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPay are received by this time.

If you are paying by credit card, cheque, bank draft or money order, your Application Form must be received at the Adelaide office of Computershare Investor Services Pty Limited (CIS) by no later than 5.00pm (Adelaide time) on 16 February 2009. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for securityholders in Australia. New Zealand holders will need to affix the appropriate postage. Return your Acceptance Form with cheque to the address listed below. Neither CIS nor the Company accepts any responsibility if you lodge this Application Form at any other address or by any other means.

Privacy Statement

Personal information is collected on this form by CIS, as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning this form or your entitlement, please contact CIS on 1300 556 161.

This form may not be used to notify your change of address. For information, please contact CIS on 1300 556 161 or www.computershare.com (Certificated/Issuer Sponsored Holders only).

CHES holders must contact their Controlling Participant to notify a change of address.

Share Price

The Share application issue represents an approximate discount of 19.6% to the 5 day volume weighted average price of the Company's shares prior to 20 January 2009. Please note that the price of Shares may rise or fall between the date of this offer and the date when the Shares are issued to you and hence any discount you obtain may be more than or less than this.

024790_V2

Payment Options:



Biller Code: _____

Ref No: _____

Telephone & Internet Banking – BPay

Call your bank, credit union or building society to make this payment from your cheque or savings account. More info: www.bpay.com.au



By Mail

Papyrus Australia Ltd
Computershare Investor
Services Pty Limited
GPO Box 1903

Adelaide, South Australia 5001
AUSTRALIA



Accepting by Credit Card:

Visa and Mastercard are the only cards that can be used to support this application. Complete the "Payment by Credit Card" section of the Application Form by indicating the type of card with a tick in the appropriate box. Be sure to show the name and numbers exactly as shown on the card.