



ASX ANNOUNCEMENT

30 November 2023

Monthly Activity Report for October 2023

Papyrus Australia Ltd (ASX:PPY) is pleased to report its activities pertaining to the month of October 2023 and the monthly Appendix 4C cash flow report released to the market on 30 November 2023.

Highlights

- Equipment for the first contract for the Egyptian Government arrived in Egypt
- A new Commissioning Plan with the MP, to further engage Papyrus
- Papyrus further develops the Consolidation proposal
- Philippines visit to engage with banana producers and packaging companies
- Contract negotiations with the Arab Organisation for Industrialization
- A modified factory design to prepare negotiations for a new contract

Egyptian Government Developments

1. The major components for the first production facility for the Egyptian Government's National Authority for Military Production (MP) arrived in Egypt and were transferred to the MP facility along with the additional machinery and tools. The assembly and installation for the moulding line to produce banana fibre packaging products has commenced and as part of the Cooperation Protocol the MP has made the first milestone payment.
2. One of the most important objectives of the MP is to use technology, modern theories and science to develop highly competitive national industries such as the national banana plantation waste retrieval and repurposing program established with Papyrus. These programs use available production capacity of the Military Production factories to implement projects that benefit Egyptian society and the environment. The MP has the potential, resources, assets and a long history of manufacturing and with Papyrus is employing the latest technologies as part of their long-term goals that include:
 - developing a sophisticated green environment industry
 - sustainable development projects that aim to reduce imports
 - encouraging domestic production to expand exports
 - raising the skill of Egyptian workers and their experience in waste collection and recycling projects of all kinds.
3. At a meeting in late October that included the MP, the Minister and other high-level Ministries, discussions included:
 - the development of component manufacturing in Egypt under Papyrus licence
 - utilization of MP tools and machinery during installation
 - a new Commissioning Plan for operations of the new facility
 - expanding the new facility to include processing lines and additional moulding lines.

4. Under a new Commissioning Plan for operations, in addition to Papyrus establishing and training the MP operations team during installation and commissioning the new moulding line, the MP requested deferral of the handover from Papyrus. This new agreement would see Papyrus managing the operations and production for the first year in the new and expanding facility.

Papyrus Australia Ltd

5. The final valuation of Papyrus Egypt (PPYEg) was received from BDO Egypt. The valuation was a major step in considering the proposal to consolidate PPYEg enterprise within Papyrus Australia (PPYA). The valuation and further legal and independent expert advice will be evaluated ahead of a proposal being presented to Papyrus shareholders.
6. The Interim CEO and Manager of Engineering visited plantations in the Philippines in October to continue development of a project feasibility study and business case for a new integrated production facility. The key outcomes from a visit to three large operations which enhanced our relationship development included:
 - clarifying partnership objectives
 - assessing raw material logistics
 - assessing potential sites
 - data for economic modelling
 - farm packaging product requirements and a broader scope of product opportunities
7. The Business Development team in Australia continued presentations and engagements with potential partners. The Papyrus feasibility analysis framework assists prospective clients with specifically targeted information for commercial modelling assessments based on their region, product requests, markets and partner capability.
8. Following approval from AusIndustry to claim eligible overseas R&D costs as part of the Papyrus FY23 R&D Tax Incentive, information is being prepared for the claim.

Papyrus Egypt

9. Papyrus Egypt commenced contract negotiations with the Arab Organisation for Industrialization (AOI), for the establishment of a new processing facility in Egypt. The AOI is an Egyptian based Arab military organisation established in 1975 by Egypt, Saudi Arabia, the UAE and Qatar, with a strong competitive and diverse technology-based industrial platform.
10. Successful trials were conducted on the new plantation waste shredder that Papyrus designed with AOI engineers with the objective to increase local manufacturing. The new shredder will be installed in Sohag in November and the mobile shredder design work will continue.
11. Papyrus Egypt are also working closely with AOI to design modified equipment, workshop drawings, experiments and trials to manufacture components under Papyrus licence. If the manufacturing pilot succeeds, AOI will become a Toll Manufacturer for Papyrus Egypt facilities.

12. The Sohag facility has been focused on finalising a modified equipment and plant design in preparation to supply a full production and moulding line to MI Engineering. Completion of the final design for fibre production includes:
- upgrading dewatering capability to concentrate the extracted organic liquid to 20%
 - laboratory tests and experiments on fermentation
 - additional modifications to the hydraulic units
 - final engineering process details such as tanks
13. Papyrus Egypt held further discussions with a major Egyptian distribution company regarding cooperation on sales agreements and exporting the MP products.
14. Papyrus is one of nine finalists in a competition run by the Egyptian Government to select innovative companies to present under their umbrella at the COP28. Finalists will be announced in early November to present at COP28 in Dubai from 30 November to 12 December 2023. The Papyrus presentation at COP27 in 2022 led to the interest from AOI and MI Engineering.

Financials

Papyrus Australia Financial comments

15. As a result of the first payment milestone being completed with the MP contract, Papyrus Egypt has repaid \$392k of its loan from Papyrus Australia.

During the month of October 2023, the following related party payments were made.

- \$ 4,584 CC&C Pty Ltd for consultancy services rendered by Company Director Pascal Gouel.
- \$ 9,866 to V P Rigano & Co Pty Ltd for reimbursement of expenses incurred by Company Director Vince Rigano.

16. The expenditure reported for the month ending in October 2023 Appendix 4C cash flow report for Papyrus relates primarily to:
- Staff costs
 - Travel Costs
 - Audit and compliance costs
 - Other overhead related costs

Except for the payment referred to above during the month, there was no other payment to an associate or a related party.

As approved by the Board.

ENDS