



ASX ANNOUNCEMENT

30 January 2023

Quarterly Activity Report for quarter ended December 2022

Papyrus Australia Ltd (ASX:PPY) provides monthly activity reports and quarterly activity reports to keep the market informed regarding its activities. **This quarterly report pertains to the quarter ended 31 December 2022** and the quarterly Appendix 4C cash flow report released to the market on 30 January 2023.

The focus of the Company in the past quarter has been:

- Expanding the commercialisation activities for Papyrus Australia Ltd, and
- Operational activities of Papyrus Egypt Company (LLC) for the manufacture of banana fibre and liquid organic fertiliser in Sohag, and food packaging products in Sharqiah.

Highlights

- Papyrus signs and commences execution of the phase 1 contracts of the Cooperation Protocol Roadmap with the Egyptian Government, consolidating the partnership for the first factory
- COP27 Conference showcasing the Papyrus technology, has stimulated new business engagements across the globe
- Papyrus Egypt CEO Ms Heba Nayle receives "Africa Goes Green" award at COP27
- The Papyrus 2022 AGM was held in November
- Australian Directors visit Egypt for contract signing, audit and operations review and local community initiatives in Sohag
- Papyrus Egypt presents to African diplomats, investors, private companies and agencies at the Australian Ambassador's residence in Cairo
- An Australian patent is lodged and a trademark registered for Papyrus

Papyrus Australia Ltd

Egyptian Government Developments

1. As announced to the market (ASX Announcement: 1 June 2022), Papyrus signed a Cooperation Protocol Roadmap with the Egyptian Government's National Authority for Military Production to supply Papyrus technology and IP, for the establishment of a national banana plantation waste retrieval and repurposing program.
2. The phase one contracts were signed by Papyrus Managing Director Mr Ramy Azer and the Egyptian Minister Eng. M. Salah al-Din Mustafa. (ASX Announcement 1 November 2022), which coincided with the visit to Egypt by the Papyrus Chair Mr Ted Byrt. This provided an opportunity to consolidate the partnership between the Ministry and Papyrus and discuss future projects.

3. Planning for the new banana fibre moulding plant is complete with the encouragement from the Minister for the Ministry to expedite the project with Papyrus.
4. Site selection, factory layout and detailed design for the moulding factory have been completed.
5. The equipment fabrication contractor has been selected, contracts have been awarded and deposits paid to commence fabrication of the equipment for the MP moulding line which will be delivered in the first quarter calendar year 2023.
6. The product offtake agreement in phase one of the agreement will see Papyrus Egypt procure all moulded products produced from the new banana fibre moulding line to sell through its distribution network in Egypt.

Other Business Development

7. The Papyrus Egypt CEO Ms Heba Nayle, received the Silver Award in the 'She Goes Green' category of the Africa Goes Green Awards at COP27. This award is recognition of the vital leadership of female entrepreneurs in sustainable private sector development, business and social impact, potential for scalability and innovative contributions to green growth. Recognising sustainable natural resource management to improve human well-being and social equity, reducing environmental risks and ecological scarcity, these awards seek to promote climate change focus and recognise innovations and initiatives across Africa. Heba was instrumental in establishing our factory in Sohag Egypt and remains a cornerstone in the Papyrus commercialisation journey which is poised for expansion. Papyrus is very pleased Heba received this international recognition, reflecting the capacity for Papyrus to positively impact people, communities and the environment.
8. The success of Papyrus at COP27 has expanded engagements with a number of top tier banana growing organisations and investment bodies globally, who have expressed interest in the Papyrus technology to make valuable use of banana plantation waste for economic benefits and to address climate mitigation targets.
9. The partnership interests from Africa, Asia, South America and Europe combines addressing environmental and sustainability issues in fertilizer production and utilising fibre for biodegradable food packaging products.
10. The Papyrus Australia AGM was held on 23 November 2022. The Papyrus Executive Director International Business Development Mr Pascal Gouel, presented a detailed update on the success of Papyrus at COP27 and the growing commercialisation opportunities and engagements that are now underway. Mr Gouel was re-elected as a Director of Papyrus and will progress the expansion of business partnerships and new contracts.
11. Following the AGM, Ms Kerry Chikarovski resigned from the Papyrus Board on 25 November 2022 after joining the Board in November 2021 to provide firsthand government knowledge and stakeholder relations to facilitate the Papyrus strategic

objectives. The Board is grateful to Ms Chikarovski for her valuable contribution and wishes her the best for the future. (ASX 25 November 2022)

12. Papyrus Australia Ltd lodged the Australian patent application for the method and apparatus for producing a mouldable cellulosic fibrous material. The patent is an important step in acquiring broad-ranging international patent protection for this state of the art zero waste, dewatering and fibre production.
13. Papyrus Australia Ltd registered the Trademark MUZA to cover its brand of fertilisers.

Papyrus EGM

14. The Papyrus potential has now been unlocked as the commercial agreement with the Egyptian Government is implemented. Significant interest for future partnerships and contracts is rising and as the immense potential is being fully realised, Papyrus has been developing a strong growth strategy in Australia to optimise opportunities and ensure the securitisation of the business model and the IP for future success. In the last 17 years, the Papyrus Board has sustained the company operations through major challenges and disruptions including the Arab Spring Revolution, post-revolution reconstruction and continued research and development of the company IP and products. The considered investment in research and development has safeguarded the technology and resulted in refined, commercially desirable products that are attracting international attention.
15. The current Chair Mr Ted Byrt has announced his intention to welcome a new Chair by mid-2023, after seeing several urgent and significant matters to conclusion and ensuring a smooth transition.
16. The Extraordinary General Meeting request was received, which was scheduled for 18 January 2023, to consider the leadership of the company.

Papyrus Egypt

Operational Activities and Business Development

17. The Papyrus Chair Mr Ted Byrt and Directors Mr Vince Rigano and Mr Pascal Gouel visited Egypt to meet the expanding team, review the operations, the annual audit and business development opportunities. They were welcomed by government dignitaries and local community leaders who expressed their appreciation for the sustainable local community benefits developed by the Papyrus Egypt enterprise.
18. The economic and environmental gains are clearly apparent. The social community initiatives that are underway by Papyrus Egypt in the local Sohag community are mutually beneficial and important for Papyrus for employment, security, local markets and local government support. Papyrus Australia will explore ways it can further support and expand these initiatives.
19. The Australian Ambassador to Egypt invited Papyrus Egypt to showcase the technology and new commercialization model to diplomats from the banana growing

countries of Senegal, Côte d'Ivoire, Sudan and Egypt, private companies, investors and other agencies. This established business relationships and provided opportunities for these countries to consider Papyrus as they take steps to eliminate plastic pollution, address their commitments to reduce environmental degradation and work towards their sustainable development targets.

20. The Papyrus factory in Sohag is continuing to increase output following the commissioning of its new line. The fibre will provide for the increasing demand from the Sharqiah factory, the increasing fibre orders and the preparation of fibre for the Egyptian Government contract.
21. Following the appointment of the manager for fertilizer at the Sohag factory, fertiliser demand and income has increased, due to marketing activities and meeting the seasonal agricultural requirements.
22. The Sharqiah factory is reviewing efficiencies to reduce fuel costs and developing plans to expand the product range to include cup holders to further increase profitability.

The European Bank for Reconstruction and Development (EBRD) Support

23. As previously announced (ASX Announcement 5 July 2022), the European Bank for Reconstruction and Development (EBRD) provided funding support for an independent consultant to develop a five-year business plan for the full commercialisation of the Papyrus Egypt production facility in Sohag Egypt.
24. The comprehensive report has now been completed and provided to Papyrus and will be evaluated for incorporation into business operations.

Papyrus Egypt Unaudited Profit and Loss Year to Date Ended 31 December 2022

| Profit and Loss for Period 1 July 2022 to 31 December 2022 | | |
|--|------------------------------------|---|
| | Quarter Ended Dec 2022 (AUD) | Year to Date Ended Dec 2022 (AUD) |
| Sales | | |
| Musa Fertiliser | 11,753 | 15,906 |
| Food packaging products | 17,861 | 52,684 |
| Other Sales | 28 | 56 |
| Total Sales | 29,641 | 68,646 |
| Cost of Goods Sold | | |
| Musa Fertiliser | 1,005 | 1,360 |
| Food packaging products | 10,263 | 30,272 |
| Other COGS | 13 | 26 |
| Total Cost of Goods Sold | 11,281 | 31,658 |
| Gross Profit (Loss) | 18,360 | 36,988 |
| Overhead Costs | | |
| Sales & Marketing Expenses | 40,523 | 48,383 |
| Stock Writeoff | 4,695 | 11,414 |
| Administration, Trials and R&D Costs | 85,352 | 172,795 |
| Total Overhead Costs | 130,570 | 232,592 |
| Other Income | 3,291 | 4,771 |
| Net Profit (Loss) | (108,918) | (190,833) |

Papyrus Australia Financial Comments

25. During the quarter, the following related party payments were made.
- \$9,274 to Chikarovski & Associates for consultancy services rendered by Kerry Chikarovski as Company Director (now retired), and reimbursement of expenses incurred;
 - \$14,769 to CC&C Pty Ltd for consultancy services rendered by Pascal Gouel as Company Director, and reimbursement of expenses incurred; and
 - \$20,833 to the Managing Director in accordance with the remuneration agreement.
 - \$844 to David Attius for reimbursement of expenses incurred; and
 - \$5,846 to Edward Byrt for reimbursement of expenses incurred;
26. The expenditure reported for the quarter ending in December 2022 Appendix 4C cash flow report for Papyrus relates primarily to:

- a. Staff costs
- b. COP27 Marketing costs
- c. Insurance, audit, patent and other overhead / compliance related costs
- d. Deposit to support upgrades for the Papyrus Egypt operations in Sohag
- e. Deposit for equipment to commence execution of the phase 1 MP contracts

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