



ASX ANNOUNCEMENT

26 October 2022

Quarterly Activity Report for July to September 2022

Papyrus Australia Ltd (ASX:PPY) advises that in addition to monthly activity reports, it is required to also provide quarterly activity reports to keep the market more informed regarding its activities. **This quarterly report pertains to the quarter ended 30 September 2022** and the quarterly Appendix 4C cash flow report released to the market on 26 October 2022.

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

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

Highlights

- Papyrus Australia continues contract negotiations for the phase 1 of the Cooperation Protocol Roadmap with the Egyptian Government
- COP27 Conference preparation to showcase the Papyrus technology
- Commercialisation model receives strong interest from top tier banana growers globally
- Papyrus Egypt equipment upgrades in Sohag is achieving the planned throughput targets
- Pascal Gouel appointed as Executive Director – International Business

Papyrus Australia Ltd

Egyptian Government Developments

1. As previously announced to the market (ASX Announcement: 1 June 2022), the Egyptian Government, via the National Authority for Military Production (the Ministry), has signed a Cooperation Protocol and Roadmap with Papyrus to establish a national industry in Egypt to retrieve, process and repurpose banana plantation waste utilising the Papyrus technology and IP, as part of the Egyptian “national waste retrieval and repurposing program”.
2. In July Egyptian Government officials from the Ministry of Military Production (the Ministry) and delegates from the European Bank of Reconstruction and Development (EBRD) visited the Papyrus plant in Sohag to inspect the technology and progress of upgrades to the capacity.

3. Papyrus Australia has worked with the Ministry over the last 3 months to develop phase 1 on the Roadmap. This has involved:
 - a. Completion of the feasibility analysis for the proposed Banana Fibre Moulding Plant which the Ministry will own and operate.
 - b. Development of an equipment supply and installation agreement for the Banana Fibre Moulding Equipment Papyrus will supply to the Ministry.
 - c. Development of a product offtake agreement for the purchase of all products produced by the Ministry at its plant. The products will then be sold through Papyrus's distribution network.
4. Papyrus has been welcomed to participate in the Green Zone of the UN Climate Change Conference (COP 27) which will be held in Egypt in November 2022. We will use our presence in the Green Zone to develop 'global coalition for impact' partners to commence rollout of the technology across banana growing regions globally.

Executive Director Appointment

5. As previously announced to the market (ASX Announcement: 29 July 2022), Papyrus has appointed Pascal Gouel as Executive Director – International Business Development, effective from 29 July 2022.
6. Mr Gouel's appointment is an important step in facilitating the Company's strategic objectives in the international market. Pascal's time spent working in Egypt, Kuwait, Saudi Arabia and the United Arab Emirates will be invaluable in assisting the Company in finalising the commercialisation agreements with the Egyptian Government.

Other Business Development

7. Papyrus has commenced engagements with a number of top tier banana growing organisations globally, who have expressed interest in the Papyrus technology for the valuable use of what is now a waste by-product of banana plantations. The regions targeted have been Australia, Thailand, Philippines, Indonesia, South America, Uganda and Kenya.
8. The organisations have indicated that the combination of addressing the three environmental and sustainability issues of:
 - a. reducing greenhouse gas emissions from the decomposing waste resource,
 - b. replacing plastics and wood pulp used in food packaging, and
 - c. access to an economical source of organic fertilisers replacing synthetic fertilisers,is seen as a significant advantage to the Papyrus technology. Additional consideration is given to the achievement of chemical free processing without the use of water and the low energy consumption in processing.
9. Papyrus has developed the commercialisation partnership models for banana growers and moulding manufacturers:
 - a. The Grower Supply Agreement ensures an economic benefit is realised for the Grower, to supply of up to 50,000 metric tons of banana plantation waste per annum.



- b. The Grower Partnership Agreement is a joint venture to set up a primary processing plant on or near the plantation to process the banana waste and produce raw fibre and fertiliser.
- c. The Moulding Manufacturer Virgin Banana Supply Agreement will provide the manufacturer with a secure supply of virgin banana fibre pulp which is to be used as feedstock in the manufacturer's fibre moulding line to produce food packaging products.
- d. A Moulding Manufacturer Partner Agreement will be used to set up and operate a complete processing solution that includes primary, intermediary, and final processing lines.

These partnership opportunities create sustainable economic, environmental, and social impact for banana producing communities, and promotes a circular economy, whereby valuable products are created from waste materials that would otherwise negatively contribute to climate change and a deteriorating environment. Each 50,000 metric ton feedstock Papyrus plant can generate over 40,000 metric tons of liquid organic fertiliser and 5,000 metric tons of virgin banana fibre pulp, for conversion to biodegradable food packaging products. A variety of other products could also be produced from the banana fibre pulp, providing significant community opportunities and benefits.

Papyrus Egypt

Operational Activities

10. Papyrus Egypt has completed the installation and commissioning of the primary fibre processing equipment in the Sohag facility and is achieving the targeted production throughput rate of 6 tonnes per hour during commissioning.
11. Papyrus Egypt will now commence installation of the equipment for liquid filtration, processing and storage to manage the increased volume of fertiliser produced.

European Bank for Reconstruction and Development (EBRD) Support

12. As previously announced (ASX Announcement 5 July 2022), the European Bank for Reconstruction and Development (EBRD) agreed to provide 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.
13. The EBRD funded business plan focuses on the existing productive Papyrus facility in Egypt, to provide the basis and platform for the future expansion of the technology and production facilities in the region. This includes Africa where 60% of the world's banana and plantain are grown, with some 16 million acres of plantations producing an estimated 1.5b tonnes of plantation waste each year that can be converted to valuable products with Papyrus technology.
14. The independent consultant has completed the initial report and recommendations for improvement to Papyrus Egypt.

15. The initial improvement recommendations from the report are in the process of being implemented to improve the speed of commercialisation and returns to Papyrus Egypt.
16. Following the completion of the initial report by the independent consultant, the financial modelling of Papyrus Egypt is under review.
17. The EBRD independent consultant accompanied the Papyrus team at a meeting with the Ministry to discuss the commercialisation of the Papyrus plant and the implications for the Ministry program.

Financials

18. During the quarter, the following related party payments were made.
 - a. \$8,250 to Chikarovski & Associates for consultancy services rendered by Kerry Chikarovski as Company Director; and
 - b. \$62,500 to the Managing Director in accordance with the remuneration agreement.
19. The expenditure reported for the quarter ending in September 2022 Appendix 4C cash flow report for Papyrus relates primarily to:
 - c. staff costs
 - d. Insurance, audit and other overhead / compliance related costs
 - e. expenditure to support ramp up of the Papyrus Egypt operations at the Sohag

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