



## ASX ANNOUNCEMENT

29 January 2021

### Quarterly Activity Report for December 2020 Quarter

Papyrus Australia Ltd (ASX:PPY) advises that this activity report pertains to the 31 December 2020 Appendix 4C released to the market on 29 January 2021.

The focus of the Company in the past quarter (as has been the case in previous periods) has been to support the Papyrus Egypt Company (PPYEg) activities in Egypt which continue to provide very positive results.

This report and future quarterly reports will focus on two fronts, namely:

- Corporate Activities of Papyrus Australia Ltd listed on the ASX, and
- Manufacturing Activities of Papyrus Egypt Company (LLC) for the manufacture of Banana Fiber products operating in Egypt.

#### Papyrus Australia Ltd

- **Corporate Activities**

In October 2020, **L39 Capital**, a small cap fund based in Melbourne made a strategic investment in the Company. L39 Capital is a long-term oriented fund with zero management fees and the mantra of “*Patient Capital, Active Participation*”. They seek to collaborate with businesses and add value over time to generate significant risk-adjusted and uncorrelated returns for investors.

The agreement with L39 involved the appointment of a Director to be nominated by L39. Accordingly, on 13 November 2020 David Attias joined the Company’s Board. David brings over 17 years of experience in corporate finance and as an entrepreneur. He has founded and managed multiple successful ventures. He is also currently the director of L39 Capital.

During the December quarter, the Company raised \$3,765,000 (*ASX releases: 2 October 2020, 17 November 2020, 4 December 2020 and 10 December 2020*). The related shares were issued to a group of sophisticated investors associated with L39 Capital and Union Pacific Equities (UPE).

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The Capital raise places the Company in a strong financial 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. Once the MTF is operational, PPYEg will be in a position to convert all produced banana fibre into organic natural products ready for sale into the consumer markets around the world and utilise its newly designed packaging products to commercialise its technology as a solution to the ever increasing food packaging products and displace the problematic and now discredited plastic packaging.

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, biodegradable and hygienically clean, thus creating a zero waste and a 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 now at our factory in Sohag, Egypt.

PPY commissioned a full Due Diligence of PPYEg which was concluded in December 2020. The full legal, financial and operational review was necessary before increasing our investment and ownership in PPYEg.

- **Operational Activities**

Operational activities during the quarter included:

- The demand for our natural organic agricultural products namely: Musa, Cairo Peat, and Bokashi produced at the Sohag factory continue to out-strip supply. The Company has provided funding to Papyrus Egypt to enable the purchase and installation of new production equipment in the first quarter of 2021. This equipment is expected to increase current production levels substantially to meet the current and future levels of demand.
- Research continued to prepare for the production of moulded fibre products. Deposit to purchase new fibre refining equipment was paid. Moulded product testing at commercial facilities in the North of Egypt continued producing samples for our potential customers in China and the USA.
- Planning commenced to expand the product line at the Sohag factory, to include moulded tableware and food packaging products.

- The Company continued to engage with potential customers in the United States for the moulded coffee cup takeaway trays and for food takeaway containers for the People's Republic of China as well as fruit packaging trays in Australia.
- During the quarter, preliminary explorations for collaboration in other jurisdictions for implementing PPY's tech commenced and are ongoing.

The Expenditure reported in the September Quarter Appendix 4C (ASX: Announcement 29 January 2021) relates primarily to compliance costs relating to ASX fees, Share Registry fees, Audit fees, and the provision of funding to Papyrus Egypt for the purchase and installation of new production equipment.

During the quarter, there was no payment to an associate or a related party.

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

- **Operational Activities**

Our natural organic agricultural products are returning great instant and accumulative practical results as well as financial benefits for farmers. This has allowed us to increase our prices starting first of January. Production at the Sohag factory has also increased by more than 16% over the previous quarter resulting in product sales revenue for the quarter increasing by 60.5% over the previous quarter to EGP 1,392,000.

Residual fiber production continues to increase and is stock piled for potential use as feed stock in the moulded tray factory or in other future products that the Company develops.

To support the increased sales activity, PPYEg has employed a Financial Controller and several Sales and Marketing staff to strengthen the current team.

While the corona virus pandemic is affecting most economic activities around the world. Papyrus Egypt has seen ever increasing demand on its products with no disruptions to our production and sales activities. The current environment has increased demand on single use food containers and tableware and together with the finally recognised devastating damage plastic packaging is causing and with Governments around the world banning or phasing out plastic packaging, the demand for our products and technology is seeing increased interest and demand. This will open the door for Papyrus to commercialise its

technology, patented production process and machinery in other banana growing regions, which is the ultimate aim for our Company.

Papyrus is well placed to offer a meaningful practical solution to this huge problem by providing a production process to convert the huge amounts of banana plantation wastes into clean, organic, natural, recyclable, biodegradable, cost effective and better quality packaging options to satisfy the ever increasing demand.

As approved by the Board

ENDS