



ASX ANNOUNCEMENT

27 July 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 June 2022 and the quarterly Appendix 4C cash flow report released to the market on 27 July 2022.

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

- to support the Papyrus Egypt Company (PPYEg) activities in Egypt, which provide increasingly positive results, and
- to continue activities pursuing new opportunities to exploit its technology.

This report and future quarterly reports will focus on two topics, namely:

- corporate activities of Papyrus Australia Ltd in Australia,
- operational activities of Papyrus Egypt Company (LLC) for the manufacture of banana fibre products in Sohag, Egypt.

Highlights

- Papyrus will build its first full scale production facility in Egypt with a strategic partner to create a model for global expansion. The agreement with the Egyptian Government is documented in a Cooperation Protocol and Roadmap.
- Papyrus has secured Grant funding from the European Bank for Reconstruction and Development to document a commercialisation plan for Egypt and a 5-year business plan to model expansion in the African region.

Papyrus Australia Ltd

Egyptian Government Developments

1. As previously announced to the market (ASX Announcement: 1 June 2022), the Egyptian Government, via the Ministry known as the National Authority for Military Production (MoMP), 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. Under the agreed areas of cooperation outlined in the Protocol, Papyrus will work with the MoMP to assist with:
 - manufacturing requisite specialised equipment, machinery, production lines and spare parts;
 - the construction of conversion processing plants for banana plantation waste;
 - the production of liquid organic fertilisers;
 - the production of banana fibre and pulp to enable the manufacture of paper, cardboard and wood alternative products;
 - the production of innovative packaging products to replace plastic; and
 - ongoing technical support and improving overtime requisite process equipment and machinery.
3. The Roadmap sets out the following key structural elements to bring the Cooperation Protocol into practice:
 - to develop and sign an exclusive licence agreement with the MoMP for it to use the Papyrus technology and IP in Egypt, while allowing the Papyrus Egypt Company to continue its operations;
 - to develop and sign a “sale and purchase” agreement for the MoMP to buy one full banana plantation waste processing production line from Papyrus;
 - the first banana waste fibre processing factory will be operated by the MoMP;
 - Papyrus will be the sole purchaser and distributor of the output of that factory.
4. Papyrus has supplied the MoMP the initial feasibility data for the operation of the first factory. It is estimated there is the potential for at least 40 banana waste processing factories in Egypt based on the current banana plantations.
5. Initial engineering designs and specifications for the fibre production facility to be sold to the MoMP have been developed, with the focus now to finalise the equipment supply chain relationships required for the production facility.

Al Ahram

6. Papyrus previously announced a proposal to enter a JV with “Al Ahram for Plastics Manufacturing” (ASX Announcement: 14 February 2022). The JV business plan was completed with input from Papyrus and Al Ahram. This has set the basis to progress with acquisition and installation of a new fibre moulding line within the Al Ahram facility in Sohag. Equipment selection and design has been completed and the focus now is to finalise purchase agreements with the suppliers.

Other Items

7. In March 2022 Daniel Schmidt joined the Papyrus executive team to support the next stage of commercialising the business and in June he was appointed Chief Operating Officer. Daniel brings 17 years' experience in senior roles in the mining and metals industry, specifically focused on the management of processing operations, supply chains and procurement. In his role as COO Daniel will draw upon his experience in project management and delivering organisational change to support the commercialisation of Papyrus.
8. The executive team has commenced discussions with potential Australian customers for the Papyrus technology with early conceptual modelling work being undertaken for processing banana fibre in Australia.
9. The Company continued to field enquires from potential users of the technology from other countries.
10. During the reporting period these payments were made to related parties:-
 - \$8,250 paid to a Director for consulting fees for services.
 - \$62,500 paid to the Managing Director in accordance with the remuneration agreement.

Papyrus Egypt Company (PPYEg)**Operational Activities**

11. The PPYEg Sharqiah factory is producing at full scale and selling moulded egg trays utilising fibre produced at our demonstration plant in Sohag, Egypt.
12. The PPYEg fibre processing plant in Sohag has received all the additional processing equipment for the planned upgrade to increase capacity and throughput. The new processing line is intended to triple capacity to 6 tonnes per hour. This throughput is the intended scale for future factories and as modelled for the Egyptian Government. We have commenced installation of the new equipment with completion of construction due in August and commissioning and trials due in September.
13. The increased production capacity will ensure that we have sufficient refined fibre and treated refined fibre pulp available to supply the demand for moulded products from Al Ahram and the Sharqiah facility.

European Bank for Reconstruction and Development (EBRD) funding

14. Following the announcement of the Papyrus agreement with the Egyptian Government, the European Bank for Reconstruction and Development (EBRD) agreed to provide funding support for a consultant to develop a five-year business plan for the full commercialisation of the PPYEg production facility in Sohag, Egypt (ASX Announcement 5 July 2022).
15. The EBRD funded business plan which will look at the growth over the next five years, the profitable utilisation of production facilities in Egypt, employment in local communities and the reduction of agricultural waste and its negative impact on the surrounding environment.
16. This plan will underpin the expansion in Egypt which has an estimated 6.7 million tonnes of banana plantation waste each year and provides a model for expansion into Africa, which has an estimated annual 1.5 billion tonnes of banana plantation waste that could be processed using Papyrus' technology.

Consolidated Financial Reporting

17. The expenditure reported in the June quarter 2022 Appendix 4C cash flow report for PPY relates primarily to:
 - staff costs;
 - compliance costs and related expenses;
 - expenditure relating to the PPYEg operations at the Sohag and Sharqiah factories.

Except for the payment referred to under corporate activities during the month, there was no other payment to an associate or a related party.

As approved by the Board.

ENDS