

Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2017

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Appendix 4D Requirements

Results for announcement to the market

	2017	2016		Percentage
	\$A	\$A		change
Revenues from ordinary activities	1,935	156	up	1140%
Loss from ordinary activities after tax attributable to the members	(59,760)	(80,789)	down	26%
Loss for the period attributable to members	(59,760)	(80,789)	down	26%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2017

The directors have not proposed a dividend for the period ended 31 December 2017

Net Tangible Assets Per Security - cents	\$ (0.003)	\$ (0.002)
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All other requirements are contained within the attached financial statements and notes.

The Group did not gain or lose control of any entities during the reporting period ended 31 December 2017.

Directors' Report

The Directors of Papyrus Australia Ltd ('Papyrus') present their Report together with the financial statements of the consolidated entity, being Papyrus Australia Ltd ('the Company') and its controlled entities ('the Group') for the half year ended 31 December 2017.

Director Details

The following persons were directors of Papyrus during the half year.

Mr Edward Byrt, Chairman
Mr Ramy Azer, Managing Director
Mr Andrew Ford, Non-Executive Director
Mr Vincent Rigano, Non-Executive Director

Review of Operations

1. The Company has made measurable progress in 2017 toward the commissioning of a Joint Venture enterprise in Sohag, Egypt where the Company is actively participating in establishing a factory for banana fibre product and banana veneer production.
2. The Company is in a Joint Venture arrangement (known as Papyrus Egypt) with the Egypt Banana Fibre Company (EBFC), in which EBFC is responsible for all costs associated with and necessary for the establishment of the factory and the commencement of banana processing operations.
3. We have previously advised that the construction of the factory building on the land in the El Kawthar Industrial Zone in Sohag has been completed at the cost of EBFC and we are presently awaiting confirmation from the local Government authority regarding final certification to enable title to the land to be transferred to Papyrus Egypt.
4. The manufacturing facility is set on a 2000 square meter plot of land and consists of a 1200 square meter steel building containing a two story office and staff amenities building which now houses a complete BTT production line.
5. The factory building has installed within it a complete banana ply project and banana fibre and veneer production line, drying and cutting facilities, storage facilities, raw material loading yard, complete electrical mechanical workshop with spare parts, effluent discharge systems, fire fighting systems, and full services connected.
6. During 2017 the Managing Director – Ramy Azer – spent most of the period in Sohag, Egypt supervising the rebuild of the BVU and the installation of machinery and necessary infrastructure and training staff. Presently there is 35 staff employed at the factory.
7. As reported personally by the Managing Director at the AGM in November 2017, the Egypt project has reached the stage where the initial challenges of the BVU machinery functionality consequent upon transit of the BVU machinery from Australia to Egypt, and the impact on some elements of the BVU machinery caused by environmental conditions of extreme heat in Sohag, have been addressed for the time being, and the BVU machinery is itself performing to our Company expectations but the quality of veneer being produced has not yet reached the quality nor volumes reasonably expected by EBFC.

8. In addition to addressing the functionality of the machinery the Managing Director worked during last year 2017 with the local Government in Sohag to establish the essential infrastructure, logistics and manual systems to support raw material harvesting and transport of BTT (banana tree trunk) from plantation to factory. Training programs for local employment to support the Papyrus Egypt project have also been introduced with local Government assistance. This project is legally and commercially separate from EBFC and Papyrus Egypt and is a new local Sohag enterprise which services the factory and Papyrus Egypt.
9. The Managing Director also reported that the local Government in Sohag is satisfied that Papyrus Egypt has sufficiently established an operation at the factory to warrant the commencement of the formal process to transfer the ownership of the factory land to Papyrus Egypt, which is underway.
10. Trials are also underway with several external parties in Sohag, Egypt, to utilise banana fibre in the production of panelboard in conjunction with other available agri-waste. The Company will report on the outcome of those trials when they have been completed but early indications support the Company belief that banana fibre may be used to manufacture panelboard in its own right or in blended proportions with other agri-waste such as bagasse and sorghum.
11. To date EBFC has invested around 10 million Egyptian pounds setting up the business and manufacturing facilities in Sohag raised from its investors. EBFC has no debt but will need additional capital from the investors to complete the commissioning of the factory which is expected by Q4.
12. The Managing Director returned to Sohag, Egypt in December 2017 to implement a production improvement plan to bring the quality and volume of banana veneer production up to the reasonable expectations of EBFC by Q4 FY 2017/2018.
13. In the longer run and beyond, Egypt, the Company believes the best commercial position for it is to be the developer and licensor of Intellectual Property. However, the Company has experienced many frustrating challenges in bringing that strategy to a beneficial commercial outcome save for the Egypt project, particularly given the economic climate in several banana growing countries, and the risk averse nature of potential participants in a new business venture with new technology several of whom are in dialogue with our Company about future opportunity once the Egypt project becomes profitable..
14. The Company acknowledges that it must first partner with others as it is doing in Egypt to get the initial commercial banana fibre production facilities operational and fully commissioned to satisfy concerns about the risks believed to be associated with being the first to undertake the manufacture of banana fibre products. That is also recognition that the Company and our MD Ramy Azer are world leaders in the knowledge about the innovative application of the PPY technology.
15. In Australia the company has produced an Investment Proposal to seek investment in a new venture in Australia to manufacture “banana fibre moulded trays” such as fruit packaging, display and storage trays. The Company is presently seeking such potential investment from sophisticated investors known to the Company but without material success to date.
16. The Company continues to operate on an absolute minimum cost basis to preserve limited working capital.

17. In August 2017 the Company entered into agreements with known sophisticated shareholders to raise \$30,000 by way of a placement of 3,000,000 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share (together with an unlisted Option per share issued at an exercise price of \$0.01 per Option). The funds raised funded working capital requirements (ASX Announcement 13 September 2017).
18. At the AGM held on 29 November 2017, shareholders approved the issue of 7,213,084 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share (together with an unlisted Option per share issued at an exercise price of \$0.01 per Option), to satisfy loans of \$72,131 provided by Directors
19. In December 2017, sophisticated shareholders converted 1,500,000 unlisted options to into fully paid shares in the capital of the Company at a price of \$0.01 per new share. The \$15,000 raised funded working capital requirements (ASX Announcement 27 December 2017).
20. The Company's Managing Director Ramy Azer and his wife Phoebe Azer maintained a cash loan to the Company during the period 2017 through their wholly owned company Talisker Pty Ltd. The Company has agreed that Talisker shall lend the Company up to an amount of \$500,000 ('the loan') which may be drawn down by the Company from time to time as required, (ASX Announcement 7 November 2014).
21. The Company is meeting expenses as and when they fall due and there are no known unbudgeted expense items. The Directors including the Managing Director have continued to forgo their remuneration.
22. The Company's Annual Report was published (ASX Announcement 27 October 2017). The Annual General Meeting was held on 29 November 2017 whereat the Chairman provided a briefing of the Company's operations and in particular progress in Egypt. (ASX Announcement 29 November 2017).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 7 of this financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the directors.



Mr Edward Byrt
Chairman

28 February 2018

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Auditor's Independence Declaration To the Directors of Papyrus Australia Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Papyrus Australia Limited for the half-year ended 31 December 2017. I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S K Edwards
Partner – Audit & Assurance

Adelaide, 28 February 2018

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2017

	Consolidated Group	
	31 December 2017 \$	31 December 2016 \$
Revenue from operating activities	1,935	156
Other income	20,248	32,517
Depreciation expense	(20,248)	(32,517)
Employee benefits expenses	(1,980)	(4,170)
Finance Costs	(5,299)	-
Other expenses	(54,416)	(76,775)
Loss before income tax benefit	(59,760)	(80,789)
Income tax benefit	-	-
Loss for the period	(59,760)	(80,789)
Loss attributable to members of the parent entity	(59,760)	(80,789)
Other comprehensive income	-	-
Total comprehensive income for the period	(59,760)	(80,789)
Total comprehensive income attributable to members of the parent entity	(59,760)	(80,789)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.03)	(0.04)
Diluted earnings per share	(0.03)	(0.04)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of financial position

As at 31 December 2017

		Consolidated Group	
		31 December 2017	30 June 2017
Note		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		9,199	17,619
Trade and other receivables		8,303	6,189
TOTAL CURRENT ASSETS		17,502	23,808
NON-CURRENT ASSETS			
Property, plant and equipment	6	363,027	383,275
TOTAL NON-CURRENT ASSETS		363,027	407,083
TOTAL ASSETS		380,529	407,083
CURRENT LIABILITIES			
Trade and other payables		44,455	53,865
Short-term borrowings	8	318,624	372,891
Other current liabilities	7	233,180	233,180
TOTAL CURRENT LIABILITIES		596,259	659,936
NON-CURRENT LIABILITIES			
Other non-current liabilities		360,539	380,787
TOTAL NON-CURRENT LIABILITIES		360,539	380,787
TOTAL LIABILITIES		956,798	1,040,723
NET LIABILITIES		(576,269)	(633,640)
EQUITY			
Issued capital	9	20,388,822	20,271,691
Reserves		915,722	915,722
Accumulated losses		(21,880,813)	(21,821,053)
TOTAL DEFICIT IN EQUITY		(576,269)	(633,640)

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of changes in equity

For the half-year ended 31 December 2017

	Consolidated Group				
	Note	Issued Capital	Accumulated losses	Share Option Reserve	Total
		\$	\$	\$	\$
Balance at 1 July 2016		20,271,691	(21,821,053)	915,722	(633,640)
Total comprehensive income for the period		-	(80,789)	-	(80,789)
Balance at 31 December 2016		20,271,691	(21,901,842)	915,722	(714,429)
Balance at 1 July 2017		20,271,691	(21,821,053)	915,722	(633,640)
Total comprehensive income for the period		-	(59,760)	-	(59,760)
<i>Transactions with owners, in their capacity as owners:</i>					-
Shares issued via private placement on 30 August 2017		30,000			30,000
Shares issued for conversion of Directors loans as approved at AGM on @9 November 2017 on 19 December 2017		72,131			72,131
Shares issued for conversion of unlisted options on 27 December 2017		15,000			15,000
Balance at 31 December 2017		20,388,822	(21,880,813)	915,722	(576,269)

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of cash flows

For the half-year ended 31 December 2017

	Consolidated Group	
	31 December 2017 \$	31 December 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(73,219)	(53,421)
Receipts from customers	6,814	156
NET CASH USED IN OPERATING ACTIVITIES	(66,405)	(53,265)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of deferred income	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	45,000	-
Proceeds from borrowings	12,985	24,219
NET CASH PROVIDED BY FINANCING ACTIVITIES	57,985	24,219
Net (decrease)/increase in cash and cash equivalents	(8,420)	(29,046)
Cash at the beginning of the financial period	17,619	30,361
CASH AT THE END OF THE FINANCIAL PERIOD	9,199	1,315

The consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. Nature of operations

Papyrus Australia Ltd's principal activities is to continue its commercialisation strategy of being a technology licensing Group assisting suitable entities to establish banana veneering and panel production factories in locations worldwide where bananas are grown.

2. General information and basis of preparation

The consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2017 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The Company is a for profit entity for the purposes of preparing its financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 27 February 2018.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017.

4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2017 annual report.

5. Operating segments

The directors have considered the requirements of AASB 8 Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded at this time that there are no separately identifiable segments.

The Group remains focused on the research, development and commercialisation of the Group's Banana Ply Paper (BPP) technology globally.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

6. Property, plant and equipment

	Consolidated Group	
	31 December 2017 \$	30 June 2017 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	1,961,165	1,961,165
Disposals	-	-
	1,961,165	1,961,165
<i>Accumulated depreciation</i>		
Opening balance	1,577,890	1,510,457
Depreciation for the period	20,248	67,433
	1,598,138	1,577,890
Net book value of plant and equipment	363,027	383,275
Total net book value of property, plant and equipment	363,027	383,275

7. Other current liabilities

Deferred income at 31 December 2017 represents the initial deposit and other advances received from the Egyptian Banana Fibre Company (“EBFC”) for machinery to be built and delivered by the Company.

8. Borrowings

	Consolidated Group	
	31 December 2017 \$	30 June 2017 \$
SHORT-TERM BORROWINGS		
Unsecured loan	318,624	372,891
	318,624	372,891

The unsecured loan represents a draw down facility provided by Talisker Pty Ltd, an entity associated with the Company’s Managing Director Mr Ramy Azer. The loan is unsecured and repayable from future revenues or proceeds from future equity raisings, subject to not materially prejudicing the ability of the Company to repay its creditors.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2017

9. Share capital

	Consolidated Group	
	31 December 2017 \$	30 June 2017 \$
218,49,512 fully paid ordinary shares (30 June 2017: 206,436,431)	20,388,822	20,271,691
	20,388,822	20,271,691
	2017	
	Number	\$
Ordinary shares		
Balance at beginning of period	206,436,431	20,271,691
Shares issued pursuant to conversions unlisted options	3,000,000	30,000
Shares issued for conversation of Directors loans	7,213,084	72,131
Shares issued pursuant to private placement	1,500,000	15,000
Balance at end of period	218,149,515	20,388,822

10. Subsequent events

During January 2018 & February 2018 the Company raised \$30,000 from the conversion of 3,000,000 unlisted options by sophisticated shareholders to ordinary fully paid shares in the capital of the Company.

11. Contingent liabilities and commitments

There has been no change in contingent liabilities or commitments since the last reporting date.

12. Going concern

The financial report has been prepared on the basis of a going concern. The financial report shows the group incurred a net loss of \$59,760 and a net cash inflow from operating and investing activities of \$66,405 during the half-year ended 31 December 2017. The group has a borrowing facility available from Talisker Pty Ltd to draw upon as/if required. The group continues to be economically dependent on the generation of cashflow from the business and/ or raising additional capital for the continued development of its Banana Ply Project and working capital. The group continues to be in consultation with its advisers to evaluate alternative means of raising additional equity and working capital.

The directors consider the consolidated entity to be a going concern and will be able to meet its debts and obligations as they fall due.

The group's ability to continue as a going concern is contingent upon generation of cashflow from its business and/ or successfully raising additional capital. If sufficient cash flow is not generated and/or additional funds are not raised, the going concern basis may not be appropriate, with the result that the group may have to realise its assets and extinguish its liabilities, other than in the ordinary course of business and at amounts different from those stated in the financial report. No allowance for such circumstances has been made in the financial report.

Directors' Declaration

In the opinion of the directors of Papyrus Australia Ltd:

- (a) the consolidated financial statements and notes of Papyrus Australia Ltd are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

A handwritten signature in blue ink, appearing to read 'Edward Byrt', is displayed on a light blue rectangular background.

Mr Edward Byrt
Chairman

28 February 2018

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Independent Auditor's Review Report To the Members of Papyrus Australia Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Papyrus Australia Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Papyrus Australia Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Material Uncertainty Related to Going Concern

We draw attention to Note 12 in the financial report, which indicates that the Group incurred a net loss of \$59,760 during the half year ended 31 December 2017 and, as of that date, the Group's total liabilities exceeded its total assets by \$576,269. As stated in Note 12, these events or conditions, along with other matters as set forth in Note 12, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Papyrus Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S K Edwards
Partner – Audit & Assurance

Adelaide, 28 February 2018