



ASX ANNOUNCEMENT

31 December 2020

Papyrus Australia Ltd Progress Report – Egypt operations

Highlights

- **Sales for Organic Liquid Fertiliser (Musa), Peat Blocks (Cairo Peat), and Bokashi for agriculture continue to grow.**
- **Demand for products continues to outstrip supply.**
- **Managing Director returns to Sohag in Egypt to implement upgrade of production capacity of BTT factory and to commence design for construction of a Moulded Tray Factory.**
- **Third parties express interest in acquiring “turn-key” factories**

Papyrus is pleased to announce that the demand for Musa, Cairo Peat, and Bokashi produced at the Sohag factory continues to grow, with orders for the products far outstripping present output.

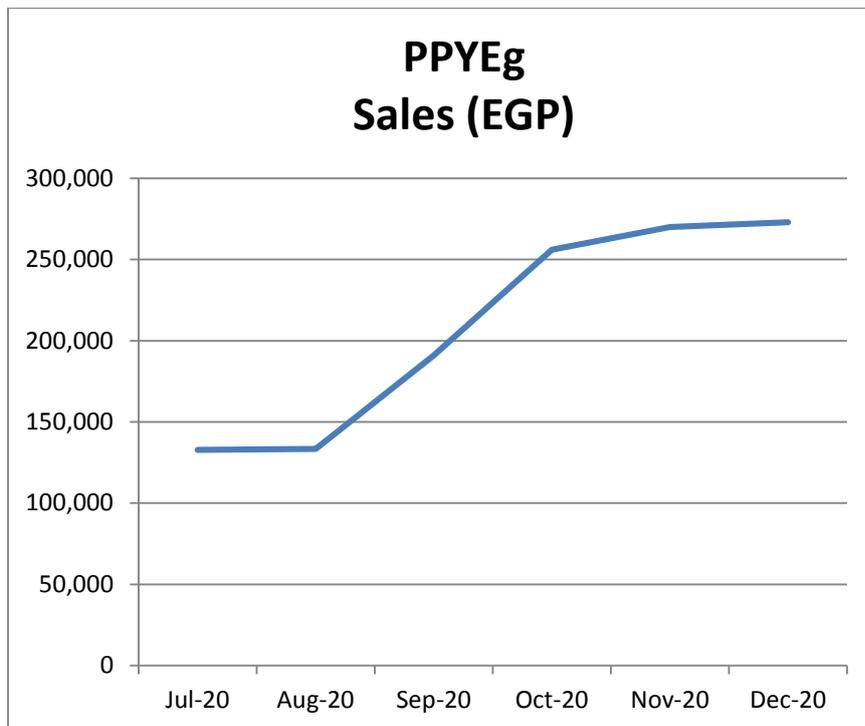
Papyrus Egypt is in the process of installing additional dewatering and fibre production equipment which will enable it to double the current output to meet this demand for its sustainable products.

With the receipt of \$3m capital recently raised by the Company (ASX announcement 4 December 2020) Papyrus is now in a position to implement phase 2 of its strategic business plan for Egypt which involves the design and construction of a Moulded Tray Factory (MTF) on land to be acquired from the Sohag Governate adjacent to the current factory in Sohag.

The MTF will utilise the abundant available Banana Fibre, produced by the existing Banana Tree Trunk “BTT” processing factory, to produce a range of “food quality” moulded packaging products that are environmentally friendly, thus creating a zero waste and sustainable production process.

To facilitate and oversee the upgrade of the existing factory and the design and construction of the new MTF, the Managing Director, Ramy Azer, is in transit to Sohag, Egypt.

The chart below and table show the trend in sales achieved for the FY to date.



PPYEg		
Month	Sales (EGP)	% increase over previous month
Jul-20	132,832	0.00%
Aug-20	133,300	0.35%
Sep-20	190,900	43.21%
Oct-20	256,000	34.10%
Nov-20	270,000	5.47%
Dec-20	273,000	1.11%

The Papyrus Egypt budget for the next quarter forecasts improved production and sales above the December sales figure on the back of the installation of new dewatering and other equipment being installed to improve fibre production.

Summary of PPY's emerging position, operations, and activities in Egypt since 1 July 2020 are set out below:

- PPY owns significant operating assets in Egypt being its plant & equipment and its intellectual property and “know how”, which is all being used in its joint venture vehicle, Papyrus Egypt, to manufacture products for sale on a commercial and now profitable basis.
- PPY now owns 50% of Papyrus Egypt directly and indirectly another 13% through shareholding acquired in EBFC.
- Papyrus Egypt employs 22 trained people in Sohag including 6 qualified and experienced engineers who manage the complex operations at the world's first banana fibre processing factory.
- PPY has been carrying on significant operations in Egypt by developing and manufacturing additional machinery and systems to expand the business of Papyrus Egypt. Those activities have involved a high degree of innovation and engineering skill contributed by PPY through its MD, Ramy Azer, who is the inventor of all of PPY's technology.
- Those operations are carried out by PPY, notwithstanding that the machines, systems and outcomes are installed in and being used by Papyrus Egypt in the factory owned by Papyrus Egypt. The design and manufacture of such plant & equipment (and associated systems) is an operational activity of significance in its own right because they will be saleable items in the future in conjunction with the proposed licencing activities of PPY.
- PPY has been carrying on significant operations in the development of new and novel products for sale on a commercial basis by Papyrus Egypt. These products and the “know-how” and IP inherent in them belong to PPY notwithstanding that the products are being manufactured by Papyrus Egypt in the factory owned by Papyrus Egypt, and presently in the case of moulded products, being manufactured by external producers. The IP and “know-how” relating to, and the rights to manufacture those products belongs to PPY. This means PPY can licence the production of these products in conjunction with the establishment and sale/licensing of “turn-key” factories as previously advised to the market.

- PPY has been an active participant in the operations and activities necessary to enable Papyrus Egypt to obtain a grant of land from the Sohag Governate in Egypt on which it has constructed a factory from which to operate a commercial business, and it has commenced negotiations with the Sohag Governate to acquire by Grant from the Governate adjoining land on the same terms to facilitate the construction of the Moulded Tray Factory;
- PPY has commenced planning to establish a second Moulded Tray Factory for the purpose of increasing the PPY product range by establishing its own food quality moulded packaging operations alongside the existing fibre production factory rather than having them toll-manufactured and produced off-site.
- PPY has been involved in negotiations with external parties to potentially licence its technology and sell “turn-key” factories to producers in major banana producing countries. As these negotiations progress the market will be informed.
- PPY has agreed “in principle” with key EBFC shareholders to increase its interest in Papyrus Egypt which will likely result in Papyrus Egypt becoming a wholly owned subsidiary of PPY subject to all regulatory requirements in Australia and Egypt.

END.

On behalf of the Board



Vince Rigano

Company Secretary