

ASX ANNOUNCEMENT

02 October 2020

Papyrus Australia Ltd (“Papyrus”) Completes Cornerstone Investment with Institutional Investor

Highlights

- **\$500,000 strategic investment by L39 Capital, a small cap fund**
- **Funds raised will be used for Sales, Marketing, Financial controls and Increased Capacity**
- **Issue price of \$0.012, being a 25% discount to 15-day VWAP**
- **L39 Capital will be issued 41,666,667 18 months unlisted options with an exercise price of \$0.015**
- **Papyrus and L39 Capital will work closely together to reposition the company as a leader in the sustainable packaging and renewable materials segment**
- **L39 Capital to nominate a Director to the Board of Papyrus**

Papyrus is pleased to welcome a strategic investment of \$0.5 million by **L39 Capital**, a small cap fund based in Melbourne. Papyrus has agreed to issue 11,075,000 shares at \$0.012 to L39 Capital (**Tranche 1**) immediately (without shareholder approval and relying on the Company’s existing capacity under Listing Rules 7.1), 30,591,667 shares (**Tranche 2**) and 41,666,667 options (**Tranche 3**) to be issued subject to completion of due diligence and shareholder approval, which will be sought at the Annual General Meeting to be held on 11th of November 2020.

Papyrus is currently in discussions with L39 Capital for an additional person to join the Board. L39 Capital is a long-term oriented fund with zero management fees and the mantra of “*Patient Capital, Active Participation.*” They seek to collaborate with businesses and add value over time to generate significant risk-adjusted and uncorrelated returns for investors.

Papyrus Managing Director, Ramy Azer, commented: “L39 Capital is our ideal strategic investor as they are not only providing capital to us. They will be working actively with us to help achieve our vision of a scalable and commercial enterprise in the sustainability and renewable sector. We believe it is the ideal time for such a collaboration in light of the Australian Federal Government’s announcement of the new Recycling and Waste Reduction Bill 2020. We have been able to prove our technology and business model in Egypt and we can now focus on delivering a growth strategy for our investors and shareholders.”

L39 Capital Director, David Attias said: “We have an extensive list of companies on the ASX that we would like to invest in. Every investment we make is with the view of being a partial business owner. After extensive due diligence, we were impressed with Papyrus Australia as they had already validated their technology and business model whilst being valued less than many start-ups that we come across. We believe this is the right time to partner with Papyrus Australia given the sector tailwinds and support the company to achieve our shared vision of sustainable packaging.”

Papyrus Chairman of Directors, Ted Byrt said: “This unsolicited commitment by L39 Capital is a vindication of all the work we have been doing in the past few years. Our founder and MD Ramy Azer has applied himself relentlessly, in trying circumstances and against the odds, to commercialise the technology to convert an abundant agri-waste product into valuable clean fibre for the manufacture of eco-friendly, sustainable and usable products for our society. Patience and

persistence have again paid a dividend which we believe will also in the longer term be to the benefit of our committed shareholders.”

ABOUT PYPYRUS AUSTRALIA

Business Overview

Papyrus Australia Ltd (ASX: PPY) was initially formed in the mid-1990’s with the primary focus being the development of Banana Tree Trunk (BTT) veneering technology and the related intellectual property (IP). The company listed on the Australian Stock Exchange (ASX) in March 2005.

With access to capital, the company then successfully built machinery capable of ‘peeling’ banana tree trunks to produce high-quality banana veneer capable of being laminated on to a substrate to be an alternate substitute for wood veneer products and a vast array of other eco-friendly moulded banana fibre products. The resultant technology has registered patents and essential confidential “know-how”.

For the past few years, the focus has been to prove that the PPY patented technology is capable of producing commercially viable volumes of fibre. This has now been achieved using PPY machinery located in a factory owned by Papyrus in Egypt (PPYEg) in the district of Sohag, located on the River Nile (507 Km south of Cairo).



Current Operations

The establishment of the Fibre factory and operation of the equipment has been managed by PPY’s founder and Managing Director, Ramy Azer. There are now three engineers working for PPYEg that have been trained by Ramy and who, now, fully control the production facilities under the management of Ms Heba Nayle.

The factory is currently operating a single shift, 6 days per week, and producing a range of agri-waste banana fibre products. The factory is capable of increasing production to a 3-shift operation.

During this recent period in Egypt, PPY has identified a number of additional products and clarified those gaining the greatest market acceptance. These products include:

- Musa – an organic liquid fertiliser derived from BTT proven to increase agricultural yield
- Cairo Peat – shrink-wrapped fibrous peat blocks to increase water retention in arid soils
- Bokashi – bagged loose fibrous peat sold for water retention in arid soils
- Banana fibre panel board of varying densities from chipboard equivalent up to Mdf density
- Decorative Veneer to be applied by lamination to a substrate for doors
- Banana fibre for moulded bio-degradable products as a replacement for plastic products
- Fibre ‘pads’ for air fragrance as a substitute for cardboard

Technical trials have also been successfully conducted to prove the quality of moulded (banana) fibre trays using an unrelated company located in the Nile Delta.

Shareholder Value

Papyrus is now poised to capitalise on the many years of investment in proving its technology and gaining market acceptance of the products listed above.

Papyrus also recognises the need to expand beyond its initial focus of technology licensing to also participate in the manufacturing, marketing and distribution of the resultant fibre products it is capable of producing.

A detailed Business Plan is in the final stages of development and will, when adopted by the Board, provide a blueprint for the way forward and capitalise on the validation of the technology and market penetration already established.

The initial goal is to maintain focus on achieving sustainable profits from the Papyrus operations in Egypt that will ultimately reward our very supportive and patient shareholders.

This announcement is authorised by the Board of Papyrus.

For further information on Papyrus and L39 Capital, please contact either:

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