



ASX ANNOUNCEMENT

30 June 2021

Monthly Activity Report for May 2021

Papyrus Australia Ltd (ASX:PPY) advises that the Company has moved from quarterly activity reports to monthly activity reports in order to keep the market more informed regarding its activities. This monthly report pertains to the month ended 31 May 2021 and the Monthly Appendix 4C cash flow report for the same period also released to the market on 30 June 2021.

The focus of the Company in the past month has been:

- to support the Papyrus Egypt Company (PPYEg) activities in Egypt, which has provided improving positive results, and
- to continue activities for new opportunities to exploit its technology.

This report and future monthly reports will focus on two topics, namely:

- Corporate Activities of Papyrus Australia Ltd in Australia, and
- Operational Activities of Papyrus Egypt Company (LLC) for the manufacture of banana fibre products in Sohag, Egypt.

Papyrus Australia Ltd

Corporate Activities

1. As reported in the April 2021 monthly report, the Company is finalising the documentation for registration of the shares purchased from targeted shareholders in Egyptian Banana Fibre Company (EBFC). A confirmatory announcement will be made to the market as soon as this complex legal process is concluded, which is anticipated by early July 2021.
2. The establishment of a joint venture company (JV) under Chinese Law (ASX announcement 28 April 2021), continues to be a work-in-progress.
3. BDO Audit (SA) Pty Ltd (“BDO”) has been appointed as the Company’s Auditors effective from 4 June 2021. This appointment follows the resignation of Grant Thornton and ASIC’s consent to same.

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The Board's decision to change auditors was made following a consultation process, and it chose BDO based on their reputation and experience, and their international network, particularly in Egypt where the Papyrus Egypt factory is located.

4. The commencement of Peter Rostig as Manager Engineering & Business Development has added a valuable resource to the corporate structure. Peter is also working closely with the Managing Director and our Patent Attorney in identifying new patentable intellectual property resulting from developments in the Sohag factory in Egypt.
5. During the reporting month, a payment of \$104,167 was made to a related party in accordance with the remuneration agreement for the Managing Director. This payment related to services from 1 December 2020.

Papyrus Egypt Company (PPYEg)

Operational Activities

- Following the installation of the new and additional dewatering equipment, production of Musa fertilizer at the pilot factory in Sohag is now stable, with the expectation that output speed and volume will double by the end of June.
- Two additional staff have been employed in the sales department to assist with the sale of the additional product output and expected demand.
- A registration process for the "Musa" and other agricultural products trademarks is in progress in Egypt.
- Papyrus Egypt management has identified the Al-Ahram Plastics Group located in Sohag as a potential partner in the design, construction and operation of the proposed moulded fibre tray factory. The Al-Ahram Group operates in the Middle East and North Africa and is highly regarded.
- Al-Ahram Plastics Group is seeking to manufacture and sell natural fibre packaging to replace their plastic packaging products and Papyrus Egypt provides Al-Ahram the opportunity and products it is seeking for its future.
- Feedback from Al-Ahram Plastics Group identified the need to significantly increase the output capacity from the proposed moulded tray factory from 25m to at least 100m units per annum. This opportunity is being pursued to meet the anticipated high demand for moulded banana fibre products.
- The Company has agreed with Al-Ahram to manufacture moulded product samples in a controlled experiment by Papyrus Egypt. These samples are

required by Al-Ahram to evaluate the technology. The market will be advised as soon as the trial has concluded with results to be published.

Consolidated Financial Reporting

The Expenditure reported in the May Appendix 4C cash flow report (ASX: Announcement 30 June 2021) for PPY relates primarily to:

- staff costs,
- compliance costs and related expenses,
- the provision of funding to Papyrus Egypt for the purchase and installation of new Musa dewatering and production equipment, and
- expenditure relating to the Papyrus Egypt operation at the Sohag factory.

Except for the payment referred to under Corporate Activities, during the month, there was no other payment to an associate or a related party.

As approved by the Board.

ENDS