ASX ANNOUNCEMENT

26 NOVEMBER 2009

UPDATE ON FACTORY PRODUCTION

The Company is pleased to announce that it has achieved a major milestone.

As previously announced in June, 2009 the Company implemented an Engineering and Production Plan to resolve issues with the Beta Veneering Unit (BVU), the main processing component of its factory at Walkamin, Far North Queensland.

Management informs the market that after a detailed process of completing the engineering tasks and the commissioning of production, the factory now has the capability of producing commercial quantities of fibre for fibreboard production and veneer products for its European distributor, 3W Tout Bois. The factory is in continuous production of fibre and veneer with limited labour.

The next stage of the Company's Production Plan is the scale up of production by increasing labour resources at the factory and investing in more material handling equipment.

The Company is also ready to commission a new fibre cutting machine designed and built by our engineering team to cut consistent lengths of fibre, produced from the "Round Up" machine contained within the BVU, for fibreboard production. The Company is currently assessing the best available markets for the fibre which will be used to manufacture fibreboard.

The shipments of veneer to our distributor in Europe, Mr Mario Cassin of 3W Tout Bois, will increase in quality and quantity as production scales up. The Company's recent shipment of veneer on the 20th November, 2009 represented a distinct range and quality as per our customers requirement.

This marks a historical moment for Papyrus Australia Ltd, after years of research and development, with its' first ever banana veneer and fibre factory capable of producing product for export to markets in Europe.

The Company's Annual General Meeting will be held on Monday 30th November, 2009 at which a visual presentation will highlight the production at Walkamin.

For further information, please contact:

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