



## **Chairman's report to the AGM on 25 November 2014.**

This report is presented to shareholders on behalf of the board who are present today to answer any questions shareholders may have following the formalities. Our Managing Director Ramy Azer is an apology today because he is in Egypt on Company business to which I will refer later.

I refer shareholders to the directors report contained within the published Annual Report for 2014 which gave a comprehensive overview of the activities of the company. I ask that the published report be taken as read.

The published directors report adequately covers all activities of the Company and I look forward to receiving any questions shareholders may have at the end of formalities but now I turn to comment on the few key activities for the financial year 2013/2014.

### **Business development.**

This past year has essentially been one of re-evaluation of our business model and progress toward a model where the Company actively participates in banana fibre product production and manufacturing. We do not resile from the belief that the best commercial longer term position for the Company is to be the developer and licensor of Intellectual Property. However we have experienced many frustrating challenges in bringing that strategy to a beneficial commercial outcome, particularly given the economic climate and the risk averse nature of potential participants in a new business venture.

We accepted the advice in 2013 from our financial advisors MAP Capital who reviewed all of our activities and advised the Board that it was essential for the Company to itself establish a commercial operation in Australia utilising the patented technology and technical know-how.

For personal use only

A successful outcome took longer than we first anticipated and it was not until November 2014 that we concluded the Joint Venture Agreement to establish and operate the banana fibre business at Walkamin. The project will produce paper mache products for customers in the wholesale fruit and vegetable industry. Without going into the detail of the business and financial model which is commercial-in-confidence, suffice to say that making paper mache products from banana fibre presents the lowest capital expenditure for a start-up business compared to all other known banana fibre products and relatively low operating expenses compared to other products.

The directors are now looking forward to the Company entering a new phase of development as a majority JV partner with an established and successful participant in the wholesale fruit and vegetable industry who brings necessary industry experience and customers to the JV. What is critical about this proposed JV is that it is demand driven by our partner's customers, which gives us greater confidence because of that commitment.

In summary, we anticipate that the factory will be established at Walkamin and then commence commercial operations in the third quarter of this financial year. We anticipate that the successful establishment will be seen by others worldwide as a new business opportunity utilising the Papyrus patented technology and technical know-how.

### **Papyrus Egypt.**

Activity in Egypt has been positive as a result of the more stable political and business environment. Our partners in the Papyrus Egypt project addressed our due diligence and contractual requirements which enabled the Company to transfer the banana fibre production machinery to Sohag, in Egypt. The machinery arrived in Sohag at the Papyrus Egypt factory in June 2014, and is under the control of our agent until such time as a further payment is made by Papyrus Egypt to the Company to satisfy the purchase obligations for the machinery.

Papyrus Egypt is presently in negotiation with the National Bank of Egypt to secure finance to enable it to pay a further sum to the Company as payment for the machinery and to enable Papyrus Egypt to commence commercial production of banana fibre products. We are presently participating directly in the negotiation of these terms through our Managing Director and we will advise the shareholders as soon as the arrangements are finalised to our satisfaction.

Papyrus Egypt will be given the use of the machinery for commercial production immediately after finalization of the financing arrangements which remain under negotiation with the National Bank of Egypt.

The Egyptian partner, Egyptian Banana Fibre Company, has at its cost completed the establishment and infrastructure fit-out of the factory building on the industrial land which has been granted by the Egyptian government to Papyrus Egypt, and we anticipate that unencumbered ownership of that land will be transferred to Papyrus Egypt once commercial operations commence in the factory building, allowing that land and improvements to be utilized as additional security for any financing arrangements required.

### **Commercialisation opportunities.**

Notwithstanding the overarching and longer term commercialisation strategy to be a developer and licensor of intellectual property, and consistent with the proposed Walkamin project and the Egypt project, we accept that we will have to partner with others at the outset to satisfy concerns about the risks believed to be associated with being the first to undertake the manufacture of various banana fibre products worldwide.

We have not abandoned any of the other potential product manufacturing opportunities for banana fibre as developed by the Company and reported to shareholders over the term. The Company has a substantive cache of business models for production of a variety of banana fibre products ready to present to interested partners. We are taking a more conservative “demand driven” approach in lieu of trying to “sell” the opportunity to third parties.

In that regard as a result of our activities we have been invited by the South Australian Government’s “Department of State Development”

to present a new Australian based business opportunity to over 100 potential Chinese investors who will be in Adelaide this coming Friday 28 November 2014 for the “Invest in South Australia” Conference. These potential Chinese investors are seeking substantive investment and export opportunity in Australia.

The Company will present a business case for investment into a project to manufacture banana fibre panelboard products in Australia for use in the building, construction and furniture making industries.

We have not abandoned the similar business opportunity presented to the Company in January 2014 by the China Investment Group headed by Mr Li Peng, but that potential project has been beset by similar risk averse attitudes experienced elsewhere by first-time participants into the banana fibre industry. This project is work-in-progress in China awaiting the response of Mr Li Peng and his business associates.

#### **Assets - Intellectual Property.**

Our Intellectual Property bank remained stable during the year although for financial reasons – or rather lack thereof – we have reduced some of the territorial claims but remained focused on the major world economies, and territories where banana is grown, all of which is detailed in the Annual Report.

The Company announced recently that for its immediate and short to medium term finance requirements, the Managing Director Ramy Azer and his wife Phoebe Azer have facilitated another loan to the Company of \$250,000 through their company Talisker Pty Ltd. We are again grateful for such support provided by the Managing Director and his wife.

## **Governance.**

I note the attendance of our directors Donald Stephens, Peter Rigano and Andrew Ford and thank them for their support and guidance. I also record our thanks to Managing Director Ramy Azer who continues to enthusiastically represent the Company worldwide as the opportunities arise.

The governance of the company has been supported by Geoff Whitbread the Chief Executive and Warwick Moyse the Business Manager whom I thank for their tireless efforts at meeting our expectations and all regulatory requirements.

## **Remuneration**

The board is committed and working hard to achieve a sound and a sustainable future for the Company. We implemented further significant cost cutting measures during the year to ensure sustainability consistent with our needs and future direction.

As a matter of record, the directors have not taken any fees since late in 2010 and the managing director's remuneration ceased in June 2012 and no liability is accruing for any of these items. The Chief Executive and Business Manager likewise last year accepted a reduction in paid hours to assist the company. The directors and management are all absolutely committed to this company and its potential.

In conclusion, as I said last year, the board is working strategically to reward shareholders with a return on investment through capital growth and dividend income, in the longer term. I thank the directors for their tireless commitment to the future of Papyrus Australia worldwide and I thank the shareholders for their patience.

Ted Byrt.  
Chairman.  
25 November 2014.