



## ASX ANNOUNCEMENT

6 November 2020

### Papyrus Egypt – Progress report 6 November 2020

**Papyrus Australia Ltd** (“PPY”/“Company”/“Papyrus”) is a world leading “agricultural waste fibre technology company”.

PPY’s initial endeavours in Australia (at Walkamin in Far North Queensland) were focused on producing banana veneer and paper products but failed because of an inability to achieve sufficient production volume coupled with high labour costs, and a focus on what turned out, ultimately, to be the wrong product choice.

That experience led PPY to consider the different geographical areas in which it should operate and it became apparent that countries such as Egypt and other developing countries were more logical choices, for various reasons. The Australian experience also led PPY to consider more carefully the potential products that it should focus on developing to demonstrate the commercial viability of utilising waste banana tree trunks (BTT).

PPY wishes to re-confirm that the establishment by it of operations in Sohag, Egypt through Papyrus Egypt as a joint venture entity, in which it now has the largest economic interest, had **one primary function**, and that was to establish a new facility which demonstrated that, utilisation of PPY’s technology to create fibre based products, was viable and could be commercially successful.

Furthermore, on the basis that, on this being successfully demonstrated, PPY could demonstrate to producers in the main banana producing countries, the value to them in their acquiring licences from PPY to establish facilities to utilise PPY’s technology to help them turn the waste BTT they produce into substantial revenue streams for their own benefit.

For information, bananas and plantain are grown on over 10 million hectares in 164 countries, all of which, except Australia, are regarded as “developing countries”. Over 70 million tons of banana fruit and 30 million tons of plantain fruit are produced every year. From published United Nations data, the Company understands that there are over 25 billion banana/plantain trees presently under cultivation worldwide.

As a result, PPY has a large target market where its proprietary and patented technology can be deployed commercially.

Those considerations led to the decision by PPY to establish its operations in Egypt: which is a country that has significant banana production and other economic advantages.

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After significant social and political turmoil in Egypt which commenced in January 2011 and lasted until 2016, the Company focus led to the acquisition of land by Papyrus Egypt (**the Land**), the construction of Papyrus Egypt's factory at Sohag, the final commissioning of PPY's plant and equipment (**P&E**) in the Sohag Factory and commencement of production and the sale of the products, and development of markets and sales to the stage of present profitability. Much of that product development has taken place in this calendar year, and at an increasing pace.

It is clear that PPY's operations in Sohag and the general conditions in which those operations are carried out, are much more representative of the regional areas in developing countries that are the primary banana/plantain producing regions around the world, than they are of Australia, and for PPY to prove its technology in such environments has more credibility with potential licensees in like regions, than proving it in Australia.

PPY can now report that its manufacturing operations in Egypt, through Papyrus Egypt, are now profitable, and that the prospect of licencing its technology has been very much enhanced because of that profitability, and that such licencing is likely to be significantly more profitable for PPY than simply the manufacturing undertaking.

PPY has always considered that it is a technology company, seeking to licence its technology, and not to be a manufacturing company.

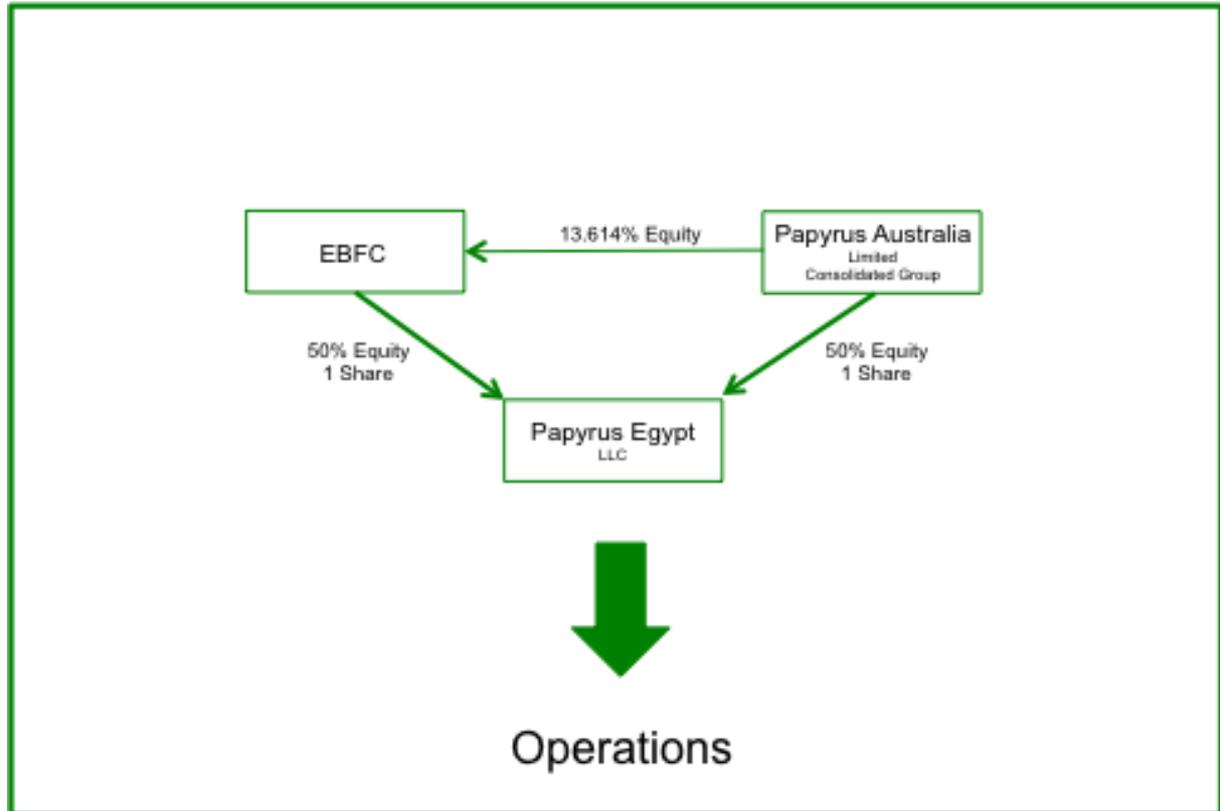
### **Papyrus Egypt (PPYEg)**

The relationship of Egyptian Banana Fibre Company, PPY and Papyrus Egypt are set out in the graphic below and that shows PPY's direct and indirect interests in Papyrus Egypt.

- PPY and all of its controlled or subsidiary entities are referred to as "*Papyrus Australia Limited Consolidated Group*";
- The Egyptian Banana Fibre Company, which is a corporation incorporated in Egypt, and which is independent of PPY, is referred to as "*EBFC*". It has 46 Shareholders: of which PPY is now one following it subscribing for a 15% shareholding: as previously announced to ASX (Now reduced to 13.416% because of further capital raisings by EBFC).
- Papyrus Egypt is a company incorporated in Egypt for the purpose of each of PPY and EBFC using it as a corporate joint venture company through which to establish a business in Egypt processing and manufacturing products from waste banana tree trunks (BTT) for sale in Egypt and thence to Europe, the USA and globally as far as possible.
- PPY and EBFC both subscribed for 50% of the shares in Papyrus Egypt and each appointed a director to its board, making it a conventional JV entity such as is often used in Australia for mining exploration activities.

For clarity the current corporate structure for Papyrus Egypt is as set out in the graphic below:

### Papyrus Egypt – Structure as at September 2020



#### **L39 Capital Pty Ltd (L39)**

The recent association with L39 Capital Pty Ltd (**L39**) recognises that the real substantial future for PPY is as a technology company, seeking to licence its technology and not be a manufacturing company, and that the key to establishing PPY as a technology licensing Company was to demonstrate the now established profitability of the Papyrus’ facilities in Egypt, and use those facilities as a demonstration model to commence licensing PPY’s technology in conjunction with the establishment and sale of micro-factories as turnkey operations.

This is explicitly recognised as the focus of L39’s involvement as a cornerstone investor in PPY. Essentially both PPY and L39 see PPY’s primary sources of revenue and profit as coming from licensing and construction and sale of micro factories. To this end, PPY’s operations in Egypt are focused on achieving that goal.

#### **Papyrus Egypt is carrying on an active business profitably producing banana fibre products on a commercial basis for sale.**

The products are substantially based on processing waste BTT and utilising that BTT to create a series of products. The development of various of these products has involved significant innovation and skill which is corporate “know-how”. The current products in production are described below:

- Decorative veneer is sold in Egypt for furniture manufacture and for laminate for use in kitchen manufacture. Additionally, it is also used as a laminate in the manufacture of doors. These are mainstream fabricators and demand has been increasing for veneer as a laminate.
- Export of veneers to Japan has commenced after a testing period. Veneer for exports to Japan are mainly presently to Yamaha musical instruments manufacturers, who have created a unique line of ultra-environmentally friendly musical instruments. Volumes are presently small but the veneer sells at US\$30 a square meter sheet: which is high value. Papyrus Egypt expects the Japanese market to grow.
- Absorbent Fibre ‘pads’ for the manufacture of air fragrance and deodorisers. Banana fibres absorb fragrance oils and slowly release them. They are made from finely shredded BTT. They are an import replacement product in Egypt. Present sales are about 30,000 a month.
- Organic Liquid Fertiliser (**Musa**) for agriculture. This is a new agriculturally beneficial product branded “Musa” being produced in Sohag. This product is a nutrient rich liquid fertilizer drawn from the liquid naturally occurring in the banana tree. It is a very successful by-product made from the sap in the BTT released as processing of the BTT takes place during the veneering and shredding process. Papyrus Egypt cannot meet local demand which is exceptionally high. Sales are presently 3,000 litres per day and increasing.
- Peat Blocks (**Cairo Peat**) for agriculture. This is another new agri-waste product developed from banana fibre, equivalent to “peat” otherwise imported into Egypt for application to deficient soils. Select waste fibre from processed BTT is shredded and stripped of its lignin coating to be super water absorbent, holding 400% of its weight in moisture. This absorbency is natural to the banana plant as the bulk of the plant is comprised of water and sap which are released during the PPYEg processing. By removing the lignin, these super absorbency qualities are enhanced. The Peat Blocks retain moisture around root systems feeding them continuously rather than allowing water to pass through the soil and allowing the root system to dry out. As well, the Peat Blocks decompose slowly releasing organic material with high nutritional value into the soil.
- Cairo Peat is an alternative to “Cocopeat” (sold locally by Bunnings) and can be used as a growing medium by itself. Cairo Peat is used in soil mixtures to improve permeability and bio activity, and because of its moisture retention qualities and nutritional value, is very valuable for use for agriculture in arid conditions. To be sold, Cairo Peat must be certified to be clean of any diseases, seeds, contaminations, residual pesticides and must be sterilised. It is sold in the form of dried compressed blocks.
- Bokashi for agriculture. By contrast to Cairo Peat, Bokashi is another new product which is a compost of organic matter using specialist bacteria and is manufactured using Japanese methods, enhancing corporate “know-how”. It is used as a soil modifier adding nutrients and improving soil structure. It is sold with a moisture level of about 20%.

The production of Cairo Peat and Bokashi is similar, and each adds nutritional value to the soil as these two soil additive products biodegrade into agricultural soils. Both Cairo Peat and Bokashi have significant actual and potential markets, not limited to Egypt.

- Fibre for panel board / MDF industrial production and those like products. Strong virgin fibre that provides natural attributes like fire retardancy and high water resistance. Chip-board is made from large chips of BTT or shredded BTT fibre. MDF is made from more refined BTT

fibre produced by PPYEg.

- Fibre for Moulded Products (recyclable/biodegradable) and moulded products for human use, including food containers and plates. Because of the natural waterproof nature of BTT, these moulded products, which are made from very fine refined BTT fibre, represent an ecologically sound and environmentally safe alternative to plastic products used for the same purposes. They are fully biodegradable. There is a very wide range of moulded products which can be produced as an environmentally friendly substitute for like plastic products.

Apart from these products, PPY has other products in development for which it is presently seeking markets, including in the US. As and when those products commence to be produced and marketed, PPY will make further releases to the market.

### **What PPY has achieved in recent times is considerable. It now has;**

- **proven the technology** which underlay the prototype at listing and **removed scale up and commissioning risks** by establishing a fully operational production line at the factory at Sohag.
- **run that production line on an industrial and commercial scale** for the last twelve months demonstrating, beyond doubt, the commercial viability of PPY's operations. The capacity of that production line is being expanded as markets and sales increase.
- to enable the above, together **with EBFC caused Papyrus Egypt to acquire Land and Build a factory at Sohag** on that Land, with the completion of that process, and with transfer of the Land to Papyrus Egypt, being likely to be finalised in the short term.
- been **granted its patents** in relation to that technology.
- **developed and proven additional technology** (as yet unpatented) which is now also utilised in the fully commissioned and operating plant at Sohag. The development of such technologies is ongoing, involving significant management and operational input from PPY and in particular, its MD, Mr Ramy Azer.
- based on the development of additional technology **developed and manufactured additional new machinery and processes** which are commercially valuable.
- **established successful commercial operations** with significant sales to date, **with that business continuing to expand** as products are developed and brought on-line (which is a **continuing and ongoing process**) and with increasing sales and revenue.
- **transitioned** from unsuccessful endeavours in Walkamin to **developing a range of unique products** all manufactured from waste BTT which is far broader than the initial veneers and paper products contemplated, including agricultural and packaging products;
- **identified commercially viable and developed markets for those products** and is developing a range of clients **both in Egypt and internationally** for those products which are environmentally friendly in a number of ways;
- **proven the commerciality of the PPY technology and processes to the stage where PPY is receiving international enquiries from parties interested in licensing its technology and**

purchasing micro factories incorporating the plant and equipment which PPY has developed, and to which it has exclusive rights.

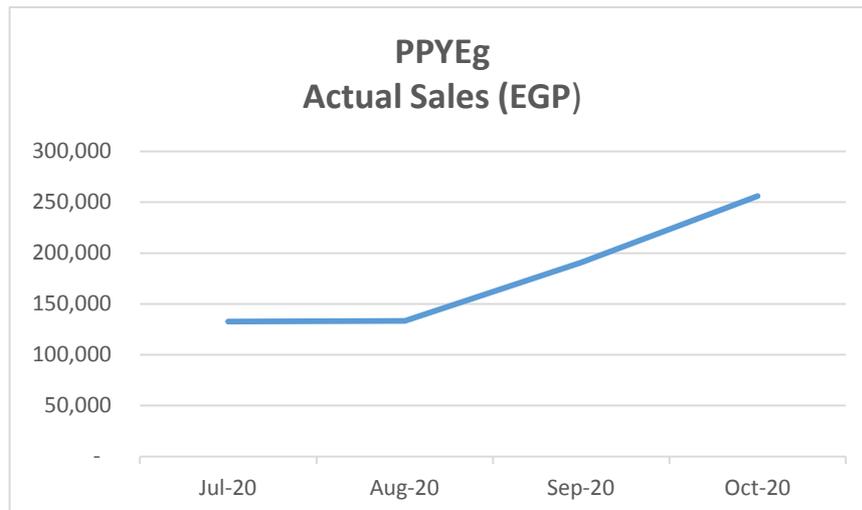
In summary, the development of new products, expansion of operations at Sohag (including by building a substantial 1200 square meter new factory at Sohag) development of new markets and a move into becoming a technology licencing company, which PPY has always sought to be, are ongoing and will continue as planned, and as evidenced by recent sales achieved.

The above has involved PPY in continued active management and control of the operations at Sohag: from a technical and developmental point of view and from a commercial point of view in terms of marketing and production.

## Papyrus Egypt – Sales Report

Papyrus Egypt (“PPYEg”) has published actual sales achieved over the last four (4) months from the products produced at the Sohag Factory in Egypt.

September sales increased by 43% over the previous month, and October sales increased by a further 34% over September sales, the graph below provides a pictorial view of the sales achieved which are trending upwards.



<b>PPYEg</b>			
<b>Actual Sales</b>	<b>Month</b>	<b>Sales (EGP)</b>	<b>% increase over previous month</b>
	Jul-20	132,832	0.00%
	Aug-20	133,300	0.35%
	Sep-20	190,900	43.21%
	Oct-20	256,000	34.10%

The results since July 2020, when PPY gained a majority interest in the Sohag factory operations, which are forecast to improve over the balance of the FY 2020/2021, demonstrate conclusively that PPY, using its own technology (both patented and unpatented and corporate “know-how”) can produce commercially viable volumes of products that are receiving excellent market acceptance and, moreover, at a profit.

Profits are expected to improve markedly in the short to medium term, justifying the intention of the company to invest in a new factory adjacent to the existing Sohag factory, to process refined fibre to manufacture moulded banana fibre products.

On behalf of the Board

Vince Rigano

Company Secretary