



ASX Announcement

3 December 2010

PAPYRUS SIGNS MEMORANDUM OF UNDERSTANDING

Papyrus is pleased to announce that it has entered into a memorandum of understanding ("MOU") with an Egyptian company, Tawazon For Solid Management SAE. Tawazon is Citadel Capital's Platform Company for investment in the regional solid waste management industry. This investment platform holds the Egyptian Company for Solid Waste Recycling (ECARU) and the Engineering Tasks Group (ENTAG), leading waste management enterprises with extensive operations in Egypt as well as international exposure to Malaysia, Sudan, Libya and Syria.

Established in 1997, ECARU presently collects and processes more than 500,000 tons per year of agricultural solid waste, particularly rice straw. Although the company currently focuses on the conversion of rice straw into compost, it has pioneered a technology to produce animal fodder and is also investigating the feasibility of producing medium-density fiber board, fuel pellets and paper from rice straw.

ENTAG, established in 1995, specializes in designing, manufacturing and erecting solid waste management systems. Equipment supplied is partly procured from the world's leading waste management equipment producers and partly designed and manufactured locally in Egypt.

Citadel Capital is a private equity firm based in Cairo. Majority controlled by its senior management and employees, Citadel Capital makes control private equity investments in the Middle East and Africa and has more than US\$ 8.3 billion in investments under control, spanning 19 Platform Companies in 15 industries across 14 countries. Citadel Capital is listed on the Egyptian Exchange (EGX) and trades under the stock symbol CCAP.CA.

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Tawazon has previously signed a non-disclosure agreement with Papyrus and has been conducting due diligence on Papyrus and its technology with a view to participating in a venture with Papyrus in Egypt pursuant to which a factory would be established in Egypt utilising Papyrus' technology to manufacture panel and veneer products from banana ply for sale in Europe.

The MOU covers the establishment of an entity or entities herein generically called Papyrus Egypt and Papyrus Europe and, among other things,

- the establishment of contracts to secure banana plantation feedstock for the proposed factory and supply of that feedstock to the factory;
- the establishment of contracts for supply by Papyrus, through its wholly owned subsidiary Australian Advanced Manufacturing Centre Pty Ltd ("AAMC") of plant and equipment for the proposed factory;
- establishment of sale and purchase agreements pursuant to which product from the factory will be sold into Europe;
- the corporate structure and ownership of the factory and each of Papyrus Egypt and Papyrus Europe.

The MOU represents a tangible step towards establishing a factory in a prolific banana growing province with the prospect of selling product into Europe.

Members and investors should note that, although the entering into of the MOU is important, significant work still needs to be done before any operations in Egypt become a reality and the success of the project will depend on a wide range of factors including being able to conclude satisfactory commercial arrangements in relation thereto which are mutually beneficial to all parties.

As matters develop, further information will be released to the Market.

For further information, please contact:

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