

PAPYRUS AUSTRALIA LIMITED
ACN 110 868 409

NOTICE OF ANNUAL GENERAL MEETING
EXPLANATORY MEMORANDUM
PROXY FORM

Date of Meeting
27 November 2013

Time of Meeting
11 am

Place of Meeting
The Offices of Grant Thornton
67 Greenhill Road
WAYVILLE SA 5034

NOTICE OF ANNUAL GENERAL MEETING

PAPYRUS AUSTRALIA LIMITED ACN 110 868 409

Notice is hereby given that the Annual General Meeting of shareholders of Papyrus Australia Limited (the **Company**) will be held at the Offices of Grant Thornton, 67 Greenhill Road, WAYVILLE SA 5034 at 11 am (Adelaide time) on 27 November 2013.

Ordinary Business

To consider the Financial Statements for the financial year ended 30 June 2013 and accompanying reports of the Directors and Auditor.

Resolution 1: Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the financial year ended 30 June 2013.”

Resolution 2: Re-election of Edward Byrt as Director

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That Mr Edward Byrt, having voluntarily retired in accordance with Listing Rule 14.5 and rule 8.1(e)(2) of the Constitution, and, being eligible, offering himself for re-election, is re-elected as a Director with effect immediately following the conclusion of the meeting.”

Special Business

Resolution 3: Approval of 10% Placement Facility

To consider, and if thought fit, pass, with or without amendment, the following resolution as a special resolution:

“That, pursuant to and in accordance with Listing Rule 7.1A, the issue of Equity Securities of up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 4: Ratification of issue of Tranche 1 Placement Shares

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the allotment and issue of 17,000,000 Shares to sophisticated investors on 4 October 2013 on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 5: Issue of Tranche 2 Placement Shares

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the issue of 10,000,000 Shares to sophisticated investors on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 6: Issue of Tranche 2 Placement Shares to Ramy Azer

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the issue of 5,000,000 Shares to Ramy Azer or his nominee, on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 7: Issue of Tranche 2 Placement Shares to Edward Byrt

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the issue of 5,000,000 Shares to Edward Byrt or his nominee, on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 8: Ratification of issue of Shares to Map Capital Advisors

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, the allotment and issue of 2,400,000 Shares to Map Capital Advisors Pty Ltd or its nominee on 4 October 2013, issued as consideration for services rendered to the Company as described in the Explanatory Memorandum that accompanies this Notice of Meeting, and otherwise on the terms and conditions set out in the Explanatory Memorandum, is approved.”

Resolution 9: Issue of Options to Map Capital Advisors

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the grant of 1,666,667 Options to Map Capital Advisors or its nominee in consideration for MAP Capital Advisors’ contribution to a proposed incorporated joint venture between the Company, MAP Capital

Advisors and other investors, as detailed in the Explanatory Memorandum that accompanies this Notice of Meeting, on the terms and subject to conditions set out in the Explanatory Memorandum, is approved.”

Resolution 10: Issue of Options to sophisticated investors

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That, for the purposes of Listing Rule 7.1 and for all other purposes, the grant of 8,333,333 Options to the investors in a proposed incorporated joint venture between the Company, MAP Capital Advisors and those investors, as detailed in the Explanatory Memorandum that accompanies this Notice of Meeting, on the terms and subject to the conditions set out in the Explanatory Memorandum, is approved.”

Resolution 11: Issue of Shares to Talisker (SA) Pty Ltd to satisfy Loan Agreement

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the issue of such number of Shares to Talisker (SA) Pty Ltd or its nominee that would result in Mr Ramy Azer having a Voting Power of not more than 19.9% as at the date of issue of the Shares, calculated in accordance with the formula in the Explanatory Memorandum that accompanies this Notice of Meeting, in repayment of that part of the \$200,000 loaned by Mr Azer to the Company plus accrued interest thereon that is equal to the number of Shares to be issued pursuant to this Resolution multiplied by a deemed issue price that is equal to 80% of the average market price of Shares calculated over the last 5 days on which sales of Shares were recorded before the day on which the Shares the subject of this Resolution are issued, and otherwise on the terms and conditions set out in the Explanatory Memorandum, is approved.”

Resolution 12: Approval of Employee and Officers Share Option Plan

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes, the issue of securities under the employee incentive option scheme known as ‘Papyrus Australia Ltd Employees and Officers Share Option Plan’, the rules of which are set out in Schedule 3 to the Explanatory Memorandum, is approved as an exception to Listing Rule 7.1.”

Resolution 13: Issue of Options to Ramy Azer

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the grant of 3,000,000 Options to Mr Ramy Azer or his nominee in recognition of Mr Azer’s services to the Company, and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 14: Issue of Options to Edward Byrt

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the grant of 2,000,000 Options to Mr Edward Byrt or his nominee in recognition of Mr Byrt’s services to the Company, and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 15: Issue of Options to Donald Stephens

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the grant of 1,500,000 Options to Mr Donald Stephens or his nominee in recognition of Mr Stephen’s services to the Company, and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 16: Issue of Options to Colin Dunsford

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 10.11 and for all other purposes, the grant of 1,000,000 Options to Mr Colin Dunsford or his nominee in recognition of Mr Dunsford’s services to the Company, and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Resolution 17: Issue of Options to employees

To consider, and if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

“That for the purposes of Listing Rule 7.1 and for all other purposes, the grant of a total of 1,700,000 Options to Mr Geoff Whitbread, the Company’s Chief Executive, and Mr Warwick Moyse, the Company’s Business Manager (or their respective nominees) in recognition of their services to the Company, in the proportions and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting, is approved.”

Dated 22 October 2013

**By order of the Board
Papyrus Australia Limited**



**Donald Stephens
Company Secretary**

NOTES

1. EXPLANATORY MEMORANDUM

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

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

2. VOTING EXCLUSION STATEMENTS

(1) Resolution 1 – Adoption of Remuneration Report

The Company will disregard any votes cast on Resolution 1 by or on behalf of any of the following persons:

- (a) a member of Key Management Personnel details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, the Company will 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) if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote and the appointment:
 - does not specify the way the proxy is to vote on the resolution; and
 - expressly authorises the chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

(2) Resolution 2 - Re-election of Edward Byrt as Director

There are no voting restrictions with respect to Resolution 2.

(3) Resolution 3 – Approval of 10% Placement Facility

The Company will disregard any votes cast on Resolution 3 by a person (and any associates of such a person) who may participate in the 10% Placement Facility and a person (and any associates of such a person) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if Resolution 3 is passed (if and to the extent that those persons are known to and identified by the Company at the time of the Meeting).

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(4) Resolution 4 – Ratification of issue of Tranche 1 Placement Shares

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(5) Resolution 5: Issue of Tranche 2 Placement Shares

The Company will disregard any votes cast on Resolution 5 by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed, and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(6) Resolutions 6 and 7: Issue of Placement Shares to Directors

The Company will disregard any votes cast on Resolutions 6 or 7 by a person who is to receive securities if the relevant Resolution is passed and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the relevant Resolution is passed, and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(7) Resolution 8: Ratification of issue of Shares to Map Capital Advisors

The Company will disregard any votes cast on Resolution 8 by any person who participated in the issue and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(8) Resolutions 9 and 10: Issue of Options to Map Capital Advisors and sophisticated investors

The Company will disregard any votes cast on Resolutions 9 or 10 by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if this Resolution is passed, and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(9) Resolution 11: Issue of Shares to Ramy Azer to satisfy Loan Agreement

The Company will disregard any votes cast on Resolution 11 by a person who is to receive securities if the Resolution is passed and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any of their respective associates.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(10) Resolution 12: Approval of Employees and Officers Share Option Plan

The Company will disregard any votes cast on Resolution 12 by a Director and any associate of a Director.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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.

(11) Resolutions 13 to 16: Issue of Options to Directors

The Company will disregard any votes cast on Resolutions 13 to 16:

- (a) by a person who is to receive securities if the relevant Resolution is passed and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the relevant Resolution is passed, and any of their respective associates; or
- (b) as a proxy by a member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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, and the appointment expressly authorises the person chairing the meeting to exercise the proxy even though the Resolutions are connected with the remuneration of a member of Key Management Personnel.

(12) Resolution 17: Issue of Options to employees

The Company will disregard any votes cast on Resolution 17:

- (a) by any person who may participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the Resolution is passed, and any of their respective associates; or
- (b) as a proxy by a member of Key Management Personnel or a Closely Related Party of a member of Key Management Personnel.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with 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, and the appointment expressly authorises the person chairing the meeting to exercise the proxy even though the Resolutions are connected with the remuneration of a member of Key Management Personnel.

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 of Meeting.

To record a valid vote, a Shareholder will need to take the following steps:

- (1) complete and lodge the manual proxy form at the share registry of the Company, Computershare Investor Services Pty Ltd:
 - (a) by post at the following address:

Computershare Investor Services Pty Ltd
GPO Box 242
MELBOURNE VIC 3001
 - OR
 - (b) by facsimile on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia); or
- (2) for Intermediary Online subscribers only (custodians), cast the Shareholder's vote online by visiting www.intermediaryonline.com,

so that it is received no later than 11am (Adelaide time) on 25 November 2013.

Important information with respect to Resolutions 1 and 12 to 17 (inclusive)

If you appoint a member of Key Management Personnel as your proxy

If you elect to appoint a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, you must direct the proxy how they are to vote on Resolutions 1 and 12 to 17 (inclusive). Undirected proxies granted to those persons will not be included in any vote on Resolutions 1 or 12 to 17 (inclusive) (subject to the comments below with respect to appointing the chair of the Meeting as your proxy).

If you appoint the chair of the Meeting as your proxy

If you elect to appoint the chair of the Meeting as your proxy, you do not need to direct the chair how you wish them to exercise your vote on Resolutions 1 or 12 to 17 (inclusive). However, by completing the proxy form, and appointing the chair of the

Meeting as your proxy, you expressly authorise the chair to exercise his discretion in exercising your proxy even though Resolutions 1 and 12 to 17 (inclusive) are connected directly or indirectly with the remuneration of Key Management Personnel.

Alternatively, if you appoint the chair of the Meeting as your proxy you can direct the chair to vote for or against or abstain from voting on Resolutions 1 and 12 to 17 (inclusive) by marking the appropriate box on the proxy form.

Further, in relation to Resolutions 7, 12 and 14, if the chair of the Meeting is your nominated proxy and you have not directed the chair how to vote on Resolutions 7, 12 or 14, please mark the box at the bottom of step 1 on the enclosed proxy form to authorise the chair to exercise your proxy even though the chair has an interest in the outcome of Resolutions 7, 12 and 14. If you do not mark the box as required, and you have not otherwise directed your proxy how to vote on Resolutions 7, 12 or 14, the chair of the Meeting will not cast your votes on those Resolutions.

The chair intends to vote undirected proxies in favour of each item of business.

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 that are quoted on ASX as at 6.30pm (Adelaide time) on 25 November 2013 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 share 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 the Notice convening an Annual General Meeting of Shareholders of Papyrus Australia Limited to be held on 27 November 2013. This Explanatory Memorandum is to assist Shareholders in understanding the background to and the legal and other implications of the Notice of Meeting 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 to 10 (inclusive).

1. RESOLUTION 1: ADOPTION OF REMUNERATION REPORT

The Annual Report for the year ended 30 June 2013 contains a remuneration report which sets out the remuneration policy of the Company.

An electronic copy of the 2013 Annual Report is available to download or view on the Company's website at www.papyrusaustralia.com.au/news/releases/. The 2013 Annual Report has also been sent by post to those Shareholders who have previously elected to receive a hard copy.

Section 250R(2) of the Corporations Act requires that a resolution to adopt the Remuneration Report be put to the vote of the Company. Shareholders should note that the vote on Resolution 1 is advisory only and, subject to the matters outlined below, will not bind the Company or the Directors. However, the Board will take the outcome of the vote into consideration when reviewing the Company's remuneration policy.

Voting consequences

If at least 25% of the votes cast on a resolution to adopt the remuneration report are against the adoption of the Remuneration Report for two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of another general meeting within 90 days, at which all of the Company's Directors (other than the Managing Director) must go up for re-election (**Spill Resolution**).

At the Company's 2012 annual general meeting the votes cast against the Remuneration Report considered at that annual general meeting were less than 25% of total votes cast. Accordingly, the Spill Resolution is not a relevant consideration for this Meeting.

2. RESOLUTION 2: RE-ELECTION OF EDWARD BYRT AS DIRECTOR

In accordance with Listing Rule 14.5 and rule 8.1(e)(2) of the Constitution, at every annual general meeting one third of the Directors for the time being (excluding those who retire under rule 8.1(e)(1) of the Constitution and the managing director) must retire from office and, in accordance with rule 8.1(h) of the Constitution, are eligible for re-election. Accordingly, Mr Edward Byrt retires as a Director of the Company and, being eligible, offers himself for re-election.

Mr Byrt is an experienced company director who as a legal practitioner for over 30 years specialised 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, a director of Treyo Leisure & Entertainment Ltd (ASX listed) and a board member of the Aboriginal Foundation of SA Inc.

Mr Byrt is also a member of the Company's Audit committee and has been a Director of the Company since 2004 and Chairman since 2009. The Directors (other than Mr Byrt) recommend that Shareholders vote in favour of Resolution 2, as they themselves intend to do.

3. RESOLUTION 3: APPROVAL OF 10% PLACEMENT FACILITY

3.1 General

Listing Rule 7.1A enables eligible entities to issue Equity Securities up to 10% of its issued share capital in accordance with the terms set out below (**10% Placement Facility**). The 10% Placement Facility is in addition to the Company's 15% placement capacity under Listing Rule 7.1.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of A\$300 million or less. The Company's market capitalisation as at 22 October 2013 was approximately A\$ 2,559,261 (based on the Company's issued share capital of 150,544,764 Shares and the closing price of A\$0.017 per Share on that date). Further, the Company is not included in the S&P/ASX 300 Index, and is therefore an eligible entity for the purposes of Listing Rule 7.1A.

The Company is now seeking Shareholder approval by way of a special resolution to have the ability to issue Equity Securities under the 10% Placement Facility. Resolution 3 therefore requires approval of 75% of the votes cast by Shareholders present and eligible to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative).

The exact number of Equity Securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2, which is set out below.

It is the Company's intention that funds received under the 10% Placement Facility will be used to supplement the Company's working capital requirements and undertake further transactions to acquire new assets or investments should the Directors determine this to be in the best interests of the Company.

The Directors of the Company believe that Resolution 3 is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of this Resolution.

No Director or Related Party will participate in any issue under the 10% Placement Facility unless specific approval is obtained for the purposes of Listing Rule 10.11 and for any other purpose required by law or the Listing Rules.

3.2 Description of Listing Rule 7.1A

(1) Shareholder approval

The ability to issue Equity Securities under the 10% Placement Facility is subject to shareholder approval by way of a special resolution at an annual general meeting.

(2) Equity Securities

Any Equity Securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of Equity Securities of the Company.

The Company, as at the date of this Notice of Meeting, has on issue the following classes of Equity Securities:

- (i) 150,544,764 ordinary shares quoted on ASX; and
- (ii) 1,000,000 options not quoted on ASX.

(3) Formula for calculating 10% Placement Capacity

Listing Rule 7.1A.2 provides that eligible entities who have obtained shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting at which shareholder approval was obtained, a number of Equity Securities calculated in accordance with the following formula:

(A x D) – E

Where:

- A** is the number of fully paid ordinary shares on issue before the date of issue or agreement:
- (i) plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
 - (ii) plus the number of partly paid shares that became fully paid in the 12 months;
 - (iii) plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 or 7.4;
 - (iv) less the number of fully paid shares cancelled in the 12 months.
- D** is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are not issued with the approval of Shareholders under Listing Rule 7.1 or 7.4.

(4) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

As at the date of this Notice of Meeting, the Company has on issue 150,544,764 ordinary Shares and therefore has a capacity to issue:

- (i) subject to shareholder approval being obtained under Resolutions 4 and 8, 22,581,715 Equity Securities under Listing Rule 7.1; and
- (ii) subject to shareholder approval being obtained under Resolution 3, 15,054,476 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to paragraph (3) above).

(5) Minimum Issue Price

The issue price of Equity Securities issued under Listing Rule 7.1A must not be less than 75% of the VWAP of Equity Securities in the same class calculated over the 15 Trading Days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.

The Company may also issue Equity Securities under the 10% Placement Facility as consideration for the acquisition of a new asset, in which case the company must release to the market a valuation of those Equity Securities that demonstrates that the issue price of the securities complies with the rule above.

(6) 10% Placement Period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which the approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or

- (ii) the date of the approval by shareholders of a transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX (**10% Placement Period**).

3.3 Listing Rule 7.1A

The effect of Resolution 3 will be to allow the Directors to issue the Equity Securities under Listing Rule 7.1A during the 10% Placement Period in addition to using the Company's 15% placement capacity under Listing Rule 7.1.

Resolution 3 is a special resolution and therefore requires approval of at least 75% of the votes cast by Shareholders entitled to vote (in person, by proxy, by attorney or, in the case of a corporate Shareholder, by a corporate representative) on the Resolution.

3.4 Specific information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, information is provided in relation to the approval of the 10% Placement Facility as follows:

- (a) The Equity Securities will be issued at an issue price of not less than 75% of the VWAP for the Company's Equity Securities over the 15 Trading Days on which trades in that class were recorded immediately before:
 - (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
 - (ii) if the Equity Securities are not issued within 5 Trading Days of the date in paragraph (i) above, the date on which the Equity Securities are issued.
- (b) If Resolution 3 is approved by Shareholders and the Company issues Equity Securities under the 10% Placement Facility, existing Shareholders may be subject to both economic and voting power dilution. There is a risk that:
 - (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of this Meeting; and
 - (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The table below shows the risk of voting dilution of existing Shareholders on the basis of the current market price of Shares and the current number of Shares for variable 'A' calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of this Notice of Meeting.

The table also shows:

- (i) two examples where variable “A” has increased, by 50% and 100%, based on the number of ordinary Shares the Company has on issue as at the date of this Notice of Meeting. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future Shareholders’ meeting; and
- (ii) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable “A” in Listing Rule 7.1A.2		Dilution		
		\$0.0085 50% decrease in Issue Price	\$0.017 Issue Price	\$0.034 100% increase in Issue Price
Current variable “A” 150,544,764 Ordinary Shares	10% Voting Dilution	15,054,476 Ordinary Shares	15,054,476 Ordinary Shares	15,054,476 Ordinary Shares
	Funds Raised	\$127,963	\$255,926	\$511,852
50% increase in current variable “A” 225,817,146 Ordinary Shares	10% Voting Dilution	22,581,715 Ordinary Shares	22,581,715 Ordinary Shares	22,581,715 Ordinary Shares
	Funds Raised	\$191,945	\$383,889	\$767,778
100% increase in current variable “A” 301,089,528 Ordinary Shares	10% Voting Dilution	30,108,953 Ordinary Shares	30,108,953 Ordinary Shares	30,108,953 Ordinary Shares
	Funds Raised	\$255,926	\$511,852	\$1,023,704

The table has been prepared based on the total number of Ordinary Shares on issue at the date of the Notice, and on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the 10% Placement Facility.
- (ii) Resolutions 4 and 8 are passed at the Meeting. The table does not take into account any Shares issued pursuant to Resolutions 6, 7 or 11.
- (iii) None of the unlisted options that the Company currently has on issue are exercised before the date of the issue of the Equity Securities.
- (iv) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue, assuming variable A is equal to the total issued share capital at that time. This is why the voting dilution is shown in each example as 10%.
- (v) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Facility, based on that Shareholder’s holding at the date of the Meeting.

- (vi) The table shows only the effect of issues of Equity Securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1. Dilution experienced by Shareholders may be greater if issues have been made utilising the capacity in Listing Rule 7.1 as well.
 - (vii) The issue of Equity Securities under the 10% Placement Facility consists only of Shares.
 - (viii) The current market price of Shares is \$0.017, being the closing price of Shares on ASX on 22 October 2013.
- (c) The Company will only issue and allot the Equity Securities during the 10% Placement Period. The approval under Resolution 3 for the issue of Equity Securities will cease to be valid in the event that Shareholders approve a transaction for the purposes of Listing Rules 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking).
- (d) The Company may seek to issue the Equity Securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new assets and investments. In such circumstances the Company must provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards an acquisition of new assets or investments (including expense associated with such acquisition) and/or general working capital.
- (e) The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.
- (f) The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of Equity Securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:
- (i) the methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate;
 - (ii) the effect of the issue of the Equity Securities on the control of the Company;
 - (iii) the financial situation and solvency of the Company; and
 - (iv) advice from corporate, financial and broking advisers (if applicable).

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice but may include existing Shareholders and/or new investors who are not Related Parties of the Company or their associates.

Further, if the Company is successful in acquiring new assets or investments, it is likely that the allottees under the 10% Placement Facility will be the vendors of the new resources assets or investments.

If Resolution 3 is approved by Shareholders, the Company will issue Equity Securities under the 10% Placement Facility during the 10% Placement Period, as and when the circumstances of the Company require.

- (g) The Company previously obtained Shareholder approval under Listing Rule 7.1A at the 2012 annual general meeting. In the 12 months preceding the date of this Meeting, the Company issued a total number of 19,400,000 Equity Securities, representing 14.79% of the total number of Equity Securities on issue at the commencement of that 12 month period. The details of all issues of Equity Securities in the 12 months preceding the date of this Meeting are set out in Schedule 1 to this Explanatory Memorandum.
- (h) A voting exclusion statement is included in the Notice of Meeting. At the date of the Notice of Meeting, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in the issue of Equity Securities under the 10% Placement Capacity. No existing Shareholder votes will therefore be excluded under the voting exclusion statement in the Notice of Meeting.

The directors recommend that Shareholders vote in favour of Resolution 3, as they themselves intend to do.

4. NOTES TO RESOLUTIONS 4 TO 7 (INCLUSIVE)

On 1 October 2013, the Company announced that it had entered into subscription agreements to raise \$370,000 by way of a placement of 37,000,000 Shares at a price of \$0.01 per Share (**Placement**). The Placement was to be conducted in two tranches.

Tranche 1 of the Placement occurred within the Company's 15% placement capacity under Listing Rule 7.1 on 4 October 2013, and comprised the issue of 17,000,000 Shares (**Tranche 1 Placement Shares**) to sophisticated investors, raising gross proceeds of \$170,000.

Tranche 2 of the Placement (comprising the balance of 20,000,000 Shares (**Tranche 2 Placement Shares**)) is subject to the requisite shareholder approvals being obtained at this Meeting as follows:

- (a) 10,000,000 of the Tranche 2 Placement Shares will be issued to sophisticated investors subject to shareholder approval being obtained for the purposes of Listing Rule 7.1 (see Resolution 5); and
- (b) Mr Ramy Azer and Mr Edward Byrt, Directors of the Company, have each agreed to subscribe for 5,000,000 of the Tranche 2 Placement Shares subject to shareholder approval being obtained for the purposes of Listing Rule 10.11 (see Resolutions 6 and 7 respectively).

Further detail of the Placement can be found in the announcement made by the Company to ASX on 1 October 2013.

4.1 RESOLUTION 4: RATIFICATION OF ISSUE OF TRANCHE 1 PLACEMENT SHARES

Listing Rule 7.1 provides that, subject to certain exceptions, prior approval of Shareholders is required for the issue of Equity Securities if the Equity Securities will, when aggregated with the Equity Securities issued by the Company during the previous 12 months, exceed 15% of the number of ordinary securities on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides that an issue by a company of Equity Securities made without prior approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and the Company's members subsequently approve it.

Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 7.4 for the issue of the Tranche 1 Placement Shares to sophisticated investors on 4 October 2013.

If Resolution 4 is passed then the Tranche 1 Placement Shares will be deemed to have been issued with Shareholder approval and will, therefore, not be counted towards the Company's 15% placement capacity under Listing Rule 7.1. If Resolution 4 is not passed, then the Company's 15% placement capacity under Listing Rule 7.1 will not be refreshed to the extent of the Tranche 1 Placement Shares, which will restrict the Company's ability to issue securities or seek funding by way of capital raisings over the next 12 months.

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 4 for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) The total number of Tranche 1 Placement Shares issued was 17,000,000 Shares.
- (b) The issue price was \$0.01 per Share.
- (c) The Tranche 1 Placement Shares are fully paid ordinary Shares that rank equally in all respects with existing Shares.
- (d) The Tranche 1 Placement Shares were issued to sophisticated investors identified by the Company.
- (e) \$170,000 was raised by the issue of the Tranche 1 Placement Shares. Funds raised by the issue have and are being used to fund the Company's working capital requirements, and to assist the Company in the establishment of a proposed new joint venture company to commence a new business for the manufacturing of papier mache products.
- (f) A voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 4 as they themselves intend to do.

4.2 RESOLUTION 5: ISSUE OF TRANCHE 2 PLACEMENT SHARES TO SOPHISTICATED INVESTORS

Resolution 5 seeks shareholder approval for the purposes of Listing Rule 7.1 to the issue of 10,000,000 Tranche 2 Placement Shares to sophisticated investors. If resolution 5 is passed then the 10,000,000 Tranche 2 Placement Shares will be issued with shareholder approval and will not be counted towards the Company's 15% placement capacity in Listing Rule 7.1, which will give the Company greater flexibility for future capital raisings.

Listing Rule 7.3 requires that the following information be provided to Shareholders in respect of Resolution 5 for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.1:

- (a) a maximum of 10,000,000 Tranche 2 Placement Shares will be issued pursuant to this Resolution;
- (b) subject to receipt of the subscription monies, the Company intends to issue the Shares the subject of this Resolution no later than three months after the date of this Meeting;
- (c) the issue price will be \$0.01 per Share;
- (d) the Shares the subject of this Resolution will be issued to a number of sophisticated investors identified by the Company;
- (e) the Shares the subject of this Resolution will be issued and allotted as fully paid and will rank equally with existing Shares on issue, and application will be made for their quotation on ASX;
- (f) \$100,000 will be raised by the issue of the Shares the subject of this Resolution. Funds raised from the Placement will be used to fund the Company's working capital requirements, and to assist the Company in the establishment of a proposed new joint venture company to commence a new business for the manufacturing of papier mache products;
- (g) the Company intends to issue the Shares the subject of this Resolution within 5 Business Days following the date of the Meeting or if later, the date of receipt of the relevant subscription monies; and
- (h) a voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 5 as they themselves intend to do.

4.3 RESOLUTIONS 6 AND 7: ISSUE OF TRANCHE 2 PLACEMENT SHARES TO DIRECTORS

Listing Rule 10.11 requires that Shareholder approval be obtained where an entity issues, or agrees to issue, Equity Securities to a related party (which includes a director of the Company), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies. Shares are Equity Securities and the issue of Tranche 2

Placement Shares to a Director requires Shareholder approval under Listing Rule 10.11.

Resolutions 6 and 7 seek Shareholder approval for the purposes of Listing Rule 10.11 to the issue of 5,000,000 Tranche 2 Placement Shares to each of Ramy Azer and Edward Byrt (or their respective nominees).

If approval is given to Resolutions 6 and 7 for the purposes of Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the securities pursuant to Resolutions 6 and 7 will not be included in the calculation of the Company's 15% annual placement capacity under Listing Rule 7.1.

The Directors (other than Mr Azer with respect to Resolution 6, and Mr Byrt with respect to Resolution 7) have formed the view that Shareholder approval is not required to the issue of Tranche 2 Placement Shares to Mr Ramy Azer or Mr Edward Byrt for the purposes of Chapter 2E of the Corporations Act (giving a financial benefit to a related party) as the arm's length exception in section 210 of the Corporations Act applies.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders:

- (a) 5,000,000 Tranche 2 Placement Shares will be issued to each of Mr Ramy Azer and Mr Edward Byrt (or their respective nominees);
- (b) the Shares the subject of Resolutions 6 and 7 will be issued within one month of this Meeting;
- (c) the issue price will be \$0.01 per Share;
- (d) the Tranche 2 Placement Shares will be fully paid and will rank equally in all respects with existing Shares, and application will be made for their quotation on ASX;
- (e) a voting exclusion statement is included in the Notice of Meeting; and
- (f) \$100,000 will be raised by the issue of Shares the subject of Resolutions 6 and 7. Funds raised from the Placement will be used to fund the Company's working capital requirements, and to assist the Company in the establishment of a proposed new joint venture company to commence a new business for the manufacturing of papier mache products.

The Directors (other than Mr Ramy Azer with respect to Resolution 6, and Mr Edward Byrt with respect to Resolution 7) recommend that Shareholders vote in favour of Resolution 6 as they themselves intend to do.

5. RESOLUTION 8: RATIFICATION OF ISSUE OF SHARES TO MAP CAPITAL ADVISORS

On 1 March 2013, the Company engaged MAP Capital Advisors Pty Ltd (**MAP Capital**) as corporate advisor to the Company to:

- (a) provide the Board with an independent strategic view of the position of the Company and the opportunities available to better exploit its intellectual property;
- (b) assist the Company with its discussions and negotiations with existing joint venture partners and those introduced by MAP Capital; and
- (c) advise on appropriate capital raising strategies to improve Shareholder value in the Company.

The terms of engagement of MAP Capital provide that a total of 2,400,000 Shares would be issued to MAP Capital as consideration for the provision of corporate advisory services in stages, as set out below.

Phase	Services to be provided by MAP Capital	Consideration
1	Audit of the Company's assets, liabilities, and commercial activities to gain an understanding of the current position of the Company	Upon completion of phases 1 to 3 (inclusive), 2,000,000 ordinary Shares (escrowed for 6 months)
2	Identification of potential markets, value chain and relationships	
3	Establishment of a framework to evaluate commercial opportunities	
4	Apply framework to identified commercial opportunities and identify and agree upon strategic priorities for the Company	Upon completion of phase 4, 400,000 ordinary Shares (escrowed for 6 months)

Upon completion of Phases 1 to 4 (inclusive), the Company issued a total of 2,400,000 Shares to MAP Capital in accordance with the terms of their engagement.

Resolution 8 seeks Shareholder approval for the purposes of Listing Rule 7.4 for the issue of 2,400,000 Shares to MAP Capital on 4 October 2013.

If Resolution 8 is passed then the Shares the subject of this Resolution will be deemed to have been issued with Shareholder approval and will not be counted towards the Company's 15% placement capacity under Listing Rule 7.1. If Resolution 8 is not passed, then the Company's 15% placement capacity under Listing Rule 7.1 will not be refreshed to the extent of the Shares the subject of this Resolution, which will restrict the Company's ability to issue securities or seek funding by way of capital raisings over the next 12 months.

Listing Rule 7.5 requires that the following information be provided to Shareholders in respect of Resolution 8 for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.4:

- (a) The total number of Shares issued was 2,400,000 Shares.

- (b) The Shares were issued as consideration for the provision of the abovementioned services by MAP Capital and at a deemed issue price of \$0.025 per Share, based on an agreed dollar value for those services of \$60,000 in total.
- (c) The Shares are fully paid ordinary Shares that rank equally in all respects with existing Shares, and are subject to a voluntary escrow period of 6 months from the date of issue.
- (d) The Shares were issued to MAP Capital Advisors Pty Ltd.
- (e) No funds were raised by the issue of Shares to MAP Capital although the Company's liability to MAP Capital under the terms of engagement of MAP Capital as corporate advisor to the Company will be satisfied by the issue.
- (f) A voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 8 as they themselves intend to do.

6. **RESOLUTIONS 9 AND 10: ISSUE OF OPTIONS TO MAP CAPITAL ADVISORS PTY LTD AND SOPHISTICATED INVESTORS**

As discussed in the explanatory notes to resolution 8 above, MAP Capital has been engaged to (among other things) assist with the development of a commercialisation strategy for the Company's intellectual property. MAP Capital has proposed the establishment of an incorporated joint venture between the Company, MAP Capital and a number of interested investors identified and being identified by the Company and MAP Capital (**Other Investors**) in order to develop a manufacturing plant at the Company's facility in far north Queensland for the purposes of producing papier mache products (**Proposed Joint Venture**).

As announced to ASX on 9 September 2013, the Company entered into a Non-Binding Term Sheet with MAP Capital for the formation of the Proposed Joint Venture (**Non-Binding Term Sheet**). The Non-Binding Term Sheet contemplates as a term of the Proposed Joint Venture transaction that the Company will issue a total of 10,000,000 Options to MAP Capital and the Other Investors (in proportion to their pro rata equity interest in the joint venture company) on the date that all final documentation for the Proposed Joint Venture (**Transaction Documentation**) is executed by the parties. It is proposed that the equity interests of the participants in the Joint Venture Company will be:

- (a) the Company 25%
- (b) MAP Capital 12.5%
- (c) Other Investors 62.5% (in aggregate).

If the Proposed Joint Venture Proceeds, MAP Capital will provide or procure the provision of the following services to the Joint Venture:

- (a) capital raising services;

- (b) company establishment services;
- (c) professional services support (including legal, tax and accounting services); and
- (d) management and reporting support.

If the Proposed Joint Venture proceeds, the Other Investors will procure off-take partners for the Joint Venture, and will provide ongoing transport and logistics management as well as customer service support. The Other Investors will also invest a total of \$500,000 into the Joint Venture.

For more information about the Proposed Joint Venture, please refer to the Company's ASX Announcement dated 9 September 2013.

Resolutions 9 and 10 seek Shareholder approval for the purposes of Listing Rule 7.1 to the grant of the 10,000,000 Options to MAP Capital and the Other Investors.

If Resolutions 9 and 10 are passed, then the Options the subject of those Resolutions will be issued with Shareholder approval and will not be counted towards the Company's 15% placement capacity under Listing Rule 7.1, which will give the Company greater flexibility for future capital raisings.

Listing Rule 7.3 requires that the following information be provided to Shareholders in respect of Resolutions 9 and 10 for the purposes of obtaining shareholder approval pursuant to Listing Rule 7.1:

- (a) a total of 1,666,667 Options will be issued pursuant to Resolution 9 and a total of 8,333,333 Options will be issued pursuant to Resolution 10;
- (b) subject to execution of the Transaction Documentation, the Company intends to issue the Options the subject of Resolutions 9 and 10 no later than three months after the date of this Meeting. If the Transaction Documentation is not fully executed within three months of this Meeting, any Options issued more than three months after the date of this Meeting will not be issued with Shareholder approval, and will count towards the Company's 15% placement capacity pursuant to Listing Rule 7.1 (unless and to the extent the Company seeks further Shareholder approval to such an issue);
- (c) the Options will be issued for nil cash consideration;
- (d) the Options the subject of Resolution 9 will be issued to MAP Capital, and the Options the subject of Resolution 10 will be issued to the Other Investors, being persons or entities identified by the Company and MAP Capital to invest in the Proposed Joint Venture and who will be sophisticated investors for the purposes of chapter 6D of the Corporations Act;
- (e) the Options will be issued on the terms and conditions set out in Schedule 2 to these Explanatory Notes;
- (f) the Options will be issued as part consideration for the services and funding to be provided by the Option holders to the Proposed Joint Venture, and as such, no funds will be raised by the issue of Options pursuant to Resolutions 9 or 10;

- (g) the Company intends to issue the Options on the date that the Transaction Documentation is fully executed by the parties, which the Company anticipates will occur within three months following this Meeting; and
- (h) a voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolutions 9 and 10 as they themselves intend to do.

7. RESOLUTION 11: ISSUE OF SHARES TO TALISKER (SA) PTY LTD TO SATISFY LOAN AGREEMENT

7.1 Loan Agreement

On 11 October 2012, the Company entered into an agreement with Talisker (SA) Pty Ltd (**Talisker**) a company wholly owned by Managing Director Ramy Azer and his wife Phoebe Azer (**Loan Agreement**). Under the terms of the Loan Agreement, Talisker agreed to loan up to \$250,000 to the Company, to be drawn down as required by the Company (in tranches of \$50,000). Amounts drawn down under the loan facility are unsecured and accrue interest at the rate of interest payable by the National Australia Bank Limited on 'Usaver savings accounts' or, '12 month term deposits' (whichever is greater) plus 1%. As at the date of this Notice of Meeting, the Company has drawn down a total of \$200,000 in accordance with the terms of the Loan Agreement, and that amount remains outstanding. Accrued interest on that amount as at the date of this Notice of Meeting is \$6,144.62.

Further detail of the Loan Agreement can be found in the announcement made by the Company to ASX on 11 October 2012.

Under the terms of the Loan Agreement, the loan shall be repayable from future revenues or from the proceeds of any future equity raisings, provided that if repayment of the loan at any particular time would materially prejudice the ability of the Company to repay its creditors as a whole then any proposed repayment of the loan shall be deferred until such time as such repayment should not materially prejudice the ability of the Company to repay its creditors as a whole.

Further, under the terms of the Loan Agreement (and subject to obtaining the requisite shareholder approvals), the Company is entitled (at Talisker's request) to repay the loan and accrued interest by converting the whole or any part of the outstanding amount into Shares, subject to first obtaining any Shareholder approvals required to that conversion.

Talisker has requested that the Company partially repay the outstanding amount by issuing to Talisker (or its nominee) the number of Shares that, at a deemed issue price that is 80% of the average market price of Shares calculated over the last 5 days on which sales of Shares were recorded before the day on which the Loan Repayment Shares are issued, will result in Ramy Azer having a Voting Power of 19.9% at the date of issue of the Shares (**Loan Repayment Shares**). The balance of the outstanding amount and accrued interest shall be repaid in cash in accordance with the terms of the Loan Agreement or, if requested by Talisker and if and to the extent permitted at law, and subject to obtaining all necessary Shareholder approvals, by way of an issue of further Shares. Mr Azer's current Voting Power in the Company is 15.73%.

7.2 Listing Rule 10.11

Listing Rule 10.11 requires that Shareholder approval be obtained where an entity issues, or agrees to issue, Equity Securities to a related party (which includes a Director and any entity controlled by a Director), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained, unless an exception in Listing Rule 10.12 applies. Shares are Equity Securities and the issue of the Loan Repayment Shares to Talisker (or its nominee) requires Shareholder approval under Listing Rule 10.11 as Talisker is an entity controlled by Director Ramy Azer.

Resolution 11 seeks shareholder approval for the purposes of Listing Rule 10.11 to the issue of the Loan Repayment Shares to Talisker (or its nominee).

If approval is given to Resolution 11 for the purposes of Listing Rule 10.11, approval is not required under Listing Rule 7.1, and the Loan Repayment Shares will not be included in the calculation of the Company's 15% annual placement capacity under Listing Rule 7.1.

The Directors (other than Mr Azer) have formed the view that Shareholder approval is not required for the issue of the Loan Repayment Shares to Talisker (or its nominee) for the purposes of Chapter 2E of the Corporations Act (giving a financial benefit to a related party) as the arm's length exception in section 210 of the Corporations Act applies.

In accordance with Listing Rule 10.13, the following information is provided to Shareholders:

- (a) the Loan Repayment Shares will be issued to Talisker (SA) Pty Ltd or its nominee;
- (b) the maximum number of Loan Repayment Shares that will be issued is the number of Shares that will result in Ramy Azer having a Voting Power of 19.9% at the date of issue of the Shares. The following examples are given for illustrative purposes only, and are based on the issued share capital of the Company as at the date of this Notice of Meeting, and Mr Azer's Voting Power as at that date of 15.73%. The examples assume that no Options are exercised prior to issuing the Loan Repayment Shares, and no Shares are issued by the Company pursuant to the Resolutions to be put to Shareholders at the Meeting or otherwise, except as set out below:
 - (i) if Resolutions 5 to 7 (inclusive) are passed, the maximum number of Loan Repayment Shares that will be issued pursuant to Resolution 11 is 5,259,555 Shares; and
 - (ii) if Resolutions 5 to 7 (inclusive) are *not* passed, the maximum number of Loan Repayment Shares that will be issued pursuant to Resolution 11 is 6,279,555 Shares.
- (c) the Loan Repayment Shares will be issued within one month of this Meeting;
- (d) the Loan Repayment Shares will be issued for nil cash consideration, at a deemed issue price that is 80% of the average market price of Shares calculated

over the last 5 days on which sales of Shares were recorded before the day on which the Loan Repayment Shares are issued;

- (e) the Loan Repayment Shares will be fully paid and will rank equally in all respects with existing Shares, and application will be made for their quotation on ASX;
- (f) a voting exclusion statement is included in the Notice of Meeting; and
- (g) no funds will be raised by the issue of Loan Repayment Shares to Talisker (or its nominee) although the Company's liability to Talisker under the Loan Agreement will be partially satisfied by the issue.

The Directors (other than Mr Ramy Azer) recommend that Shareholders vote in favour of Resolution 11 as they themselves intend to do.

8. RESOLUTION 12: APPROVAL OF EMPLOYEES AND OFFICERS SHARE OPTION PLAN

The Company currently has in place the Papyrus Australia Ltd Employees and Officers Share Option Plan (the **Plan**) under which employees and other eligible persons may be offered the opportunity to subscribe for Shares 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 as the Board may decide and on terms set out in the rules of the Plan, a copy of which is set out in Schedule 3 to these Explanatory Notes. 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.

Listing Rule 7.1 restricts the number of securities a listed entity can issue without shareholder approval. Listing Rule 7.2 contains a number of exceptions to Listing Rule 7.1. In particular, exception 9(b) provides that Listing Rule 7.1 does not apply to an issue under an employee incentive scheme if within three years before the day of issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1.

As the Company last approved the issue of securities under the Plan for the purposes of Listing Rule 7.2 (Exception 9) at its 2010 annual general meeting, the purpose of Resolution 12 is to seek approval to the issue of securities under the Plan for the purposes of Listing Rule 7.2 (Exception 9) and for all other purposes.

In accordance with the requirements of Listing Rule 7.2 (Exception 9(b)), the following information is provided:

- (a) a copy of the rules of the Plan is set out in Schedule 3 to these Explanatory Notes;
- (b) 1,000,000 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 12 in the Notice of Meeting.

As the Directors are excluded from voting on Resolution 12, they do not wish to make a recommendation as to how Shareholders ought to vote in respect of Resolution 12.

9. RESOLUTIONS 13 TO 16 (INCLUSIVE): ISSUE OF OPTIONS TO DIRECTORS

Listing Rule 10.11 requires that Shareholder approval be obtained where an entity issues, or agrees to issue, Equity Securities to a related party (which includes a director of the Company), or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies. Options are Equity Securities and the issue of Options to a Director therefore requires Shareholder approval under Listing Rule 10.11.

If approval is given under Listing Rule 10.11 for Resolutions 13 to 16, approval is not required under Listing Rule 7.1, and the Options issued pursuant to those Resolutions (and any Shares issued upon exercise of those Options) will not be included in the calculation of the Company's 15% annual placement capacity pursuant to Listing Rule 7.1.

It is the view of the Directors that the exceptions set out in Listing Rule 10.12 do not apply in the circumstances relevant to Resolutions 13 to 16 (inclusive). Further, the Directors (other than Mr Azer with respect to Resolution 13, Mr Byrt with respect to Resolution 14, Mr Stephens with respect to Resolution 15 and Mr Dunsford with respect to Resolution 16) have formed the view that Shareholder approval is not required to the grant of Options to Directors pursuant to Resolutions 13 to 16 (inclusive) for the purposes of Chapter 2E of the Corporations Act (giving a financial benefit to a related party) as the arm's length exception and the reasonable remuneration exception set out in sections 210 and 211 of the Corporations Act respectively apply.

Resolutions 13 to 16 (inclusive) seek Shareholder approval to the issue of Options to Directors. The Directors (with the exception of the Managing Director, Mr Ramy Azer) have each waived (and have not been paid) their Directors' fees since 1 November 2010. Further, the Managing Director, Mr Ramy Azer, has not received Directors' fees for the 2013 financial year. The purpose of the grant of the Options the subject of Resolutions 13 to 16 (inclusive) is to recognise the Directors' services to the Company and the important role that the Directors have played (and are expected to continue to play) in the development and operations of the Company.

The number of Options to be issued to each Director and the basis of the calculation for this is set out in the table below.

Director and Resolution	Number of Options	Exercise Price	Exercise Period	Notional Value
Ramy Azer Resolution 13	1,500,000	\$0.035	3 years	\$19,200
	1,500,000	\$0.05	3 years	\$17,100
Edward Byrt Resolution 14	1,000,000	\$0.035	3 years	\$12,800
	1,000,000	\$0.05	3 years	\$11,400
Donald Stephens Resolution 15	750,000	\$0.035	3 years	\$9,600
	750,000	\$0.05	3 years	\$8,550
Colin Dunsford Resolution 16	1,000,000	\$0.035	3 years	\$12,800

The Company has obtained valuations as at 15 October 2013, which the Board has adopted, in relation to the indicative value of the Options to be granted to the Directors.

The valuations use the Black-Scholes Option Pricing Model and the following assumptions:

- (a) the grant date of the Options is 15 October 2013 and the value of the Shares is \$0.021 based on the closing price of the Shares on the date immediately prior to the date of the valuation;
- (b) an exercise price of \$0.035 or \$0.05 per Option (as appropriate);
- (c) an estimated future volatility of the Company's Share price of 113.83%;
- (d) risk-free interest rates for the Options of 3.4%;
- (e) the date of exercise as being their expiry date which is, for each Option, 14 October 2016 (assuming a 15 October 2013 grant date).

These valuations have provided an indicative value of \$0.0128 for each Option exercisable at \$0.035 cents, and an indicative value of \$0.0114 for each Option exercisable at \$0.05 cents.

These valuations contain no reductions for early exercise or discount for limitations on the transferability of the Options. The valuation is not a representative valuation of the Options at the proposed date of issue. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue.

The Directors' remuneration entitlements for the 2013/2014 Financial Year are set out below.

Director	Base Salary p.a. (\$) (including super where applicable)	Actual amount received
Ramy Azer	300,000	Nil
Edward Byrt	80,000	Nil
Donald Stephens	40,000	Nil
Colin Dunsford	40,000	Nil

The dilution that existing Shareholders will experience if Resolutions 13 to 16 (inclusive) are passed is set out in the table below. This table is based on the issued share capital of the Company as at the date of this Notice of Meeting, and assumes, in each case, that only the Options to be issued to the relevant Director are exercised, and no other Shares are issued.

Director	Number of Shares	Dilution (%)
Ramy Azer	3,000,000	1.99%
Edward Byrt	2,000,000	1.33%
Donald Stephens	1,500,000	1.00%
Colin Dunsford	1,000,000	0.66%

Resolutions 13 to 16 (inclusive) seek Shareholder approval for the issue of Options to Mr Azer, Mr Byrt, Mr Stephens and Mr Dunsford respectively for the purposes of Listing Rule 10.11.

Resolution 13

Mr Azer did not vote on any Board resolution in respect of the grant of securities the subject of Resolution 13 and declines to make a recommendation to Shareholders in relation to that Resolution due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 13, recommend that Shareholders vote in favour of the Resolution for the reasons set out in this Explanatory Memorandum. The Board (other than Mr Azer) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Resolution 14

Mr Byrt did not vote on any Board resolution in respect of the grant of securities the subject of Resolution 14 and declines to make a recommendation to Shareholders in relation to that Resolution due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome

of Resolution 14, recommend that Shareholders vote in favour of the Resolution for the reasons set out in this Explanatory Memorandum. The Board (other than Mr Byrt) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Resolution 15

Mr Stephens did not vote on any Board resolution in respect of the grant of securities the subject of Resolution 15 and declines to make a recommendation to Shareholders in relation to that Resolution due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 15, recommend that Shareholders vote in favour of the Resolution for the reasons set out in this Explanatory Memorandum. The Board (other than Mr Stephens) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Resolution 16

Mr Dunsford did not vote on any Board resolution in respect of the grant of securities the subject of Resolution 16 and declines to make a recommendation to Shareholders in relation to that Resolution due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 16, recommend that Shareholders vote in favour of the Resolution for the reasons set out in this Explanatory Memorandum. The Board (other than Mr Dunsford) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Listing Rule 10.11

The following information is provided in accordance with Listing Rule 10.13:

- (a) Mr Azer, Mr Byrt, Mr Stephens and Mr Dunsford are each a related party of the Company by virtue of being a Director. The Options may be issued to them or their respective nominees.
- (b) The maximum number of Options to be granted to the Directors (or their respective nominees) pursuant to Resolutions 13 to 16 (inclusive) is 7,500,000 (in the proportions set out in the table above);
- (c) The Options the subject of Resolutions 13 to 16 (inclusive) will be issued within 1 month of this Annual General Meeting.
- (d) The Options will be issued for nil cash consideration.
- (e) The Options will be issued on the terms set out in Schedule 4 to this Explanatory Memorandum. Any Shares issued upon exercise of the Options will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX.

- (f) A voting exclusion statement for Resolutions 13 to 16 (inclusive) is set out in the Notice of Meeting.
- (g) No funds will be raised by the issue of Options to the Directors.

10. RESOLUTION 17: ISSUE OF OPTIONS TO EMPLOYEES

Resolution 17 seeks Shareholder approval for the purposes of Listing Rule 7.1 to the issue of a total of 1,700,000 Options to the Company’s Chief Executive, Mr Geoff Whitbread, and the Company’s Business Manager, Mr Warwick Moyes (or their respective nominees) as set out in the table below.

The primary purpose of the issue of Options to the Chief Executive and the Business Manager (or their respective nominees) is to recognise the important role that those employees have played (and are expected to continue to play) in the development and operations of the Company. The Board considers the grant of Options to the Chief Executive and the Business Manager to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company’s cash reserves.

If resolution 17 is passed then the 1,700,000 Options will be issued with shareholder approval and those Options (and any Shares issued upon exercise of those Options) will not be counted towards the aforementioned 15% limit, which will give the Company greater flexibility for future capital raisings.

The number of Options to be issued to each employee and the basis of the calculation for this is set out in the table below.

Employee	Number of Options	Exercise Price	Exercise Period	Notional Value
Chief Executive	750,000	\$0.035	3 years	\$9,600
	750,000	\$0.05	3 years	\$8,550
Business Manager	100,000	\$0.035	3 years	\$1,280
	100,000	\$0.05	3 years	\$1,140

The Company has obtained valuations as at 15 October 2013, which the Board has adopted, in relation to the indicative value of the Options to be granted to the Chief Executive and the Business Manager.

The valuations use the Black-Scholes Option Pricing Model and the following assumptions:

- (a) the grant date of the Options is 15 October 2013 and the value of the Shares is \$0.021 based on the closing price of the Shares on the date immediately prior to the date of the valuation;
- (b) an exercise price of \$0.035 or \$0.05 per Option (as appropriate);
- (c) an estimated future volatility of the Company's Share price of 113.83%;

- (d) risk-free interest rates for the Options of 3.4%;
- (e) the date of exercise as being their expiry date which is, for each Option, 14 October 2016 (assuming a grant date of 15 October 2013).

These valuations have provided an indicative value of \$0.0128 for each Option exercisable at \$0.035 cents, and an indicative value of \$0.0114 for each Option exercisable at \$0.05 cents.

These valuations contain no reductions for early exercise or discount for limitations on the transferability of the Options. The valuation is not a representative valuation of the Options at the proposed date of grant. In order for this valuation to be provided, a new valuation model would need to be run with updated assumptions at the time of issue.

Listing Rule 7.3 requires that the following information be provided to Shareholders in respect of Resolution 17 for the purposes of obtaining Shareholder approval pursuant to Listing Rule 7.1:

- (a) a maximum of 1,700,000 Options will be issued pursuant to this Resolution;
- (b) the Company intends to issue the Options the subject of this Resolution no later than three months after the date of this Meeting;
- (c) The Options will be issued for nil cash consideration as they are being given to recognise the important role that the Chief Executive and the Business Manager have played (and are expected to continue to play) in the development and operations of the Company.
- (d) the Options will be issued to the Company's Chief Executive and Business Manager (in the proportions set out in the table above);
- (e) The Options will be issued on the terms set out in Schedule 4 to these Explanatory Notes. Any Shares issued upon exercise of the Options will be issued on the same terms as, and rank equally with, the existing issued Shares in the Company and application will be made for their quotation on ASX;
- (f) No funds will be raised by the issue of Options to the employees;
- (g) the Company intends to issue the Options the subject of this Resolution within 5 Business Days following the date of the Meeting; and
- (h) a voting exclusion statement is included in the Notice of Meeting.

The Directors recommend that Shareholders vote in favour of Resolution 17 as they themselves intend to do.

GLOSSARY

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

10% Placement Facility has the meaning given in section 3.1.

10% Placement Period has the meaning given in section 3.2(6).

ASX means ASX Limited (ACN 008 624 691).

Board means the board of Directors.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or of the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- (e) a company the member controls; or
- (f) a person prescribed as such by the *Corporations Regulations* 2001 (Cth).

Company means Papyrus Australia Limited (ACN 110 868 409).

Constitution means the constitution of the Company (as amended from time to time).

Corporations Act means the *Corporations Act* 2001 (Cth).

Director means a director of the Company.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice of Meeting.

Key Management Personnel has the same meaning as in the accounting standards (as defined in section 9 of the Corporations Act), so the term broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting means the annual general meeting of Shareholders convened by this Notice of Meeting.

Notice of Meeting or Notice means the notice of meeting to which this Explanatory Memorandum is attached.

Option means an option to acquire a Share.

Plan means the Papyrus Australia Ltd Employees and Officers Share Option Plan set out in Schedule 3 to these Explanatory Notes.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules; and

VWAP means volume weighted average price.

SCHEDULE 1 – SUPPLEMENTARY INFORMATION FOR RESOLUTION 3

The table below sets out the details of all the issues of Equity Securities by the Company in the 12 months preceding this Meeting, as required by Listing Rule 7.3A.6(b).

Number	Class and terms of that class	Allottees (or basis for determining allottees)	Issue price and the discount this represented to market price (if any)	Use of Funds	Non-cash Consideration
17,000,000	Ordinary Fully Paid	Sophisticated Investors	\$0.01, a discount of 52.38%	Working capital	Nil
2,400,000	Ordinary Fully Paid Shares	MAP Capital and or nominee	\$0.025, which was a premium to the market price	No funds were raised, it pertained to shares issued in lieu of services provided.	\$60,000

SCHEDULE 2 – SUPPLEMENTARY INFORMATION FOR RESOLUTIONS 9 AND 10

TERMS AND CONDITIONS OF OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. Each of the options is exercisable at a price of \$0.018.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on the date that is 18 months after the date of issue (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the 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 prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
9. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

- A = the new exercise price of the option;
 - O = the old exercise price of the option;
 - E = the number of underlying ordinary shares into which one option is exercisable;
 - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five 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 existing underlying securities (except those to be issued under the pro rata issue); and
 - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
10. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

SCHEDULE 3 – SUPPLEMENTARY INFORMATION FOR RESOLUTION 12

PAPYRUS 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.

SCHEDULE 4 – SUPPLEMENTARY INFORMATION FOR RESOLUTIONS 13 TO 17 (INCLUSIVE)

TERMS OF DIRECTOR AND EMPLOYEE OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. Each of the options is exercisable at the relevant price set out in the Explanatory Memorandum.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on the date that is 3 years after the date of issue (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the 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 prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
8. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
9. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

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

Where:

- A = the new exercise price of the option;
 - O = the old exercise price of the option;
 - E = the number of underlying ordinary shares into which one option is exercisable;
 - P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stockmarket of ASX during the five 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 existing underlying securities (except those to be issued under the pro rata issue); and
 - N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
10. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.

