



ASX Announcement

18 October 2011

AGREEMENT WITH EGYPTIAN MDF PANELBOARD MAKER

Papyrus Australia Ltd (ASX: PPY) is pleased to announce that it has today entered into an agreement with NAG-HAMADY Fiber Board Company (“NAG-HAMADY”), an Egyptian company incorporated under the laws of Egypt, that manufactures and produces MDF and other wood products from bagasse for use in the building and construction industry in Egypt and the Middle East:

<http://www.nmady-ecomdf.com/eco.php> This agreement is collateral to an agreement establishing the company Papyrus Egypt as advised to the market: ASX Announcement 26 July 2011.

NAG-HAMADY is 50% owned by the Egyptian Government and 50% by the National Bank of Egypt, is based in the Sohag Governate of Upper Egypt and its factory operation is proximate to the site selected by Papyrus Egypt for its factory for the production of banana veneer and banana fibre from banana tree trunks. NAG-HAMADY is Egypt’s largest producer of bagasse (the waste fibre resulting after the extraction of sugar juice from harvested sugar cane fibre) MDF panelboard sold in Egypt, and the Middle East region, and is looking for additional sources of agricultural fibre for its growing business to export to Europe. NAG-HAMADY believe that banana fibre will be the additional natural fibre they are seeking for their existing business of MDF panelboard manufacture.

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The agreement covers 4 key elements: Firstly, it permits NAG-HAMADY to scientifically test and industrially trial the potential use of banana fibre for the production of products for use in the building and construction industry. Fibre for the initial testing will come from Papyrus Australia's Walkamin demonstration factory. The testing regime will initially start with a mix of bagasse and banana fibres proceeding to 100% banana fibre.

Secondly, subject only to the successful scientific testing and industrial trialling in the utilisation of banana fibre for the production of MDF, NAG-HAMADY agrees to enter into a binding long-term sale and purchase agreement with Papyrus Australia and/or Papyrus Egypt to procure available quantities of banana fibre. It is anticipated that the annual production of banana fibre available from the first Papyrus Egypt banana fibre factory will be in the order of 5,000 tonnes per year on a dry basis at a price to be agreed between the parties having regard to local relevant factors and in particular the then price of bagasse fibre on an equivalent dry basis.

Thirdly, NAG-HAMADY will contract with Papyrus Australia and/or its nominee to be its exclusive distributor of all MDF panelboard products manufactured by NAG-HAMADY, including all bagasse panelboard currently produced, for the future sale of the products in the European Union.

Finally, the agreement ensures that all intellectual property created as a consequence of this contract will be owned by Papyrus Australia and its wholly-owned subsidiary Papyrus Technologies Pty Ltd.

ENDS

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