ASX ANNOUNCEMENT

14 August 2026

Papyrus secures further $500,000 funding

Papyrus Australia Ltd (ASX: PPY) (**'PPY'** or **'Company'**) has entered into four unsecured loan agreements with professional and sophisticated investors under which the lenders have committed to provide the Company with aggregate loan facilities of up to $500,000.

These loan facilities are in addition to the Company's previously disclosed $500,000 investor loans obtained by the Company in December 2025 ('**December 2025 Loans**') The December 2025 Loans were subsequently converted to Secured Convertible Notes and Unsecured Convertible Notes. As previously announced, the Company is unable to issue any further notes under the previously disclosed Unsecured Convertible Notes facility, however the Company may issue a further $536,154 in Secured Convertible Notes to new sophisticated and professional investors, subject to obtaining shareholder approval.

Loan Agreements

<u>Loans</u>

PPY has entered into loan agreements ('**Loan Agreements**') with the following sophisticated and professional investors:

- Maryton Australia Pty. Ltd. ('**Maryton**');
- Antanas Guoga ('**Guoga**');
- J G M Investment Group Pty Ltd as trustee for the Muchnicki Family Trust ('**Muchnicki**'); and
- Davsam Pty Limited as trustee for the Roseman Retirement Fund ('**Roseman**'),

(together, the '**Lenders**').

As Muchnicki is controlled by a director of L39 Capital Pty Ltd ('**L39 Capital**') (which is itself a related party of PPY), Muchnicki falls within the category set out in Listing Rule 10.11.4. All other Lenders are unrelated to PPY.

Pursuant to the Loan Agreements, each Lender has agreed to advance to PPY, on request, an unsecured loan of up to $125,000, with interest accruing at 1.5% per month until it is repaid or converted, taking the total advances under the Loan Agreements to $500,000.

Under each Loan Agreement, PPY can submit a request for all or part of the funds at any time and, once that request is provided to the relevant Lender, that Lender must pay such funds to PPY within 5 business days.

<u>Conversion to Tranche 2 Unsecured Convertible Notes</u>

Subject to approval by PPY shareholders, the loan amount outstanding (including accrued interest) under the Loan Agreements will convert into Unsecured Convertible Notes (Tranche 2) in PPY ('**Tranche 2 Unsecured Convertible Notes'**) issued under an unsecured convertible note deed poll executed by PPY ('**Tranche 2 UCN Deed Poll**').

Subject to PPY obtaining shareholder approval:

- the loan amount outstanding (including accrued interest) under the Loan Agreements will convert into Tranche 2 Unsecured Convertible Notes at $1.00 per Tranche 2 Unsecured Convertible Note; and
- the Tranche 2 Unsecured Convertible Notes will be issued within 10 business days after that approval is obtained.

Further details of the key terms of the Tranche 2 Unsecured Convertible Notes are outlined in **Appendix A**.

L39 Capital Broker Fee

The Lenders were introduced to PPY by L39 Capital. Pursuant to PPY's engagement with L39 Capital (which was announced to the market on 22 July 2026)[1]:

- L39 Capital will receive a success fee of 6% (excluding GST) of the gross funds received under the Loan Agreements, payable in cash; and
- subject to approval by PPY shareholders, L39 Capital will receive 8,333,333 options in connection with the Loan Agreements, with each such option exercisable into fully paid ordinary shares in PPY at an exercise price of $0.015 and expiring three years from the date of grant ('**Broker Options**').

Shareholder Approval

At its 2026 Annual General Meeting, PPY intends to seek shareholder approval for:

- the issue of up to 535,000 Tranche 2 Unsecured Convertible Notes; and
- the 8,333,333 Broker Options proposed to be issued to L39 Capital.

Approval will be sought under Listing Rule 7.1 or Listing Rule 10.11, as applicable.

Specifically, the issue of the Tranche 2 Unsecured Convertible Notes upon conversion of the Loan Agreement with Muchnicki requires shareholder approval under ASX Listing Rule 10.11. PPY is also obtaining shareholder approval under ASX Listing Rule 7.1 in respect of the conversion of the Loan Agreements with Maryton, Guoga and Roseman. The Loan Agreements provide that, if shareholder approval is not obtained by 1 December 2027, the loan amount outstanding (including accrued interest) under each Loan Agreement is repayable in full 30 business days after that date. If PPY does not obtain shareholder approval at the 2026 Annual General Meeting, PPY may therefore seek approval at any subsequent general meeting of the Company that is held prior to 1 December 2027.

In addition, the issue of Broker Options in connection with the Loan Agreements will require shareholder approval under ASX Listing Rule 10.11.

Use of Funds

The funds committed under the Loan Agreements will be used to progress the Company's commercialisation activities and to support delivery of the Company's contract with TBS Mining Solutions Pty Ltd for the manufacture and supply by the Company of a biodegradable variant of their patented Collar Keeper® products, as well as for working capital purposes. These measures strengthen PPY's operational capability and position the Company to deliver on scale-up activities.

[1] PPY engaged L39 Capital Pty Ltd ('L39') as lead manager to assist with capital-raising activities, as announced on 22 July 2026. Under that engagement, L39 is entitled to receive a success fee of 6% (excluding GST) of gross funds raised under the Irwin Biotech Loan and any Further Capital Raising, including the Loan Agreements described in this announcement. Subject to shareholder approval under ASX Listing Rule 10.11, L39 will also be granted options in connection with capital raised under the L39 Engagement, as outlined in the Company's announcement dated 22 July 2026.

As authorised by the Board.

End

Appendix A: Key Terms of Tranche 2 Unsecured Convertible Notes

Term	**Details**
Issue Date	Subject to PPY obtaining shareholder approval, including under rule 7.1 or 10.11 (as applicable) of the ASX Listing Rules, the Tranche 2 Unsecured Convertible Notes will be issued within 10 business days after that approval is obtained.
Purchase Price / Face Value	$1.00 per Tranche 2 Unsecured Convertible Note.
Maturity Date	The date that is two years after the Issue Date. If conversion or redemption has not occurred, a noteholder may, subject to any applicable laws and the conditions of issue, elect to convert or redeem all of the Tranche 2 Unsecured Convertible Notes on the Maturity Date. If a noteholder does not elect to convert or redeem by no later than 20 business days prior to the Maturity Date, the Company must convert the notes on the Maturity Date.
Interest Rate	1.00% per month. All accrued quarterly interest on the Tranche 2 Unsecured Convertible Notes capitalises unless PPY elects to pay that accrued quarterly interest.
Security	The Tranche 2 Unsecured Convertible Notes will be unsecured obligations of PPY.
Conversion	Subject to any applicable laws and the conditions of issue, a noteholder may, at any time, elect, at its discretion, to convert all or some of its Tranche 2 Unsecured Convertible Notes by giving to PPY a duly completed conversion notice (‘**Conversion Notice**’).
Conversion Shares	Each conversion share will be issued fully paid and will rank equally with existing ordinary shares of PPY.
Conversion Price	• If the Conversion Notice is received by PPY on or before the date that is 12 months after the Issue Date the Conversion Price is $0.009. • If the Conversion Notice is received by PPY at any time after the date that is 12 months after the Issue Date, the price that is equal to 80% of the 5-day volume weighted average price of fully paid ordinary shares in PPY calculated on the 5 trading days on which trades occur immediately prior to the date of the conversion notice, provided that if the Conversion Price: o exceeds $0.009, the Conversion Price is $0.009; or o is less than $0.0075, the Conversion Price is $0.0075.
Conversion Securities	Number of Conversion Shares is determined by dividing the outstanding amount of the Tranche 2 Unsecured Convertible Notes at the time of conversion by the Conversion Price. Each Conversion Share will be issued fully paid and will rank equally with existing ordinary shares of PPY.
Grant of Tranche 2 UCN Options	If the Tranche 2 Unsecured Convertible Notes are converted to Conversion Shares, PPY must, subject to PPY obtaining shareholder approval (including under rule 7.1 or 10.11 (as applicable) of the ASX Listing Rules), grant to the relevant Noteholder one option for each two Conversion Shares issued (‘**Tranche 2 UCN Options**’).
Tranche 2 UCN Option Exercise Price	Each Tranche 2 UCN Option will convert into one fully paid ordinary share in PPY at an exercise price per Tranche 2 UCN Option of $0.015.
Tranche 2 UCN Option Expiry Date	Each Tranche 2 UCN Option shall have a term of two years from the date of grant.