Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2013

Contents to Half Year Report

Appendix 4D Requirements
Results for announcement to the market

	2013 $A	2012 $A		Percentage change
Revenues from ordinary activities	213	3,667	down	(94)%
Loss from ordinary activities after tax attributable to the members	(445,410)	(565,735)	down	21%
Loss for the period attributable to members	(445,410)	(565,735)	down	21%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2013

The directors have not proposed a dividend for the period ended 31 December 2013

Net Tangible Assets Per Security - cents	($0.006)	($0.012)

All other requirements are contained within the attached financial statements and notes.

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 2013.

Director Details

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

Mr Edward Byrt, Chairman	
Mr Ramy Azer, Managing Director	
Mr Donald Stephens, Non-Executive Director	
Mr Andrew Ford, Non-Executive Director	(appointed 27 November 2013)
Mr Vincent Rigano, Non-Executive Director	(appointed 27 November 2013)
Mr Colin Dunsford, Non-Executive Director	(retired 27 November 2013)

Review of Operations

1. The Company's commercial focus during the period continued in the establishment of its operational activities in Egypt and working with MAP Capital Advisors ("MAP Capital"), a Melbourne based independent boutique investment and advisory firm, on the Company's future commercial opportunities and directions in pursuit of its commercialisation strategy of becoming a technology development and licencing company. As the Chairman reported at the Company's Annual General Meeting in November 2013 the progress on both projects has been slower than expected but progress continues to be made.

   The Company acknowledges however that it must partner others to get the first commercial banana fibre production facility off the ground. As with the proposed Walkamin project and the Egypt project, which have been reported in previous announcements, the Company will partner with others at the outset to satisfy concerns about the risks believed to be associated with being the first to undertake the manufacture of various banana fibre products worldwide.

2. During the period the Company entered into a Non-Binding Term Sheet ("NBTS") to assess the feasibility of establishing a joint venture company ("JV"). This followed an extensive review, evaluation and analysis with MAP Capital (refer ASX Announcements: 1 March 2013 & 30 August 2013).

   MAP Capital recommended that the Company seek to establish an operating facility in Australia to produce banana fibre product for the local market, initially to produce what is known generically as papier mache products, which has a low capital entry requirement – producing items such as egg cartons, wine packaging, fruit packaging and display trays, etc – for fruit and vegetable growers and sellers in Australia. The operation will be based at the Company's factory site at Walkamin in the Atherton Table Lands in Far North Queensland.

Papyrus Australia Ltd ("PPY") will have a 25% shareholding in the JV, with other parties, including investors, the balance. The JV will manufacture the products under an exclusive licence within Australia and New Zealand granted by PPY. The operation of the JV will be self-funding. PPY's capital investment will be its existing equipment, site, intellectual property and know-how. PPY will also supply (at the cost of the JV) engineering and management support: (ASX Announcement 9 September 2013)

3. The Company continues to operate on an absolute minimum cost basis to preserve working capital.

   During the period The Company entered into agreements with new and certain existing shareholders to raise $370,000 by way of a placement of 37,000,000 ordinary fully paid shares in the capital of the Company at a price of $0.01 per new share. $270,000 of this funding has been received with $100,000 expected to be received in February 2014.

   The funds raised have and will be used to fund working capital requirements and, in particular, to assist the Company in the establishment of the proposed new JV company operating out of the Company's factory at Walkamin in Far North Queensland (refer ASX Announcement 1 October 2013).

   The Company is meeting all 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.

4. The Company's Annual Report was published (ASX Announcement 28 October 2013). The Annual General Meeting was held on 27 November 2013 whereat the Chairman provided a briefing of the Company's operation and in particular why previously stated objectives had not been achieved in the current economic climate and what had been achieved during the previous financial year. (See ASX Announcement 27 November 2013 – click here to view)

5. At the Annual General Meeting the Chairman announced the retirement of non-executive director Mr Colin Dunsford AM following 3 years of outstanding service and support to the Company. The Chairman noted Colin's "wise counsel has been greatly appreciated by us all during this time as we have endeavoured to find a new way forward for the Company".

The Chairman also announced the appointment of 2 new directors – Mr Vince Rigano, a former Company Secretary, a founding shareholder and supporter of the company since 1995 and Mr Andrew Ford who has for the past several years been a Director of Woods Bagot an international design practice with several offices worldwide. Andrew brings to the company outstanding international business experience and in particular project management experience which is now a much needed skill for the benefit of the Company.

6. In July 2013 the Company initiated a review of its patent applications for the purpose of assessing the selection of countries, the contemporary relevance and prospective relevance to the Company by considering the following criteria:
    - **The costs of continuing to support each patent and the ability of the Company to fund such support;**
    - **The geopolitical profile of the countries where applications had been made;**
    - **The likelihood of entering and doing business in each jurisdiction;**
    - **The risk and benefit (reward) profile of the patent in a particular jurisdiction, and**
    - **Jurisdictional performance as to upholding patent protection rights.**

    The Company considers that over time the costs associated with maintaining patents in certain jurisdictions could be reduced without affecting potential opportunities in other countries (ASX Announcement 30 August 2013).

    Subsequent events

    The Managing Director visited Egypt in the later part of December 2013 and early January 2014. The purpose of the trip was to:
    - meet the Company's Egyptian partners to finalise the planning of the factory in Sohag, Upper Egypt, in readiness to receive the proprietary machinery and to gain assurance the Egyptian partners had sufficient Opex funding;
    - meet the funding agencies interested in financing the machinery for payment to the Company;
    - negotiate with an agent with a view to appointing that person to act on the Company's behalf until the joint venture is able to take receipt of the machinery;
    - negotiate a Memorandum of Agreement for fibre off-take, and
    - liaise with significant Egyptian domiciled investors in the Company.

    On 26 February 2014, the Company allotted a further 5,000,000 fully paid ordinary shares to a sophisticated investor in accordance with a resolution passed at the Company's 2013 Annual General Meeting, resulting in gross proceeds of $50,000.

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 2014

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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 2013, 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

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2014

Our Ref: Papyrus Australia Limited_Dec 13.Docx

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2013

	Consolidated Group	
	31 December 2013 $	31 December 2012 $
Revenue from operating activities	213	3,667
Other income/(expenses)	100,636	101,250
Depreciation expense	(100,636)	(214,364)
Employee benefits expenses	(245,555)	(163,153)
Other expenses	(200,068)	(293,135)
Loss before income tax benefit	(445,410)	(565,735)
Income tax benefit	-	-
Loss for the period	(445,410)	(565,735)
Loss attributable to members of the parent entity	(445,410)	(565,735)
Other comprehensive income	-	-
Total comprehensive income for the period	(445,410)	(565,735)
Total comprehensive income attributable to members of the parent entity	(445,410)	(565,735)

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(0.33)	(0.43)
Diluted earnings per share	(0.33)	(0.43)

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 2013

	Note	Consolidated Group 31 December 2013 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		118,220	151,111
Trade and other receivables		17,216	9,268
Other current assets		-	3,508
TOTAL CURRENT ASSETS		135,436	163,887
NON-CURRENT ASSETS			
Property, plant and equipment	**7**	1,070,101	1,170,737
Intangible assets	**8**	829,263	829,263
TOTAL NON-CURRENT ASSETS		1,899,364	2,000,000
TOTAL ASSETS		2,034,800	2,163,887
CURRENT LIABILITIES			
Trade and other payables		97,849	97,197
Short-term borrowings	**10**	99,269	220,442
Other current liabilities	**9**	150,000	150,000
TOTAL CURRENT LIABILITIES		347,118	467,639
NON-CURRENT LIABILITIES			
Other non-current liabilities		1,878,690	1,979,326
TOTAL NON-CURRENT LIABILITIES		1,878,690	1,979,326
TOTAL LIABILITIES		2,225,808	2,446,965
NET ASSETS		(191,008)	(283,078)
EQUITY			
Issued capital	**11**	19,884,691	19,459,231
Reserves		907,666	795,646
Retained earnings/(accumulated losses)		(20,983,365)	(20,537,955)
TOTAL EQUITY		(191,008)	(283,078)

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 2013

		Consolidated Group			
	Note	Issued Capital $	Retained Earnings/ (Accumulated losses) $	Share Option Reserve $	Total $
Balance at 1 July 2012		19,459,231	(19,088,825)	795,646	1,166,052
Total comprehensive income for the period		-	(565,735)	-	(565,735)
Balance at 31 December 2012		19,459,231	(19,654,560)	795,646	600,317
Balance at 1 July 2013		19,459,231	(20,537,955)	795,646	(283,078)
Total comprehensive income for the period		-	(445,410)	-	(445,410)
Shares issued via private placement on 4 October 2013	**11**	170,000	-	-	170,000
Fair value of shares issued, in lieu of cash for services rendered, on 4 October 2013	**12**	48,000	-	-	48,000
Shares issued 11 December 2013 per 2013 AGM resolution	**11**	100,000	-	-	100,000
Shares issued 20 December 2013 per 2013 AGM resolution	**11**	50,000	-	-	50,000
Shares issued 20 December 2013 to satisfy a loan repayment per 2013 AGM resolution	**10**	57,460	-	-	57,460
Fair value of share-based payments - options	**12**	-	-	112,020	112,020
Balance at 31 December 2013		19,884,691	(20,983,365)	907,666	(191,008)

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 2013

	Consolidated Group	
	31 December 2013 $	31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(289,391)	(1,141,193)
Interest received	213	5,088
NET CASH USED IN OPERATING ACTIVITIES	(289,178)	(1,136,105)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(7,268)
Purchase of development assets	-	(36,239)
Proceeds from sale of property, plant and equipment	-	112,045
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	68,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	377,460	722,000
Repayment of borrowings	(121,173)	(13,337)
NET CASH PROVIDED BY FINANCING ACTIVITIES	256,287	708,663
Net (decrease)/increase in cash and cash equivalents	(32,891)	(358,904)
Cash at the beginning of the financial period	151,111	832,919
CASH AT THE END OF THE FINANCIAL PERIOD	118,220	474,015

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 2013

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 2013 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 2013 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 28 February 2014.

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 2013.

4. New Standards, interpretations and amendments by the Company

In the current year, the group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period as shown below.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013).

When these standards were first adopted for the year ended 30 June 2014, there was no impact on the transactions and balances recognised in the financial statements.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013).

There was no impact on the amounts recognised in the financial statements but has added additional disclosures in relation assets and liabilities which are measured using fair values.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The Group does not have any defined benefit plans. Therefore, these amendments had no impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group: The accounting standards that have not been early adopted for the half year ended 31 December 2013 , but will be applicable to the group in future reporting periods, are detailed below. Apart from these standards, other accounting standards that will be applicable in future periods have been reviewed, however they have been considered to be insignificant to the group.

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group.

Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the group's financial statements.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;

  The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and the remaining change is presented in profit or loss.

There will be no impact on the Group's accounting for financial assets or liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards. When these amendments are first adopted for the year ending 31 December 2014, they are unlikely to have any significant impact on the Group.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. When AASB 2012-3 is first adopted for the year ended 31 December 2014, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(viii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB 136)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

5. 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 June 2013 annual report.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

6. Operating segment

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.

7. Property, plant and equipment

	Consolidated Group	
	31 December 2013 $	**30 June 2013 $**
Plant and equipment		
Cost		
Opening balance	2,318,350	2,854,344
Additions	-	-
Disposals	-	(535,994)
	2,318,350	2,318,350
Accumulated depreciation		
Opening balance	1,147,613	1,043,716
Depreciation for the period	100,636	348,106
Disposals	-	(244,209)
	1,248,249	1,147,613
Net book value of plant and equipment	1,070,101	1,170,737
Total net book value of property, plant and equipment	1,070,101	1,170,737

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

8. Intangible assets

	Consolidated Group	
	31 December 2013 $	30 June 2013 $
Patents and intellectual property		
Cost		
Opening balance	766,447	766,447
Additions	-	-
Net book value of patents and intellectual property	766,447	766,447
Development costs		
Cost		
Opening balance	62,816	1,378,146
Impairment of assets	-	(1,315,330)
Net book value of development costs	62,816	62,816
Total net book value of intangible assets	829,263	829,263

9. Other current liabilities

Deferred income	150,000	150,000
	150,000	150,000

(a) Deferred income at 31 December 2013 represents the initial non-refundable deposit from the Egyptian Fibre Company ("EBFC") for machinery to be built and delivered by the Company.

10. Borrowings

SHORT-TERM BORROWINGS		
Finance Lease	6,729	10,309
Unsecured loan (a)	92,540	200,000
	99,269	210,309
LONG-TERM BORROWINGS		
Finance Lease	-	10,133
	-	10,133

(a) The unsecured loan during the year 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.
During the period 5,525,000 shares were issued to Talisker Pty Ltd to satisfy a $57,460 tranche of the loan as detailed in the Company's 2013 Notice of Annual General Meeting and passed by resolution by the Company's shareholders and the 2013 Annual General Meeting. In addition a further $50,000 was repaid.

The loan is interest bearing at the rate of interest payable by the National Australia Bank Limited on 'Usaver savings accounts' or, '12 month term deposits' (whichever is greater) plus 1%.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

11. Share capital

	Consolidated Group	
	31 December 2013 $	30 June 2013 $
171,069,764 fully paid ordinary shares (30 June 2013: 131,144,764)	19,884,691	19,459,231
	19,884,691	19,459,231

	2013	
	Number	$
Ordinary shares		
Balance at beginning of year	131,144,764	19,459,231
Shares issued pursuant to private placement	17,000,000	170,000
Shares issued pursuant to resolutions passed at the Company's AGM 2013	15,000,000	150,000
Shares issued to satisfy a loan in accordance with a resolution passed at the Company's 2013 AGM	5,525,000	57,460
Shares issued in lieu of cash for services rendered	2,400,000	48,000
Balance at end of financial year	171,069,764	19,884,691

12. Share based payments

Pursuant to various motions passed at the Company’s AGM in November 2013, on 16 December 2013 a total of 5,100,000 unlisted options with an exercise price of $0.035 and 4,100,000 unlisted options with an exercise of price $0.05, both expiring on 15 December 2016 were issued to the Company’s board and associated executives. The total expense incurred for this share option issued totaled $112,020 and were valued using the Black-Scholes method. The inputs used in the model are noted below.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
16 December 2013	5,100,000	Not Applicable	3 years
16 December 2013	4,100,000	Not Applicable	3 years

Fair value at grant date	$0.0128 & $0.0114
Share price	$0.021
Exercise price	$0.035 & $0.05
Expected volatility	113.8%
Risk-free interest rate	3.40%

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

12. Share based payments continued

On 4 October 2013, 2,400,000 shares, with a fair value of $0.02 per share, were issued in lieu of cash for services rendered in relation to a strategic review to assist with the evaluation of business opportunities for the Company. The total value of the shares issued was $48,000.

The shares are subject to a voluntary escrow period of six months from allotment date and were subsequently approved via resolution by the shareholders of the Company at the 2013 Annual General Meeting.

In addition a further 5,525,000 shares were issued to satisfy a loan repayment. Refer to note 10(a).

13. Subsequent events

On 26 February 2014, the Company allotted a further 5,000,000 fully paid ordinary shares to a sophisticated investor in accordance with a resolution passed at the Company's 2013 Annual General Meeting, resulting in gross proceeds of $50,000.

There are no other events that have occurred after 31 December 2013 that should be disclosed in accordance with AASB 110 'Events after the Balance Date'.

14. Contingent liabilities

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

15. 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 $445,410 and a net cash outflow from operating and investing activities of $289,178 during the half-year ended 31 December 2013. 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 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 2013 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 (refer note 15).

On behalf of the Board

Mr Edward Byrt
Chairman

28 February 2014

Grant Thornton

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PAPYRUS AUSTRALIA LIMITED

We have reviewed the accompanying half-year financial report of Papyrus Australia Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year..

Directors' responsibility for the half-year financial report

The directors of Papyrus Australia Limited 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 controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the 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 Papyrus Australia Limited consolidated entity's financial position as at 31 December 2013 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 complied with the independence requirements of the Corporations Act 2001.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Papyrus Australia Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding going concern
Without qualification to the conclusion expressed above, we draw attention to Note 14 to the financial statements. We note the financial statements indicate a net loss of $445,410 during the half year ended 31 December 2013 and generated a net cash outflow of $289,178 from operating and investing activities. These conditions, along with other matters identified in Note 15, indicate the existence of a significant uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 28 February 2014