



ASX ANNOUNCEMENT
29 April 2021

Quarterly Activity Report for March 2021 Quarter

Papyrus Australia Ltd (ASX:PPY) advises that this activity report pertains to the 31 March 2021 Appendix 4C released to the market on 29 April 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, and
- to explore and commence with new opportunities for its technology.

This report and future quarterly reports will focus on two topics, 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 Sohag, Egypt.

Papyrus Australia Ltd

Corporate Activities

1. As previously announced (ASX Release 8 February 2021), the Company signed a Memorandum of Agreement (MOA) with Union Pacific Trading P/L, an entity related to significant shareholder Union Pacific Equities P/L (UPE), which contemplated a 5-stage milestone process for an investment and projects in China.
2. The focus during the quarter was on the establishment of a joint venture company (JV) under Chinese Law, with a completion date target of end of March 2021. UPT is in the process of establishing a JV company in China to undertake the operations in which PPY will have a non-dilutable 20% equity through its wholly owned subsidiary PPY Manufacturing Pty Ltd.

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3. All necessary documents for the establishment of the JV have been lodged and the Company is awaiting notification from the Chinese Authorities that the JV is compliant under Chinese Law. Once the proposed JV company is approved, the focus will shift to Stage Two which requires the JV company to undertake comprehensive project research in China regarding Government and all other requirements to establish the first Project within or near the banana growing areas.
4. Once the 5-stage process is completed, PPY will enter into negotiations to grant UPT the Intellectual Property Licence necessary to enable the undertaking of the Project, subject to further exploration, negotiation of relevant commercial terms and conditions, and entering into formal binding agreements.
5. PPY has decided to increase its interest in Egyptian Banana Fibre Company (EBFC), the JV partner in Papyrus Egypt, which, when concluded, will increase the direct and indirect overall PPY ownership in the Papyrus Egypt JV. Once the negotiations have been concluded, an announcement will be made to the market.
6. Papyrus Egypt has completed the final stage in obtaining all the necessary conditions and permits for the transfer of the ownership of the factory land in Sohag, Egypt, which was granted at no monetary consideration to Papyrus Egypt by the Sohag Governate. This encouraged and thereby supported the establishment of a new and significant commercial enterprise in Sohag.
7. In order to meet increased demand for the products produced at the Sohag factory, Papyrus Egypt commenced work to install new proprietary dewatering and other machinery in the factory production line that will substantially increase the production capacity in the factory in Sohag, as well as future factories. Initial analysis indicates that once this new equipment is installed, production output will at least double. The market will be informed as soon as these anticipated production outcomes are achieved.
8. PPY is in the process of finalising a 12-month salary package for the Managing Director to be backdated to 1 December 2020. Ramy Azer is expected to reside in Egypt for the duration and to direct the progressive development of the banana waste processing factory, and the design and establishment of the new moulded banana fibre packaging factory in Sohag.

Papyrus Egypt Company (PPYEg)

Operational Activities

1. Operational activities during the quarter included:
 - assisting with the increasing production and sales activities at the Sohag factory. Papyrus Egypt has employed additional staff, including accounting management, sales and marketing management, and customer relations supported by appropriate technology which is accessible by senior accounting and management in Adelaide,
 - commencing negotiations with the Sohag Governate to expand the land available to the company. This will help to further develop the operations and accommodate a new moulded banana fibre packaging production factory on adjacent vacant land.
 - continued exploration for potential partners in different areas of the operation in Egypt, especially for moulded banana fibre food quality packaging. We will announce to the market when any of these activities mature into an actual alliance.
 - impaired production at the factory in Sohag due to the installation of the new firefighting system and the introduction of the new dewatering machine. This slowdown in production is reflected in the reduced sales for the quarter.
 - the commissioning of a new Musa production system with improved fiber production design, inline feeding out system from the fiber production process to an inline feeding in system for the dewatering machine. This was the focus of the production team.

Consolidated Financial Reporting

The Expenditure reported in the March Quarter Appendix 4C (ASX: Announcement 29 April 2021) for PPY relates primarily to compliance costs relating to ASX fees, Share Registry fees, Audit fees, the provision of funding to Papyrus Egypt for the purchase and installation of new production equipment, and the income and expenditure relating to the Papyrus Egypt operation at the Sohag factory.

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

PPYEg sales report follows:

PPYE Actual Sales			
month	Sales (EGP)	% increase over previous month	YTD Sales (EGP)
Jul-20	132,832	0.00%	132,832
Aug-20	133,300	0.35%	266,132
Sep-20	190,900	43.21%	457,032
Oct-20	256,000	34.10%	713,032
Nov-20	270,000	5.47%	983,032
Dec-20	273,000	1.11%	1,256,032
Jan-21	237,000	-13.19%	1,493,032
Feb-21	109,120	-53.96%	1,602,152
Mar-21	149,510	37.01%	1,751,662

Note: as mentioned earlier in the report, sales for the March quarter are less than expected due to the disruption of the installation of new Fire Fighting system and the new improved dewatering system for Musa (liquid fertilizer) production.

As approved by the Board.

ENDS