



Chairman's report to the AGM on 25 November 2016

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 also present today and he will give a detailed presentation after the formalities.

I refer shareholders to the Directors' report contained within the published Annual Report for 2016 which gave a satisfactory overview of the activities of the company. I ask that the published report be taken as read.

The published Directors' report 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 two key activities for the financial year 2015/2016 and update shareholders about activities post publication of the Annual Report for 2016.

Business development

As would be expected of the board challenged by a limited access to funds, save for the ongoing financial support from the Managing Director through his family company Talisker Pty Ltd and a small capital raising, this past year has again been one of preservation of scarce financial resources, a focus on Egypt and re-evaluation of our business model in Australia.

In November 2015 we reported that a prospective JV to establish a moulded banana fibre fruit tray project had secured a foundation investor – that remains the case but we have not yet been successful in raising the additional capital of around \$1m required from an independent party – we remain optimistic. This is “work-in-progress” led by our Director Andrew Ford with outside professional assistance. Andrew will answer questions about the project after the formalities.

The business proposition for the project and financial modelling (which are being treated as “commercial in confidence”) have been independently tested and validated to our satisfaction. The foundation investor remains willing to participate but critical is the need for additional capital.

Papyrus Egypt

Activity in Egypt has been positive through 2016 as a result of the relatively stable political and business environment and has seen some production outcomes which will be expanded upon by the Managing Director.

We maintain the belief that the best commercial short term position for the Company is to be the developer and licensor of Intellectual Property focusing on the Egypt project where Ramy Azer has spent most of the past year in Cairo and Sohag as project director in establishing the factory and training staff.

The Managing Director advises that his planning for, directing and implementing the installation of all plant, machinery and equipment in the Sohag factory has been successful in part.

Chairman's report to the AGM on 25 November 2016

The factory is operational to the extent that it is producing fibre for delivery to local panelboard manufacturers who are trialling the use of banana fibre blended with other agri-waste such as bagasse and sorghum which has to date been their only available source of fibre. Preliminary advice is that the blended fibre mix will be successful, as we would expect from our own trials, but the Sohag trials are still underway and until concluded sales will not occur.

However the factory is not yet producing the valuable veneer to the quality and quantity expected. A technical modification to the BVU will be required and meanwhile the Managing Director is working on retrieving the original Alpha veneering machine and transferring it to Sohag at the cost of our partner in Egypt which is anticipated to occur within the early months of 2017.

The Managing Director also advises that the Government of Egypt in Sohag has accepted that the factory is suitably "operational" to their satisfaction and has commenced the process to transfer the land to Papyrus Egypt. We expect that process to be take until early in 2017 after which time the land will be available as security for Papyrus Egypt to borrow money to finance the operations and for our Egyptian partner, EBFC, to pay Papyrus Australia Ltd for the machinery purchase.

Assets

Our Intellectual Property bank remained stable during the year although for financial reasons we have again reduced some of the territorial claims but remain focused on the major world economies, and territories where banana is grown.

The Company continues to rely for its short term finance requirements on the loan advanced by the Managing Director Ramy Azer and his wife Phoebe Azer facilitated through their company Talisker Pty Ltd. We are again grateful for such support provided by the Managing Director and his wife. There are also two Director's loans advanced on the same terms as the loan from Talisker Pty Ltd which are repayable only when the Company is able to do so.

Governance

I note the attendance today of our directors Vince 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.

Remuneration

The board is committed and working with determination and perseverance 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.



Chairman's report to the AGM on 25 November 2016

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 directors and management are all absolutely committed to this company and its potential.

I thank the directors for their tireless commitment to the future of Papyrus Australia and I thank the shareholders for their patience.

Ted Byrt

Chairman
25 November 2016