



## **Chairman's report to the AGM on 29 November 2017.**

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 Technical Director Ramy Azer who is in Egypt is an apology for today's meeting and he will give a video presentation after the formalities.

I refer shareholders to the Company's Operations report contained within the published Annual Report for 2017 which gave a satisfactory overview of the activities of the company during the past financial year.

### **Financial support.**

I wish to note at the outset the outstanding financial support we have received in Australia during the past twelve months primarily from a few sophisticated investors who are true believers in Papyrus and have demonstrated their confidence in the company by such investments.

I note for the record that those investors collectively contributed much needed capital as follows: \$52k on 27 January 2017, \$20k on 23 June 2017 and \$30k on 30 August 2017.

The company also retains the confidence of directors who have supported the company financially, especially Ramy Azer and his wife Phoebe Azer, who through their company Talisker (SA) Pty Ltd, have maintained significant financial support.

I turn now to comment on two key recent developments which are of importance.

### **Papyrus Egypt.**

Papyrus activity in Egypt, which is our primary focus, has been very positive through 2017 as a result of the leadership of Ramy Azer and the Egypt Chief Executive Ms Heba Nayle, and the support of the team they have assembled at the Sohag factory.

Notwithstanding a recent terrorist incident in the Sinai region of northern Egypt, I advise shareholders that presently there are no direct impacts on our factory and operations in Sohag, which is in the southern region of Egypt. We are not complacent nor unaware of the risks which are ever present – on the contrary we are vigilant and believe that the community and local government support we have in Sohag is of immense importance to Papyrus Egypt.

The relatively stable political and business environment evident in Egypt over the past year has underpinned the financial support for Papyrus Egypt, which has enabled the improving factory production outcomes and which we expect to reach full commercial production by end of year.

The factory is producing fibre daily for delivery to local panelboard manufacturers who are using banana fibre blended with other agri-waste such as bagasse and sorghum to manufacture panelboard.

The quality and volume of veneer being produced improves daily. It is planned that banana veneer will be laminated on to a substrate and Papyrus Egypt will sell banana veneer door skins to the furniture and construction industries from the beginning of next year.

Last week we announced a successful capital raise of 2.3 million Egyptian pounds in EBFC, invested to underpin the financial needs of Papyrus Egypt over the coming months until such time as the operations are cash flow positive.

Today I announce that an additional EGP 700k has been raised recently from new and existing shareholders in our JV partner EBFC which brings the total to EGP 3 million to support the next stage of veneer production ramp up and sales.

The management of Papyrus Egypt also confirm that they have secured the first sale of banana veneer for decorative purposes, namely 500 square metres at EGP 30 per square metre – a small start but the beginning. The rate of veneer production is 125 square metres per day during the next 3-4 month phase of development. The potential annual rate of veneer production is anticipated to be one million square metres.

Papyrus Egypt has recently purchased a laminating press to enable the manufacture of door skins and laminated panels with banana veneer as the decorative surface. Sales of laminated banana veneer door skins are anticipated to commence in January 2018.

Finally, I confirm that the land transfer process with the Government remains an active work-in-progress and Papyrus Egypt advise that the process should be completed by early 2018.

## **Governance.**

I note the attendance today of our directors Vince Rigano and Andrew Ford and thank them for their ongoing support and guidance which is greatly appreciated. I also record our thanks and appreciation to Technical Director Ramy Azer who continues to enthusiastically represent the Company in Egypt and worldwide as opportunities arise.

Last week we announced that the Managing Director/Chief Executive – Dr. Allan Branch had resigned because of irreconcilable differences.

The relevant history is that in 2015 we were approached by Dr. Branch seeking a collaboration between Papyrus and a business he was promoting. That approach was not taken up by Papyrus at that time.

Earlier this year Dr. Branch again approached the Company seeking to be appointed as Managing Director and Chief Executive of Papyrus Australia for the purpose of developing a

new business model for Papyrus underpinned by a significant capital raise plan to attract new investment into Papyrus Australia and to fund new technologies.

The board ultimately decided to appoint Dr. Branch as Managing Director and Chief Executive commencing on 1 October.

Dr. Branch initiated discussions with at least two promoters of purportedly new technologies and potential enterprises which he wanted to collaborate with Papyrus Australia. One of those new technologies was the same as he presented to the company in 2015.

Dr. Branch submitted business proposals to the board about which the board sought further information and, in particular, about which I believed further validation be undertaken. Dr. Branch did not accept my intervention and he resigned. The board accepted the resignation which I believe was in the best interests of the company.

Our most important task now is to ensure that Papyrus Egypt is fully supported to achieve its business potential, that the real new business opportunities being presented to Papyrus Australia in and through Egypt are captured and that we develop revenues and become a profitable company.

To achieve this we will need appropriate executive support and the board will address that need as a priority.

### **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.

As a matter of record, the directors have not taken any fees since late in 2010 and Ramy Azer's remuneration ceased in June 2012. No liability is accruing for any of these items. The directors 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

29 November 2017