

ASX ANNOUNCEMENT

31 January 2024

Quarterly Activity Report for October to December 2023

Papyrus Australia Ltd (ASX:PPY) is pleased to report its activities **pertaining to the quarter ended 31 December 2023** and the quarterly Appendix 4C cash flow report released to the market on 31 January 2024.

Highlights

- Installation of the first contract facility for the Egyptian Government in Egypt
- Papyrus negotiates additional facilities for the Egyptian Government
- The MP Commissioning Plan with Papyrus
- Philippines visit with banana producers and packaging companies
- Prefeasibility studies for potential partners in The Philippines, South America and India
- Study commences to monetize the greenhouse gas assets achieved with Papyrus technology
- Contract negotiations with the Arab Organisation for Industrialization (AOI)
- A new plantation waste shredder designed by Papyrus and AOI engineers installed
- New trials with the Egyptian Desert Research Centre to concentrate the organic liquid sap
- Papyrus Egypt and Australia Consolidation proposal
- Papyrus receives research and development tax incentive refund

Egyptian Government Developments

1. The processing equipment Components for the first production facility for the Egyptian Government's National Authority for Military Production (MP) were successfully delivered to the MP facility. The assembly and installation for the moulding line to produce banana fibre packaging products has been substantially completed. Commissioning of the production line is to commence shortly.
2. This significant milestone marks a pivotal step forward in fulfilling our obligations in the Cooperation Protocol and Roadmap signed with the Egyptian Government. The MP made their first milestone payment to Papyrus, which provides Papyrus Egypt with operating capital and Papyrus Egypt initiated repayment of part its loan from Papyrus Australia to the value of A\$392k.



Figure 1: MP Moulding Line Installation

3. The MP and Papyrus are negotiating further contractual supply of a primary processing line to convert surrounding plantation waste to fibre pulp onsite and an additional moulding line to produce food packaging products. The new processing and moulding lines will be housed within the same extensive facility and are planned for 2024.
4. As installation progresses, the MP and Papyrus have identified components that can be manufactured within Egypt as part of their long-term goals to reduce imports, increase domestic production for wider sustainable development and reduce shipping costs.
5. The Commissioning Plan for operations at the new MP facility, which will see Papyrus engaged to manage the operations and production for the first year in the new facility.

Papyrus Australia

6. The initial engineering and design concept work to modularize the processing facilities developed in Egypt for containerization to deploy to new locations and facilities has been completed.
7. The Interim CEO and Manager of Engineering visited major plantations in the Philippines 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
 - data for economic modelling
 - assessing potential sites
 - assessing raw material collection logistics
 - farm packaging product requirements and a broader scope of product opportunities
8. The business development team have prefeasibility studies underway with new potential partners in The Philippines, South America and India. 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.
9. A Budget and detailed Business Development and Marketing Plan have been established with a focus on developing the technology supply chain capability for new production facilities to shorten the fabrication, delivery and installation timeframes.
10. Target products have been identified with an Australian packaging product distribution company as Papyrus prepares to market some of the moulded packaging products that will be produced at the MP facility in Egypt as part of the Offtake Agreement. The production capacity of the new MP moulding line is more than double the production of the current Papyrus Sharqiah facility. The target production of the new moulding line when at full operation is 50 million pieces annually.
11. Papyrus has invested in analysis by Envirolabs in Australia to develop a verification and certification methodology to measure and monetize the greenhouse gas assets achieved through the abatement of methane gas otherwise emitted by decomposing banana plantation waste. This analysis builds on the work previously undertaken by Papyrus in 2010 to map the environmental benefits and value opportunities of the Papyrus technology.

12. The investment in updated verification of carbon reduction measures will enable joint venture partners to seek project funding from sources such as the United Nations Green Climate fund which allocates its resources to low-emission and climate-resilient projects and programmes in developing countries. The use of new technologies, business models incorporating methodologies and practices that contribute to sustainable development can attract these new growth and investment opportunities which include private sector funding.
13. The strategy in place for Papyrus Australia to consolidate Papyrus Egypt (PPYEg) is progressing with further due diligence by the Papyrus Board in Australia. The process includes legal and independent expert advice (IEA) to ensure the transaction is fair and reasonable for shareholders. Once this process is completed and assuming the IEA determines that the transaction is fair and reasonable for shareholders, the Consolidation proposal will be put to shareholders at an EGM for consideration.

Papyrus Egypt

14. Papyrus Egypt has prepared a full contract proposal for the Arab Organisation for Industrialization (AOI), for the establishment of a new fibre processing and moulding line facility in Egypt. The AOI has a diverse technology-based industrial platform.
15. Following successful trials of the new plantation waste shredder that Papyrus designed with AOI engineers to increase local manufacturing and increase the capability to process large banana trunks, the new shredder has been installed in Sohag.
16. Papyrus and the AOI Engineers will make further adjustments to this new shredder design ahead of the manufacture of two or three more shredders for Sohag.
17. New trials commenced with the Desert Research Centre, to concentrate the organic liquid sap output from banana fibre processing. The Desert Research Centre established in 1950, is the oldest scientific research centre in Egypt. The trials aim to establish the optimal technology to concentrate the abundant supply of sap to 20% and provide the best economic modelling for equipment manufacturing and running costs. The concentrated liquid will increase the sales value - currently purchased for use as a fertilizer and also in consideration as a building material additive.



Figure 2: New Shredder Design

18. 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

Financials

Papyrus Australia Financial comments

19. Papyrus Australia received \$330k in November 2023 as a tax refund (driven by the FY23 R&D tax incentive program) and received \$161k of this amount after the R&D tax loan previously received was paid out.

20. During the quarter to December 2023, the following related party payments were made.

- \$ 13,750 to CC&C Pty Ltd for consultancy services rendered in September, October and November by Pascal Gouel as Company Director.
- \$ 9,866 to V P Rigano & Co Pty Ltd for reimbursement of expenses incurred by Vince Rigano as Company Director.

21. The expenditure reported for the quarter ending in December 2023 Appendix 4C cash flow report for Papyrus relates primarily to:

- Staff costs
- Travel costs
- Engineering and Design costs
- Overhead related costs
- Audit and compliance costs

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

As approved by the Board.

ENDS