



## ASX ANNOUNCEMENT

30 October 2023

### Quarterly Activity Report for July to September 2023

Papyrus Australia Ltd (ASX:PPY) is pleased to report its activities **pertaining to the quarter ended 30 September 2023** and the quarterly Appendix 4C cash flow report released to the market on 30 October 2023.

#### Highlights

- Equipment for the first contract in the Cooperation Protocol Roadmap with the Egyptian Government is in transit to Egypt
- A new protocol agreement was signed with the Arab Organisation for Industrialization in Egypt to establish a new integrated production facility
- Feasibility work to establish a new integrated facility in the Middle East has been completed
- The Egyptian Governate of Asyut and MI Engineering have been engaged to establish a new integrated production facility
- Papyrus has commenced feasibility work to establish a new integrated production facility in the Philippines
- The Sohag team work on raw material feed capability, mobile shredding and new applications for the liquids
- Papyrus Australia received a draft of Papyrus Egypt valuation for Consolidation
- Completed initial design work for modularisation of primary processing equipment
- Director and Company Secretary visit to Egypt for operations review and meetings

#### Update on Contracts Underway

1. The major components for the moulding line to produce banana fiber packaging products for the Egyptian Government's National Authority for Military Production (MP) Contract are in transit to Egypt and due to arrive early October 2023. Upon arrival and formal handover, the MP is scheduled to make the first payment milestone.
2. Papyrus Egypt has signed a protocol agreement with the Arab Organisation for Industrialization (AOI), for the establishment of a new integrated processing facility (primary processing and moulding) in Sharqiah, Egypt. The AOI will purchase a primary processing line and a moulding line from Papyrus 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.

## **Papyrus Australia**

3. Papyrus Australia has commenced feasibility analysis for the establishment of a new integrated production facility in the Philippines with several growers as potential partners. The Interim CEO and Manager of Engineering will visit several plantations in October and continue discussions with local partners so they can finalise the project feasibility study and business case.
4. As part of the proposal to consolidate the Papyrus Egypt (PPYEg) enterprise within Papyrus Australia, BDO in Egypt has conducted an independent valuation of Papyrus Egypt. The draft valuation was received in September 2023, with the final valuation due in October 2023.
5. If the proposed consolidation proceeds it will create a closer alignment of the entities with shared financial and operational resources. This will also provide Papyrus Australia greater strategic and operational control. The proposal will be presented to shareholders for consideration at a general meeting.
6. Papyrus Australia is registered for the Australian Government Research and Development Tax Incentive (R&DTI) program and has received a tax offset claim for the financial period July 2021 to June 2022.
7. In September Papyrus received approval from AusIndustry to claim eligible overseas R&D costs as part of its annual R&D Tax Incentive claims for the financial years 2023-2025. This will allow Papyrus to receive the R&D tax offsets for eligible overseas R&D costs along with eligible Australian based costs.
8. The Papyrus interim CEO Mr Daniel Schmidt was interviewed in August by a European Impact Investor group who are developing a new European business benchmark to determine good practices of companies that act on biodiversity. The investor group seeks to challenge large EU companies that have not adopted biodiversity or sustainability targets and propose transformative solutions and practices based on the developed benchmark. Papyrus practices were recommended by another impact investor group who made Papyrus part of their 'investment universe' earlier this year.
9. Papyrus Australia has completed initial design work for the modularisation of the primary processing equipment. This will enable to equipment to be easily deployed in a variety of environments and regions.
10. Director and Company Secretary Mr Vince Rigano, visited Egypt for a meeting with the BDO valuation team in Cairo. He also conducted an operations review of the plants and attended meetings with the Asyut Governate Governor, department heads, ministerial representatives, MI Engineering and Papyrus Egypt, regarding the planned MI Engineering plant.

## **Papyrus Egypt**

11. A feasibility study has been completed for another government project in the Middle East. The team will now commence contract negotiations and formation for equipment supply and product offtake agreements.
12. Initial discussions have been held with packaging distribution companies to market the moulded food packaging products that will be produced at the MP facility in Egypt as part of the Offtake Agreement.
13. Negotiations have commenced for the supply of a primary processing line to the MP once the moulding line for the MP facility has been installed. This will enable the MP to produce their own banana fibre for their moulding line. The Offtake Agreement will remain in place for Papyrus to sell the moulded products produced.
14. Papyrus has also engaged with the Asyut Governate and MI Engineering to establish a full production and moulding line in Egypt. The agreement includes producing moulded products using a greater range of seasonal agri-waste such as maize which generates waste amounting to a million tons per annum in the area. Papyrus will work with the MI Engineers on the fibre mix testing and product selection as the product strength relies on the banana fibre content.
15. As part of the proposed agreement with AOI, AOI Engineers are working with Papyrus on design modifications to increase the component manufacturing in Egypt, for both the primary processing and moulding lines.
16. The AOI plantation to plate operation to be located in Sharqiah, will include further development of the organic liquid byproduct of the processing line to market as a fertiliser product. Papyrus will include an Offtake Agreement to market the banana fibre moulded products with Papyrus branding.
17. Papyrus has been engaged by a construction company in Egypt who would like to use the organic liquid output from banana fibre processing as an additive in construction materials. The company is undertaking industrial trials to extract the additive directly from the unconcentrated organic liquid, this is an opportunity for Papyrus to sell bulk quantities of the byproduct, directly from the processing line.
18. The Sohag primary processing factory installed an auto feeding chipper to cater for larger banana pseudo-stems with an upgraded conveyor for increased capacity.
19. In Sohag the team has been working on two other equipment development projects.
  - a. The first is the methodology for concentration of the organic liquid extracted in processing of fibre, with the aim of dewatering the liquids by 80%. Upgrading the dewatering capacity and laboratory testing on fermentation of the organic liquid are also underway.
  - b. The second project is the modification to a smaller primary shredder in Sohag, suitable to mount on a truck, but maintain the capability to process plantation trunks that can weigh up to 70kg. A successful mobile shredder will reduce the transportation cost, volume and time and the liquid can be left on the farm.

## **Financials - Papyrus Australia**

20. During the quarter ending September 2023, the following related party payments were made.
  - a. \$ 13,750 to CC&C Pty Ltd for consultancy services rendered by Pascal Gouel as Company Director.
  - b. \$ 913 to David Attias for reimbursement of travel expenses.
21. The expenditure reported for the quarter ending in September 2023 Appendix 4C cash flow report for Papyrus relates primarily to:
  - a. Staff costs
  - b. Travel costs
  - c. Engineering costs
  - d. Overhead related costs
  - e. Audit and compliance costs
22. Papyrus Australia received \$ 97,629 as a R&DTI tax refund for FY22 R&D expenditure.
23. Papyrus Australia received \$ 163,897 as a loan against the future FY23 R&DTI tax refund for R&D expenditure.
24. Papyrus Australia received \$ 80,000 from capital raising activity during the quarter.
25. Papyrus Australia provided a loan of \$ 288,044 to Papyrus Egypt for the final milestone payment to equipment fabricators for the supply of equipment to the MP contract, this amount is expected to be refunded following receipt by Papyrus Egypt of the first instalment from the MP project once the equipment has landed in Egypt.

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**