



## **Chairman's report to the 2020 AGM on 11 November 2020.**

This report is presented to shareholders on behalf of the board. Those directors who are present today will answer any questions shareholders may have following the formalities.

Our Managing Director Ramy Azer will give a presentation after the formalities regarding the status and future plans for Egypt and will take questions.

I refer shareholders to the Company's Operations report contained within the published Annual Report for 2020, which gave a satisfactory overview of the activities of the company during the past financial year.

### **Financial support.**

I wish to note the outstanding visionary and financial support we have received in Australia during the past 12 months primarily from Union Pacific Equities P/L and L39 Capital P/L who are true believers in what Papyrus is seeking to achieve and have demonstrated their belief in the Company by significant and timely investments.

The company also retains the confidence of all directors who have supported the company, both financially and in ongoing governance responsibilities, especially Ramy Azer who spent most of the year in Egypt to support and strategically guide the emerging business of Papyrus Egypt, and who together with his wife Phoebe Azer, through their company Talisker (SA) Pty Ltd, have maintained significant financial support – such is their belief in and commitment to the Papyrus opportunity.

### **Papyrus support for Papyrus Egypt and EBFC in Egypt.**

The sole focus of the company in the past year 2019/2020 has been to support Ramy Azer in his endeavours guiding Papyrus Egypt with the Egypt Banana Fibre Company - which has been very positive through 2019/2020 as a result of the essential strategic support and guidance of Ramy Azer and the EBFC Chief Executive Ms Heba Nayle.

I will leave it to Ramy Azer to comprehensively address the status and future in Egypt later this morning.

Our primary goal in supporting the project in Egypt has been to establish a true and comprehensive demonstration of the potential of the Papyrus technology and “know-how” in a commercial operating environment, in a developing country where banana is grown.

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Product sales commenced in Egypt some time ago, and have continued with growing volume and value through the year to 30 June 2020, with all revenue generated used to support the factory, and expand its production output to meet increased demand for its products.

Sales have steadily increased to the point where a regular and reliable cash flow is now being generated as we have recently reported to the market.

The products presently in production are - as recently advised to the market:

- Decorative veneer is sold in Egypt for furniture manufacture and for laminate for use in kitchen product 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 units and deodorisers. Banana fibres absorb fragrance oils and slowly release them. They are made from finely shredded BTT. They are an “import replacement product”, pads are otherwise imported into Egypt (but the import is not a banana fibre product). Present sales are about 30,000 units 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 in Australia 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 into the market, Cairo Peat must be certified to be clean of any diseases, seeds, contaminations, residual pesticides and must be sterilized – which PPYEg does. 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 similar building material 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. As and when those products commence to be produced and marketed, PPY will make further releases to the market.

## **The Future.**

### **The Immediate Future**

- A detailed Business Plan has been developed with input from L39 Capital which will guide our immediate decisions.
- We have a strategy to take 100% control of PPYEg.
- We intend to strengthen PPYEg by sustained profitability which will eventually lead to dividends to Papyrus Australia.
- It is intended to appoint key staff to support Heba Nayle in Egypt :-
  - Financial Controller utilising on-line accounting
  - Sales staff – for local and regional fibre product sales

- Resume the promotion of our technology to plantation owners (using Sohag growers and PPYEg as demonstration site).
- Raise significant Capital (with the help of L39 Capital).
- Build a Moulded Products factory adjacent to existing factory.
- Use the sample products produced to conduct trials via known customers and to attract potential new customers.

### **The Longer Term**

- Seek out and assist investors to replicate dual factory facilities elsewhere – preferably starting in Egypt or adjoining countries like Sudan and Israel or further afield in The Philippines – to enable PPY to truly be a technology licensing entity.

We are fielding enquiries regularly from people in other developing countries which grow banana and who have stated their wish to establish a local banana waste fibre facility subject to project finance and the now demonstrated commercial outcomes in Egypt.

The proof of commercial opportunity being realised in Egypt will be used as the basis for attracting interest from other countries and their communities to establish waste banana fibre processing facilities.

The opportunity now for Papyrus Australia is to consolidate the long held goal to be a technology development and licensing entity to exploit waste or residue agricultural fibre beyond banana, and that will be our focus with the support of our strategic investor Union Pacific Equities Pty Ltd.

### **Union Pacific Equities**

UP Equities is seeking to access the Papyrus technology and expertise in the processing and the application of it's residual agricultural hemp fibre.

UP Equities has primary access to substantial agricultural holdings of hemp, both in Australia and overseas.

UPE also brings to Papyrus an existing international business network, and new market opportunities which are subject to current discussions being held in Adelaide today with its directors Siew Hong Koh and Carter Kong.

The agri-waste fibre facility in Egypt and the applied Papyrus technology has proven that there are many valuable applications for a sustainable future in previously “wasted” or “unused” residual agricultural waste fibre such as banana, and other emerging agricultural waste fibre such as is proposed by UP Equities for residual hemp fibre, and an application in the Philippines to exploit Abaca fibre also known as Manila hemp.

It is the intention of UP Equities and the Company to seek to exploit this new synergistic opportunity and to integrate the activities of both entities to maximise future

opportunities, about which an announcement will be made as and when such co-operation agreement is concluded.

### **L39 Capital**

The recent cornerstone investment by L39 Capital which was announced on 2 October 2020 warrants mention today as a post “end of year” event of significance. That investment and the added value being contributed by the directors of L39 Capital is of immense strategic value to the company.

Our very recent announcement last Friday 6 November came on the back of the L39 Capital cornerstone investment, and the market has responded very positively. What is very significant is the total trading volume and a significant share price rise.

### **Governance.**

I thank the directors for their ongoing support and guidance which is greatly appreciated. I also record our thanks and appreciation to Managing Director Ramy Azer who continues to enthusiastically represent the Company in Egypt and worldwide as opportunities arise.

Our most important tasks now are to ensure that Papyrus Egypt is fully supported to achieve its business potential, and that the new business opportunities being presented by UP Equities and L39 Capital are properly identified and captured, and that we develop revenues and become a profitable company for shareholder benefit.

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. I am looking forward to an exciting and positive future.

There is no doubt in my mind that Papyrus has emerged stronger than ever after the past years’ new foundations in Egypt, which equate to a new beginning from now on very solid foundations.

Ted Byrt. Chairman.  
11 November 2020.