

Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2014

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Appendix 4D Requirements

Results for announcement to the market

	2014 \$A	2013 \$A		Percentage change
Revenues from ordinary activities	-	213	down	100%
Loss from ordinary activities after tax attributable to the members	(238,863)	(445,410)	down	46%
Loss for the period attributable to members	(238,863)	(445,410)	down	46%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2014

The directors have not proposed a dividend for the period ended 31 December 2014

Net Tangible Assets Per Security - cents	(\$0.003)	(\$0.006)
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All other requirements are contained within the attached financial statements and notes.

The Group did not gain or lose control of any entities during the reporting period ended 31 December 2014.

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 2014.

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
Mr Vincent Rigano, Non-Executive Director

Review of Operations

1. The Company continues the re-evaluation of its business model and progresses toward a model where the Company actively participates in banana fibre product production and manufacturing. In the longer run 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, particularly given the economic climate and the risk averse nature of potential participants in a new business venture with new technology.

We accepted the advice in 2013 from our financial advisors MAP Capital who reviewed all of our activities and advised the Board that it was essential for the Company to itself establish a commercial operation in Australia utilising the patented technology and technical know-how.

The Company thus acknowledges that it must first partner with others to get the initial commercial banana fibre production facility operational 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. In November 2014 the Company announced it had entered into a binding Joint Venture Agreement for a banana fibre business project to manufacture banana fibre fruit and vegetable trays utilising natural materials made from waste banana fibre (as an alternative for plastic trays presently used by the industry). This followed an extensive evaluation and analysis and the contractual "off-take" commitment of an established distributor (the other joint venture partner) of such products in Australia to the wholesale fruit and vegetable industry. An important ingredient in this Joint Venture is that it will be demand driven by our partner's customers. The Joint Venture will be incorporated and will manufacture the products under an exclusive licence within Australia granted by PPY. The licence will be for a period of 5 years with a right of renewal for a further 5 years subject to the joint venture meeting agreed performance targets (refer ASX Announcement 7 November 2014).

3. With the Egyptian political climate stabilising and business environment improving earlier in the year the Company transported machinery from Walkamin to the Papyrus Egypt, Sohag factory in Egypt, to enable the Papyrus Egypt banana fibre project to commence once all requisite capital funding is secured for the project, which includes capital for further payments to the Company for the sale of the banana veneering and other machinery. The machinery is under the control of our agent in Sohag until such time as further payment is made by Papyrus Egypt to the Company to satisfy the purchase obligations for the machinery.

Papyrus Egypt is presently in negotiation with the National Bank of Egypt to secure finance to enable it to pay a further sum to the Company as payment for the machinery and to enable Papyrus Egypt to commence commercial production of banana fibre products. The Company will advise the market as soon as the arrangements are finalised to our satisfaction.

Our Egyptian partner has completed the construction and fit-out of the factory in Sohag which is ready for production of banana veneer for sale to the building products and furniture industries, and the production of banana fibre for panel production.

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

During the period The Company entered into agreements with certain existing shareholders to raise \$60,000 by way of a placement of 6,000,000 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share. The funds raised funded working capital requirements and, in particular, (refer ASX Announcements 10 October 2014 & 18 November 2014).

The Company's Managing Director Ramy Azer and his wife Phoebe Azer facilitated a second cash loan to the Company during the period through their wholly owned company Talisker Pty Ltd. The Company has agreed that Talisker shall lend the Company up to an amount of \$250,000 ("the loan") which may be drawn down by the Company from time to time as required from 3 December 2014. The relevant terms on which the loan will be advanced by Talisker to the Company are at a commercial rate of interest, the loan is unsecured and will only be repayable from future revenues or from the proceeds of any future equity raisings, provided that if repayment of the loan at any particular time would materially prejudice the ability of the Company to repay its creditors as a whole then any proposed repayment of the loan shall be deferred until such time as such repayment would not materially prejudice the ability of the Company to repay its creditors as a whole (refer ASX Announcement 7 November 2014).

The Company met 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.

5. The Company's Annual Report was published (ASX Announcement 27 October 2014). The Annual General Meeting was held on 25 November 2014 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 25 November 2014).
6. Following a comprehensive review the Company has consolidated its patent holdings as hereunder:
 - a. Method and Apparatus for Removing Sheets of Fibres from Banana Plants (Original Patent) - Patent rights have been granted for this patent in the following jurisdictions: Australia, China, Egypt, France, Germany, Hong Kong, India (pending), Japan, Malaysia, Philippines, Korea, Thailand (pending), United Kingdom, USA and Vietnam. This patent is for the production of veneer from banana tree trunks.
 - b. Improved Fibre Furnish - Patent rights have been granted in the following jurisdictions: Australia (pending), China (pending), Egypt, France, Germany, Hong Kong (pending), United Kingdom and USA. This patent is for the production of fibre chips from banana tree trunks (to be used for the making of panel and other products) and directly relates to fibre production.

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

27 February 2015

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**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PYPYRUS 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 2014, I declare that, to the best of my knowledge and belief, there have been:

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



S K Edwards
Partner – Audit & Assurance

Adelaide, 27 February 2015

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2014

	Consolidated Group	
	31 December 2014 \$	31 December 2013 \$
Revenue from operating activities	-	213
Other income	43,553	100,636
Depreciation expense	(43,553)	(100,636)
Employee benefits expenses	(93,781)	(245,555)
Other expenses	(145,082)	(200,068)
Loss before income tax benefit	(238,863)	(445,410)
Income tax benefit	-	-
Loss for the period	(238,863)	(445,410)
Loss attributable to members of the parent entity	(238,863)	(445,410)
Other comprehensive income	-	-
Total comprehensive income for the period	(238,863)	(445,410)
Total comprehensive income attributable to members of the parent entity	(238,863)	(445,410)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.13)	(0.33)
Diluted earnings per share	(0.13)	(0.33)

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 2014

	Note	Consolidated Group	
		31 December 2014 \$	30 June 2014 \$
CURRENT ASSETS			
Cash and cash equivalents		18,209	16,360
Trade and other receivables		9,014	2,020
TOTAL CURRENT ASSETS		27,223	18,380
NON-CURRENT ASSETS			
Property, plant and equipment	7	585,390	630,417
TOTAL NON-CURRENT ASSETS		585,390	630,417
TOTAL ASSETS		612,613	648,797
CURRENT LIABILITIES			
Trade and other payables		143,739	77,534
Short-term borrowings	9	269,269	149,269
Other current liabilities	8	150,000	150,000
TOTAL CURRENT LIABILITIES		563,008	376,803
NON-CURRENT LIABILITIES			
Other non-current liabilities		566,216	609,742
TOTAL NON-CURRENT LIABILITIES		566,216	609,742
TOTAL LIABILITIES		1,129,224	986,545
NET LIABILITIES		(516,611)	(337,748)
EQUITY			
Issued capital	10	20,044,691	19,984,691
Reserves		907,666	907,666
Accumulated losses		(21,468,968)	(21,230,105)
TOTAL DEFICIT IN EQUITY		(516,611)	(337,748)

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 2014

	Consolidated Group				
	Note	Issued Capital \$	Accumulated losses \$	Share Option Reserve \$	Total \$
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)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>					
Shares issued via private placement on 4 October 2013		170,000	-	-	170,000
Fair value of shares issued, in lieu of cash for services rendered, on 4 October 2013		48,000	-	-	48,000
Shares issued 11 December 2013 per 2013 AGM resolution		100,000	-	-	100,000
Shares issued 20 December 2013 per 2013 AGM resolution		50,000	-	-	50,000
Shares issued 20 December 2013 to satisfy a loan repayment per 2013 AGM resolution		57,460	-	-	57,460
Fair value of share-based payments - options		-	-	112,020	112,020
Balance at 31 December 2013		19,884,691	(20,983,365)	907,666	(191,008)
Balance at 1 July 2014		19,984,691	(21,230,105)	907,666	(337,748)
Total comprehensive income for the period			(238,863)		(238,863)
<i>Transactions with owners, in their capacity as owners, and other transfers</i>					
Shares issued via private placement on 9 October 2014	10	30,000	-	-	30,000
Shares issued via private placement on 17 November 2014	10	30,000	-	-	30,000
Balance at 31 December 2014		20,044,691	(21,468,968)	907,666	(516,611)

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 2014

	Consolidated Group	
	31 December 2014 \$	31 December 2013 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(176,677)	(289,391)
Interest received	-	213
NET CASH USED IN OPERATING ACTIVITIES	(176,677)	(289,178)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	(1,474)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	(1,474)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	60,000	377,460
Proceeds from borrowings	120,000	-
Repayment of borrowings	-	(121,173)
NET CASH PROVIDED BY FINANCING ACTIVITIES	180,000	256,287
Net (decrease)/increase in cash and cash equivalents	1,849	(32,891)
Cash at the beginning of the financial period	16,360	151,111
CASH AT THE END OF THE FINANCIAL PERIOD	18,209	118,220

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 2014

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 2014 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 2014 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 2015.

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 2014.

4. New Standards, interpretations and amendments by the Company

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 2014, except for the application of the following standards as of 1 July 2014:

- *AASB 1031: Materiality*
- *AASB 1055: Budgetary Reporting*
- *AASB 2013-1, Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*
- *AASB 2013-4, Novation of Derivatives and Continuation of Hedge Accounting*
- *AASB 2013-5, Investment Entities*
- *AASB 2013-9, Conceptual Framework, Materiality and Financial Instruments*
- *AASB 2014-2, Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements*
- *AASB 2014-1, Amendments to Australian Accounting Standards Part A, B and C*

These standards make changes to a number of existing Australian Accounting Standards and are not expected to result in a material change to the manner in which the Group's financial result is determined or upon the extent of disclosures included in future financial reports.

Management has reviewed the new requirements of the above standards and has concluded that there is no effect on the classification or presentation of balances.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

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 30 June 2014 annual report.

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 2014 \$	30 June 2014 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	2,341,474	2,318,350
Additions	-	23,124
Disposals	(1,474)	-
	2,340,000	2,341,474
<i>Accumulated depreciation</i>		
Opening balance	1,711,057	1,170,737
Depreciation for the period	43,553	201,321
Impairment of assets	-	338,999
	1,754,610	1,711,057
Net book value of plant and equipment	585,390	630,417
Total net book value of property, plant and equipment	585,390	630,417

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2014

8. Other current liabilities

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Deferred income	150,000	150,000
	150,000	150,000

- (a) Deferred income at 31 December 2014 represents the initial non-refundable deposit from the Egyptian Fibre Company (“EBFC”) for machinery to be built and delivered by the Company.

9. Borrowings

SHORT-TERM BORROWINGS

Finance Lease	6,729	6,729
Unsecured loan (a)	262,540	142,540
	269,269	149,269

- (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.

On the 3rd December 2014, Talisker Pty Ltd increased the facility by a further \$250,000 with a total facility of \$500,000.

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 2014

10. Share capital

	Consolidated Group	
	31 December 2014 \$	30 June 2014 \$
183,736,431 fully paid ordinary shares (30 June 2014: 177,736,431)	20,044,691	19,984,691
	20,044,691	19,984,691
	2014	
	Number	\$
Ordinary shares		
Balance at beginning of period	177,736,431	19,984,691
Shares issued pursuant to private placement	3,000,000	30,000
Shares issued pursuant to private placement	3,000,000	30,000
Balance at end of period	183,736,431	20,044,691

11. Subsequent events

There are no events that have occurred after 31 December 2014 that should be disclosed in accordance with AASB 110 'Events after the Balance Date'.

12. Contingent liabilities

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

13. 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 \$238,863 and a net cash outflow from operating and investing activities of \$178,151 during the half-year ended 31 December 2014. The group continues to be economically dependent on the generation of cashflow from the business and/ or raising additional capital for the continued development of its Banana Ply Project and working capital. The group continues to be in consultation with its advisers to evaluate alternative means of raising additional equity and working capital.

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

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

Directors' Declaration

In the opinion of the directors of Papyrus Australia Ltd:

- (a) the consolidated financial statements and notes of Papyrus Australia Ltd are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2014 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 13).

On behalf of the Board

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

Mr Edward Byrt
Chairman

27 February 2015

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PYPYRUS 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 2014, 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 2014 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.

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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 2014 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 13 to the financial report which indicates that the consolidated entity incurred a net loss of \$238,863 during the period ended 31 December 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$535,785. These conditions, along with other matters as set forth in Note 13, indicate the existence of a material 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



S K Edwards
Partner – Audit & Assurance

Adelaide, 27 February 2015