

Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2012

Contents to Half Year Report

Appendix 4D Requirements	3
Directors' Report	4
Auditor's Independence Declaration	7
Interim statement of profit or loss and other comprehensive income	8
Interim consolidated statement of financial position.....	9
Interim consolidated statement of changes in equity	10
Interim consolidated statement of cash flows	11
Notes to the Financial Statements.....	12
1. Nature of operations	12
2. General information and basis of preparation	12
3. Significant accounting policies	12
4. New standards, interpretations and amendments adopted by the Company.....	12
5. Estimates	13
6. Significant events and transactions	13
7. Segment reporting	13
8. Property, plant and equipment.....	14
9. Intangible assets.....	15
10. Other current liabilities	15
11. Borrowings	15
12. Subsequent events	16
13. Contingent liabilities.....	16
14. Going concern	16
Directors' Declaration	17
Independent Auditor's Review Report.....	18

Appendix 4D Requirements

Results for announcement to the market

	2012 \$A	2011 \$A		Percentage change
Revenues from ordinary activities	3,667	19,885	down	(82)%
Loss from ordinary activities after tax attributable to the members	(565,735)	(1,208,655)	down	53%
Loss for the period attributable to members	(565,735)	(1,208,655)	down	53%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2012

The directors have not proposed a dividend for the period ended 31 December 2012

Net Tangible Assets Per Security - cents	(\$0.012)	\$0.017
---	-----------	---------

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 2012.

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 Colin Dunsford, Non-Executive Director

Review of Operations

1. The Company's commercial focus during the period continued in the development of its operational activities in Egypt, the market for product in Egypt, the Middle East and Europe, and the development of Yellow Pallet based in the Netherlands.
2. The Company continued to operate in Australia and Egypt on an absolute minimum cost basis to preserve working capital.

During the period, a further non-refundable deposit of \$50k was received and a letter of credit for a further \$50k from the Egyptian Banana Fibre Company ("EBFC") for the supply of machines into Egypt.

In October 2012, the Company signed a funding agreement by way of a draw down loan facility for \$250k with Talisker Pty Ltd, a company wholly owned by Papyrus Australia Ltd Managing Director and major shareholder Ramy Azer and his wife Phoebe Azer. The loan is unsecured and will be repayable from future revenues or from the proceeds of any future equity raisings and subject to not materially prejudicing the ability of the Company to repay its creditors (ASX Announcement 11 October 2012). As at 31 December 2012, \$150k had been drawn down and at the date of this report a further \$50k has been drawn down.

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 during this period.

3. The Company's Annual Report was published (ASX Announcement 31 October 2012). The Annual General Meeting was held on 29 November 2012 whereat the Chairman provided a briefing of the Company's operation and in particular why previously stated objectives had not been achieved in the constrained economic environment and what had been achieved during the previous financial year. (See ASX Announcement 29 November 2012 – click [here](#) to view)
4. The Company has continued to support the Papyrus Egypt project - to secure development of the factory building and financing for the purchase of the Company's proprietary machinery. The potential investors in Egypt are challenged by the fact that this is a "first" project and the financial institutions are presently influenced by the fact that Papyrus Egypt does not have a "track record" for production and that the Egyptian economic and political situation is not stable.

The Board has decided however that in continuing its support to the project, it will not release the machinery to Egypt until the joint venture partner (EBFC) meets reasonable financial obligations to pay for the machinery. The Board continues to review the decision to establish the first commercial operating banana fibre factory in Egypt, especially in the light of more recent civil unrest in Egypt. As stated by the Chairman at the AGM, the Company believes that the decision made in 2010 to establish the first commercial factory in Egypt was correct at the time and remains strategically correct, but the Company will not release the machines until such time as it is in receipt of appropriate payment and are satisfied that ongoing financial obligations can be met by our partner. Negotiations have been very protracted but continue (refer below).

5. The Company's intellectual property bank continued to grow. In July and August 2012, the Company was advised that it had received the grant of patent from the African Intellectual Property Organization (OAPI), Israel and South Korea for the Company's patent application -- *Method and Apparatus for Removing Sheets of Fibres from Banana Plants* ("Original Patent"). Patent rights have now been granted for this patent in the following countries: Australia, China, Egypt, Hong Kong, Indonesia, Japan, Mexico, New Zealand, Philippines, Russia, Singapore, South Africa, Vietnam, African Regional Intellectual Property Organisation (ARIPO) countries and the United States.

The Company's patent application for Improved Fibre Furnish has entered the national phase for patent protection in the following Patent Cooperation Treaty (PCT) countries: Australia, Brazil, Canada, China, Egypt, Hong Kong, India, Japan, Mexico, New Zealand, Russia, Sri Lanka, Ukraine and the United States. This patent is for the production of fibre chips (to be used for the making of panel and other products) and directly relates to the Fibre Production Unit that attaches to the Beta Veneering Unit (that is patent protected under the group's Original Patent).

Update post 31 December 2012

In January 2013 our Dutch partners in the Yellow Pallet concept advised that they were not able to proceed with the project without additional funds being committed by Papyrus and which the Directors of Papyrus were not prepared to accede to at present. Accordingly the project is in abeyance while the future of the project and administrative arrangements are being addressed.

In late February 2013, the Managing Director travelled to Egypt and Europe to progress the development of Papyrus Egypt and strategic relationships with identified companies in Italy and Austria. As and when information of merit is available, the Company will inform the market immediately.

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 6 of this financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the directors.

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 2013

Level 1,
67 Greenhill Rd
Wayville SA 5034
GPO Box 1270
Adelaide SA 5001
T 61 8 8372 6666
F 61 8 8372 6677
E info.sa@au.gt.com
W www.granthornton.com.au

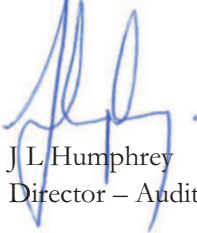
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PYPYRUS AUSTRALIA LTD**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Papyrus Australia Ltd for the half-year ended 31 December 2012, 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
Director – Audit & Assurance

Adelaide, 28 February 2013

Interim statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2012

	Consolidated Group	
	31 December 2012 \$	31 December 2011 \$
Revenue from operating activities	3,667	19,885
Other income/(expenses)	101,250	-
Depreciation expense	(214,364)	(317,779)
Employee benefits expenses	(163,153)	(645,986)
Other expenses	(293,135)	(555,974)
Loss before income tax benefit	(565,735)	(1,499,854)
Income tax benefit	-	291,199
Loss for the period	(565,735)	(1,208,655)
Loss attributable to members of the parent entity	(565,735)	(1,208,655)
Other comprehensive income	-	-
Total comprehensive income for the period	(565,735)	(1,208,655)
Total comprehensive income attributable to members of the parent entity	(565,735)	(1,208,655)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.43)	(1.06)
Diluted earnings per share	(0.43)	(1.06)

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.

Interim consolidated statement of financial position

As at 31 December 2012

	Note	Consolidated Group	
		31 December 2012 \$	30 June 2012 \$
CURRENT ASSETS			
Cash and cash equivalents		159,975	366,071
Trade and other receivables		30,138	35,651
Other current assets		6,500	40,649
TOTAL CURRENT ASSETS		196,613	442,371
NON-CURRENT ASSETS			
Property, plant and equipment	8	1,611,231	1,829,995
Intangible assets	9	2,144,593	2,144,593
TOTAL NON-CURRENT ASSETS		3,755,824	3,974,588
TOTAL ASSETS		3,952,437	4,416,959
CURRENT LIABILITIES			
Trade and other payables		102,796	82,386
Short-term borrowings	11	160,309	26,674
Other current liabilities	10	150,000	100,000
TOTAL CURRENT LIABILITIES		413,105	209,060
NON-CURRENT LIABILITIES			
Long-term borrowings	11	10,133	11,715
Other non-current liabilities		2,928,882	3,030,132
TOTAL NON-CURRENT LIABILITIES		2,939,015	3,041,847
TOTAL LIABILITIES		3,352,120	3,250,907
NET ASSETS		600,317	1,166,052
EQUITY			
Issued capital		19,459,231	19,459,231
Reserves		795,646	795,646
Retained earnings/(accumulated losses)		(19,654,560)	(19,088,825)
TOTAL EQUITY		600,317	1,166,052

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

Interim consolidated statement of changes in equity

For the half-year ended 31 December 2012

	Consolidated Group			
	Issued Capital	Retained Earnings/ (Accumulated losses)	Share Option Reserve	Total
Note	\$	\$	\$	\$
Balance at 1 July 2011	18,380,815	(13,697,490)	769,771	5,453,096
Total comprehensive income for the period	-	(1,208,655)	-	(1,208,655)
Private placement on 9 November 2011	722,000	-	-	722,000
Share-based payments	-	-	25,885	25,885
Balance at 31 December 2011	19,102,815	(14,906,145)	795,656	4,992,326
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

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

Interim consolidated statement of cash flows

For the half-year ended 31 December 2012

	Consolidated Group	
	31 December 2012 \$	31 December 2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(395,766)	(1,141,193)
Interest received	3,217	5,088
NET CASH USED IN OPERATING ACTIVITIES	(392,549)	(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	54,400	112,045
NET CASH PROVIDED BY INVESTING ACTIVITIES	54,400	68,538
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	722,000
Repayment of borrowings	(17,947)	(13,337)
Proceeds from borrowings	150,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	132,053	708,663
Net (decrease)/increase in cash and cash equivalents	(206,096)	(358,904)
Cash at the beginning of the financial period	366,071	832,919
CASH AT THE END OF THE FINANCIAL PERIOD	159,975	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 condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

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 condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2012 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 2012 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 interim financial statements have been approved and authorised for issue by the board of directors on 28 February 2013.

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 2012

4. New standards, interpretations and amendments adopted by the Company

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Company include:

Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Company's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Company's presentation of, or disclosure in, its half-year financial statements.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2012.

6. Significant events and transactions

On 11 October 2012, Papyrus announced that it had executed a funding agreement by way of a draw down loan facility for \$250,000 with Talisker Pty Ltd, a company associated with the Company's Managing Director Mr Ramy Azer. The loan is unsecured and is 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 half year, the Company drew down \$150,000 from this facility and subsequent to 31 December 2012, the Company has drawn down a further \$50,000.

7. Segment reporting

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 condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

8. Property, plant and equipment

	Consolidated Group	
	31 December 2012 \$	30 June 2012 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	2,873,711	1,650,601
Additions	-	92,024
Disposals	(4,400)	(441,769)
Transfer from capital works in progress	-	3,886,615
Impairment of assets	-	(2,313,760)
	<u>2,869,311</u>	<u>2,873,711</u>
<i>Accumulated depreciation</i>		
Opening balance	1,043,716	443,446
Depreciation for the period	214,364	640,765
Disposals	-	(40,495)
	<u>1,258,080</u>	<u>1,043,716</u>
Net book value of plant and equipment	<u>1,611,231</u>	<u>1,829,995</u>
Capital works in progress		
<i>Cost</i>		
Opening balance	-	3,886,615
Additions	-	-
Transfer to plant and equipment	-	(3,886,615)
Net book value of capital works in progress	<u>-</u>	<u>-</u>
Total net book value of property, plant and equipment	<u>1,611,231</u>	<u>1,829,995</u>

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

9. Intangible assets

	Consolidated Group	
	31 December 2012 \$	30 June 2012 \$
Patents and intellectual property		
<i>Cost</i>		
Opening balance	766,447	710,840
Additions	-	55,607
Net book value of patents and intellectual property	766,447	766,447
Development costs		
<i>Cost</i>		
Opening balance	1,378,146	2,177,490
Impairment of assets	-	(799,344)
Net book value of development costs	1,378,146	1,378,146
Total net book value of intangible assets	2,144,593	2,144,593

10. Other current liabilities

Deferred income	150,000	100,000
	150,000	100,000

- (a) Deferred income at 31 December 2012 represents the initial non-refundable deposit from the Egyptian Fibre Company ("EBFC") for machinery to be built and delivered by the Company. A further \$50,000 was received during the half year ended 31 December 2012.

11. Borrowings

SHORT-TERM BORROWINGS

Finance Lease	10,309	26,674
Unsecured loan (a)	150,000	-
	160,309	26,674

LONG-TERM BORROWINGS

Finance Lease	10,133	11,715
	10,133	11,715

- (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.

Notes to the condensed interim consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2012

12. Subsequent events

There are no events that have occurred after 31 December 2012 that should be disclosed in accordance with AASB 110 'Events after the Balance Sheet Date'.

13. Contingent liabilities

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

14. 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 \$565,735 and a net cash outflow from operating and investing activities of \$338,149 during the half-year ended 31 December 2012. 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 2012 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 14).

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 2013

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PYPYRUS AUSTRALIA LTD

We have reviewed the accompanying half-year financial report of Papyrus Australia Ltd (“Company”), which comprises the consolidated financial statements being the interim consolidated statement of financial position as at 31 December 2012, and the interim statement of profit and loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated 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 Ltd 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 Ltd consolidated entity’s financial position as at 31 December 2012 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 Ltd, 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 Ltd is not in accordance with the Corporations Act 2001, including:

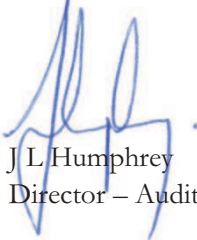
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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 \$565,735 during the half year ended 31 December 2012 and generated a net cash outflow of \$338,149 from operating and investing activities. These conditions, along with other matters identified in Note 14, 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
Director – Audit & Assurance

Adelaide, 28 February 2013