Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2018

Contents to Half Year Report

Appendix 4D Requirements

Results for announcement to the market

	2018 $A	2017 $A		Percentage change
Revenues from ordinary activities	-	1,935	down	100%
Loss from ordinary activities after tax attributable to the members	(55,110)	(59,760)	down	8%
Loss for the period attributable to members	(55,110)	(59,760)	down	8%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2018

The directors have not proposed a dividend for the period ended 31 December 2018

	2018	2017
Net Tangible Assets Per Security - cents	$ 0.016	$ 0.017

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 2018.

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 2018.

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 progress in 2018 toward the commissioning of the banana fibre enterprise in Sohag, Egypt where the Company is actively supporting, the establishing of, a factory for banana fibre product and banana veneer production.
2. The Company has been in a corporate 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 tree 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 Banana Tree Trunk ("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 are connected.
6. During the 2018 financial year and the 2018 calendar year the Managing Director – Ramy Azer – spent most of the period in Sohag, Egypt supervising the rebuild of the Banana Veneering Unit ("BVU") and the installation of production machinery and necessary infrastructure and the training of staff. Presently there are up to 35 staff employed by EBFC "as required" at the factory.
7. As reported personally by the Managing Director at the AGM in November 2018, the Egypt project has reached the stage where the initial challenges of the BVU machinery functionality (consequent upon the impacts of 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 technical expectations but the quality of veneer being produced has not yet reached the quality nor the volumes reasonably expected by EBFC.

8. In addition to addressing the functionality of the machinery, the Managing Director worked during last year 2018 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 employees 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 through EBFC 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 which has been 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 FY 2018/2019.
12. The Managing Director returned to Sohag, Egypt in December 2018 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 2018/2019.
13. In the longer run and beyond in Egypt and elsewhere, 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 participate collaboratively 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 November 2018, sophisticated shareholders converted 4,500,000 unlisted options to into fully paid shares in the capital of the Company at a price of $0.01 per new share. The $45,000 raised funded working capital requirements (ASX Announcement 16 November 2018).
18. The Company's Managing Director Ramy Azer and his wife Phoebe Azer maintained a cash loan to the Company during the period 2018 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).
19. 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.
20. The Company's Annual Report was published (ASX Announcement 29 October 2018). The Annual General Meeting was held on 30 November 2018 whereat the Chairman and Managing Director provided a briefing of the Company's operations and in particular progress in Egypt. (ASX Announcement 30 November 2018).

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 2019

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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 2018. 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Iain Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2019

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2018

	Consolidated Group	
	31 December 2018 $	**31 December 2017 $**
Revenue from operating activities	-	1,935
Other income	21,159	20,248
Depreciation expense	(21,158)	(20,248)
Employee benefits expenses	(1,080)	(1,980)
Finance Costs	(5,334)	(5,299)
Other expenses	(48,697)	(54,416)
Loss before income tax benefit	(55,110)	(59,760)
Income tax benefit	-	-
Loss for the period	(55,110)	(59,760)
Loss attributable to members of the parent entity	(55,110)	(59,760)
Other comprehensive income	-	-
Total comprehensive income for the period	(55,110)	(59,760)
Total comprehensive income attributable to members of the parent entity	(55,110)	(59,760)
Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(0.02)	(0.03)
Diluted earnings per share	(0.02)	(0.03)

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 2018

		Consolidated Group	
		31 December 2018	30 June 2018
	Note	$	$
CURRENT ASSETS			
Cash and cash equivalents		30,086	43,000
Trade and other receivables		3,264	1,663
TOTAL CURRENT ASSETS		33,350	44,663
NON-CURRENT ASSETS			
Property, plant and equipment	**6**	310,177	331,335
TOTAL NON-CURRENT ASSETS		310,177	331,335
TOTAL ASSETS		343,527	375,998
CURRENT LIABILITIES			
Trade and other payables		55,363	57,112
Short-term borrowings	**8**	319,288	318,742
Other current liabilities	**7**	233,180	233,180
TOTAL CURRENT LIABILITIES		607,831	609,034
NON-CURRENT LIABILITIES			
Other non-current liabilities		307,690	328,848
TOTAL NON-CURRENT LIABILITIES		307,690	328,848
TOTAL LIABILITIES		915,521	937,882
NET LIABILITIES		(571,994)	(561,884)
EQUITY			
Issued capital	**9**	20,513,821	20,468,821
Reserves		915,722	915,722
Accumulated losses		(22,001,537)	(21,946,427)
TOTAL DEFICIT IN EQUITY		(571,994)	(561,884)

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 2018

	Note	Consolidated Group			
		Issued Capital	**Accumulated losses**	**Share Option Reserve**	**Total**
		$	**$**	**$**	**$**
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)
Transactions with owners, in their capacity as owners:					
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 Directors loans as approved at AGM on @9 November 2017 on 19 December 2017		15,000			15,000
Balance at 31 December 2017		20,388,822	(21,880,813)	915,722	(576,269)
Balance at 1 July 2018		20,468,821	(21,946,427)	915,722	(561,884)
Total comprehensive income for the period		-	(55,110)	-	(55,110)
Transactions with owners, in their capacity as owners:					-
Shares issued via private placement on 16 November 2018		45,000	-	-	45,000
Balance at 31 December 2018		20,513,821	(22,001,537)	915,722	(571,994)

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 2018

	Consolidated Group	
	31 December 2018 $	31 December 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(58,578)	(73,219)
Receipts from customers	-	6,814
NET CASH USED IN OPERATING ACTIVITIES	(58,578)	(66,405)
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	45,000	45,000
Proceeds from borrowings	664	12,985
NET CASH PROVIDED BY FINANCING ACTIVITIES	45,664	57,985
Net (decrease)/increase in cash and cash equivalents	(12,914)	(8,420)
Cash at the beginning of the financial period	43,000	17,619
CASH AT THE END OF THE FINANCIAL PERIOD	30,086	9,199

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 2018

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 2018 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 2018 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 2019.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2018, except as described below. Note that the changes in accounting policies specified below only apply to the current period. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2018 are the relevant policies for the purposes of comparatives.
AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* (2014) became effective for periods beginning on or after 1 January 2018. Accordingly, the Group applied AASB 15 and AASB 9 for the first time to the interim period ended 31 December 2018. Changes to the Group's accounting policies arising from these standards are summarised below:

New standards adopted as at 1 July 2018

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue*, AASB 111 *Construction Contracts* and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018. Given the entity is a startup entity and does not have any material revenue streams the introduction of the new standard does not have a significant impact on the timing or amount of revenue recognized by the group during the period and therefore has been applied using the modified approach and no prior period restatements were required.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

The Group enters into transactions involving a range of the Group's products and services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139's *'Financial Instruments: Recognition and Measurement*' requirements. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The Group has adopted AASB 9 as at 1 July 2018, the Group elected not to restate prior periods as the Group does not hold any material financial instruments.

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets are classified according to their business model and the characteristics of their contractual cash flows. Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets, other than those designated and effective as hedging instruments, are classified into the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through profit or loss (FVTPL)

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

- Debt instruments at fair value through other comprehensive income (FVTOCI)
- Equity instruments at FVTOCI

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses. Currently the Group only holds financial assets at amortised cost.

Financial assets at amortised cost

Financial assets with contractual cash flows representing solely payments of principal and interest and held within a business model of 'hold to collect' contractual cash flows are accounted for at amortised cost using the effective interest method. The Group's trade and most other receivables fall into this category of financial instruments as well as bonds that were previously classified as held-to-maturity under AASB 139.

Impairment of financial assets

AASB 9's new forward looking impairment model applies to Group's investments at amortised cost and debt instruments at FVTOCI. The application of the new impairment model depends on whether there has been a significant increase in credit risk.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

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.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2018 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.

6. Property, plant and equipment

	Consolidated Group	
	31 December 2018 $	**30 June 2018 $**
Plant and equipment		
Cost		
Opening balance	1,961,165	1,961,165
Disposals	-	-
	1,961,165	1,961,165
Accumulated depreciation		
Opening balance	1,629,830	1,577,890
Depreciation for the period	21,158	51,940
	1,650,988	1,629,830
Net book value of plant and equipment	310,177	331,335
Total net book value of property, plant and equipment	310,177	331,335

7. Other current liabilities

Deferred income at 31 December 2018 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.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

8. Borrowings

	Consolidated Group	
	31 December 2018 $	**30 June 2018 $**
SHORT-TERM BORROWINGS		
Unsecured loan	319,288	318,742
	319,288	318,742

The unsecured loan represents a draw down facility of $318,624 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.

In addition, the Company has unsecured loans as at 2018 $664 (June 2018: $118) with V Rigano

9. Share capital

	Consolidated Group	
	31 December 2018 $	**30 June 2018 $**
230,649,431 fully paid ordinary shares (30 June 2018: 226,149,431)	20,513,821	20,468,821
	20,513,821	20,468,821

	2018	
	Number	**$**
Ordinary shares		
Balance at beginning of period	226,149,431	20,468,821
Shares issued pursuant to conversions unlisted options	4,500,000	45,000
Balance at end of period	230,649,431	20,513,821

10. Subsequent events

There were no subsequent events that have occurred subsequent to the reporting period.

11. Contingent liabilities and commitments

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

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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 $55,110 and a net cash outflow from operating and investing activities of $58,578 during the half-year ended 31 December 2018. 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 events and conditions identified above and detailed below give rise to a material uncertainty that may cause significant doubt on the Groups ability to continue as a going concern.

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 2018 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

Mr Edward Byrt
Chairman

28 February 2019

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Independent Auditor's Review Report

To the Members of Papyrus Australia Limited

Report on the review of 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 2018, 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 2018, 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 $55,110 during the half year ended 31 December 2018 and, as of that date, the Group's total liabilities exceeded its total assets by $571,994. 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 conclusion 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.

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 2018 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

Ian Kemp

I S Kemp
Partner – Audit & Assurance

Adelaide, 28 February 2019