

Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2019

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Appendix 4D Requirements

Results for announcement to the market

	31 December 2019 \$A	31 December 2018 \$A		Percentage change
Revenues from ordinary activities	4,599	-	up	100%
Loss from ordinary activities after tax attributable to the members	(116,412)	(55,110)	up	111%
Loss for the period attributable to members	(116,412)	(55,110)	up	111%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2019

The directors have not proposed a dividend for the period ended 31 December 2019

Net Tangible Assets Per Security - cents	\$ 0.001	\$ 0.016
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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 2019.

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 2019.

Director Details

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

Mr Edward Byrt, Chairman

Mr Ramy Azer, Managing Director

Mr Vincent Rigano, Non-Executive Director

Review of Operations

1. In the six months to 31 December 2019 the Company has supported the Egypt Banana Fibre Company ("EBFC") to consolidate the developing banana fibre business being undertaken in Sohag, Egypt as previously reported.
2. In addition to the production of banana veneer and banana fibre for subsequent processing and manufacture to produce saleable products, the Company through the direction of the Managing Director Ramy Azer has guided and undertaken the development of a new agricultural product from banana fibre equivalent to "peat" otherwise imported into Egypt for application to deficient soils.
3. The MD has also reported that another new product branded "Musa" is being produced in Sohag. That product is a nutrient rich liquid fertiliser drawn from the liquid naturally occurring in the banana tree. The Company expects to be in a position to advise the market in this coming half year regarding the intellectual property status of Musa and the actual market acceptance.
4. To date EBFC has invested more than 15 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 or financiers to grow the business in the half year to 30 June 2020 about which the Company will advise the market as and when that occurs.
5. 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.
6. 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.

7. The Company continues to operate on an absolute minimum cost basis to preserve limited working capital.
8. In October 2019, sophisticated shareholders converted 3,500,000 unlisted options to fully paid shares in the capital of the Company at a price of \$0.01 per new share. The \$35,000 raised funded working capital requirements (ASX Announcement 24 October 2019).
9. In November 2019 a significant new investor in the Company entered into an agreement to subscribe for up to 19.9% of the issued equity (ASX Announcement 12 November 2019). Union Pacific Equities Pty Ltd (“UPE P/L”) has to date subscribed \$60,000 and has been issued 6,000,000 shares in accord with the agreement. The new funds are intended to be applied toward the Company’s strategy to strengthen the situation and opportunity in Egypt, and to explore the application of the Company’s patented technology and “know-how” to residual hemp fibre which UPE P/L will bring to the operations of the Company. The Company expects to be able to report further on these opportunities in the coming six months.
10. In December 2019, sophisticated shareholders converted 5,213,084 unlisted options to fully paid shares in the capital of the Company at a price of \$0.01 per new share. The \$52,131 raised funded working capital requirements (ASX Announcement 19 December 2019)
11. The Company’s Managing Director Ramy Azer and his wife Phoebe Azer maintained a cash loan to the Company during the period 2019 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).
12. In December 2019 Talisker converted part of the loan (ASX Announcement 12 December 2019).
13. 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.
14. The Company’s Annual Report was published (ASX Announcement 28 October 2019). The Annual General Meeting was held on 28 November 2019 whereat the Chairman and Managing Director provided a briefing of the Company’s operations and in particular progress in Egypt. (ASX Announcement 28 November 2019).

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.



Mr Edward Byrt
Chairman
28 February 2020

Auditor's Independence Declaration

To the Directors of Papyrus 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 period ended 31 December 2019, 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 AUDIT PTY LTD
Chartered Accountants



D Chau
Partner – Audit & Assurance

Adelaide, 28 February 2020

Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2019

	Note	Consolidated Group	
		31 December 2019 \$	31 December 2018 \$
Revenue from operating activities	6	4,599	-
Other income		55,108	21,159
Depreciation expense		(55,108)	(21,158)
Employee benefits expenses		(1,527)	(1,080)
Finance Costs		(3,143)	(5,334)
Legal Fees	13	(42,998)	-
Other expenses		(73,343)	(48,697)
Loss before income tax benefit		(116,412)	(55,110)
Income tax expense		-	-
Loss for the period		(116,412)	(55,110)
Loss attributable to members of the parent entity		(116,412)	(55,110)
Other comprehensive income		-	-
Total comprehensive income for the year		(116,412)	(55,110)
Total comprehensive income attributable to members of the parent entity		(116,412)	(55,110)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		(0.05)	(0.02)
Diluted earnings per share		(0.05)	(0.02)

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 2019

	Note	31 December 2019 \$	30 June 2019 \$
CURRENT ASSETS			
Cash and cash equivalents		73,952	34,072
Trade and other receivables		9,923	1,147
TOTAL CURRENT ASSETS		83,875	35,219
NON-CURRENT ASSETS			
Property, plant and equipment	7	145,840	200,948
TOTAL NON-CURRENT ASSETS		145,840	200,948
TOTAL ASSETS		229,715	236,167
CURRENT LIABILITIES			
Trade and other payables		90,550	66,358
Short-term borrowings	9	41,309	319,834
Other current liabilities	8	233,180	233,180
TOTAL CURRENT LIABILITIES		365,039	619,372
NON-CURRENT LIABILITIES			
Other non-current liabilities	8	143,352	198,460
TOTAL NON-CURRENT LIABILITIES		143,502	198,460
TOTAL LIABILITIES		508,391	817,832
NET ASSETS		(278,676)	(581,665)
EQUITY			
Issued capital	10	20,978,222	20,558,821
Reserves	11	915,722	915,722
Accumulated losses		(22,172,620)	(22,056,208)
TOTAL EQUITY		(278,676)	(581,665)

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 2019

	Consolidated Group				
	Note	Issued Capital \$	Accumulated losses \$	Share Option Reserve \$	Total \$
Balance at 1 July 2018		20,468,821	(21,946,427)	915,722	(561,884)
<i>Comprehensive income</i>					
Loss for the year		-	(55,110)	-	(55,110)
Total comprehensive income for the period			(55,110)		(55,110)
<i>Total transactions with owners, in their capacity as owners, and other transactions</i>					
Shares Issued via exercise of options on 13 November 2018		45,000	-	-	45,000
Total transactions with owners and other transactions		45,000	-	-	45,000
Balance at 31 December 2018		20,513,821	(22,001,537)	915,722	(571,994)
Balance at 1 July 2019		20,558,821	(22,056,208)	915,722	(581,665)
<i>Comprehensive income</i>					
Loss for the year		-	(116,412)	-	(116,412)
Total comprehensive income for the period		-	(116,412)	-	(116,412)
<i>Total transactions with owners, in their capacity as owners, and other transactions</i>					
Shares Issued via exercise of options on 24 October 2019		35,000	-	-	35,000
Shares Issued to sophisticated investor on 12 November 2019 (net of transaction cost)		58,078	-	-	58,078
Shares Issued for part conversion of loan on 12 December 2019		274,192	-	-	274,192
Shares Issued via exercise of options on 19 December 2019		52,131	-	-	52,131
Total transactions with owners and other transactions		419,401	-	-	419,401
Balance at 31 December 2019		20,978,222	(22,172,620)	915,722	(278,676)

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 2019

	Consolidated Group	
	31 December 2019 \$	31 December 2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(112,395)	(58,578)
Receipts from customers	4,599	-
NET CASH USED IN OPERATING ACTIVITIES	(107,796)	(58,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	147,676	45,000
Proceeds from borrowings	-	664
NET CASH PROVIDED BY FINANCING ACTIVITIES	147,676	45,664
Net (decrease)/increase in cash and cash equivalents	39,880	(12,914)
Cash at the beginning of the financial period	34,072	43,000
CASH AT THE END OF THE FINANCIAL PERIOD	73,952	30,086

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 2019

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 2019 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 2019 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 2020.

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 2019, 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 2019 are the relevant policies for the purposes of comparatives.

AASB 16 Leases

AASB 16 supersedes AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease and became effective for reporting periods beginning on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Accordingly the Group applied AASB 16 for the first time for the period ended 31 December 2019.

There are currently no leases held by the Group. As a result of this the impact of this standard has had no impact on the Group.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

4. Estimates

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

The critical estimates and judgements are consistent with those applied and disclosed in the 30 June 2019 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. Revenue

	Consolidated Group	
	31 December 2019 \$	31 December 2018 \$
Type of goods and services		
Royalties	4,599	-
Total	4,599	-
Recognised at a point in time	4,599	-

The royalty received is in relation to net sales made by EBFC from the Sohag facility and is in accordance with the royalty and license agreement entered into with EBFC in May 2019.

7. Property, plant and equipment

	Consolidated Group	
	31 December 2019 \$	30 June 2019 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	1,961,165	1,961,165
Disposals / Additions	-	-
	1,961,165	1,961,165
<i>Accumulated depreciation</i>		
Opening balance	1,760,217	1,629,830
Depreciation for the period	55,108	130,387
	1,815,325	1,760,217
Net book value of plant and equipment	145,840	200,948
Total net book value of property, plant and equipment	145,840	200,948

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

8. Other liabilities

	Consolidated Group	
	31 December 2019 \$	30 June 2019 \$
Current		
Deferred income	8(a) 233,180	233,180
Total current other liabilities	233,180	233,180
Non-current		
Government grants received in advance	8(b) 143,352	198,460
Total non-current other liabilities	143,352	198,460

(a) Deferred income

Deferred income of \$233,180 represents the initial non-refundable deposit from the Egyptian Fibre Company (“EBFC”) for the machinery to be built and delivered by the Company and further cash advances.

(b) Government grants received in advance

The Company has been the recipient of two government grants that contained claw back provisions if certain performance targets were not met by the Company. The Company has fulfilled its contractual obligations under the respective Grant deeds as at 31 December 2019. The Company has also filed all reports required of it pursuant to the Grant deeds. In accordance with AASB 120 ‘Accounting for Government Grants and Disclosure of Government Assistance’, as the grants related to the Company’s plant and equipment and intangibles, they have been deferred and have been systematically released to profit and loss with the depreciation and impairment of the relevant assets. For the period ended 31 December 2019, \$55,108 has been released (30 June 2019: \$130,388).

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

9. Borrowings

	Consolidated Group	
	31 December	30 June
	2019	2019
	\$	\$
Short term borrowings		
Unsecured liabilities	41,309	319,834
	41,309	319,834

The unsecured loan represents a draw down facility of \$39,463 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 12 December 2019 Talisker Pty Ltd converted \$274,192 of its loan facility to equity (Refer to Note 10 Share capital).

In addition, the Company has unsecured loans as at 31 December 2019 \$1,756 (30 June 2019: \$1,210) with V Rigano (Director) and E Byrt (Director) as at 31 December 2019 \$90 (30 June 2019: \$90). All transactions between the Company and the directors are at arm's length.

10. Share capital

	Consolidated Group	
	31 December	30 June
	2019	2019
	\$	\$
269,343,999 fully paid ordinary shares (30 June 2019: 235,149,515)	20,978,222	20,558,821
	20,978,222	20,558,821
	2019	
	Number	\$
Ordinary shares		
Balance at beginning of period (1 July 2019)	235,149,515	20,558,821
Shares issued pursuant to conversion of unlisted options	3,500,000	35,000
Shares issued to sophisticated investor net of transaction costs	6,000,000	58,078
Shares issued as part conversion of loan	19,481,400	274,192
Shares issued pursuant to conversion of unlisted options (net of costs)	5,213,084	52,131
Balance at end of period (31 December 2019)	269,343,999	20,978,222

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2019

11. Reserves

		Consolidated Group	
		31 December 2019	30 June 2019
		\$	\$
Share Option Reserve			
Balance at beginning of financial period			
Share based payments		915,722	915,722
Balance at end of financial period	11(a)	915,722	915,722

(a) Share option reserve

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.

12. Subsequent events

On 26 February 2020, the Company announced that it had raised \$100,000 (before costs) via a successful share placement. On 26 February 2020, the company issued 10,000,000 shares pursuant to the placement.

Subsequent to 31 December 2019, the group is proposing to purchase a 15% equity in Egyptian Banana Fibre Company 'EPFC' subject to due diligence. In order to reserve its rights at the date of signing the financial report a deposit of \$60,000 had been made.

13. Contingent liabilities and commitments

As reported at 30 June 2019, the Group currently has a claim against it. The Group has been advised by its Legal Counsel that it is only possible, but not probable, that the claim will succeed. Accordingly, no provision for any liability has been made.

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 \$116,412 and a net cash flow from operating and investment activities of \$107,796 during the half year ended 31 December 2019. Current liabilities also exceed current assets by \$281,164 (of which \$233,180 is a non-refundable payment received from Egyptian Banana Fibre Company (EBFC). Taking this into account Current liabilities exceed current assets by \$47,984) at 31 December 2019. The Group continues to be economically dependent on the unsecured loan facility provided by an entity associated with the Managing Director, generation of cash flow 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 and potential partners to evaluate alternative means of raising additional capital. The Directors believe the entity is a going concern because it has the ongoing support of its financier and the Banana Ply project has commenced paying royalties to the Group.

The Group's ability to continue as a going concern is contingent upon the above matters. Consequently a material uncertainty exists as to the consolidated entity's ability to continue as a going concern. If sufficient funds are not available under the loan facility, cash flow is not generated and 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 2019 and of its performance for the half-year ended on that date; and
 - (ii) comply with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

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

Mr Edward Byrt
Chairman

28 February 2020

Independent Auditor's Report

To the Members of Papyrus Australia Ltd

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Papyrus Australia Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 Ltd does not give a true and fair view of the financial position of the Group as at 31 December 2019, 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 14 in the financial report, which indicates that the Group incurred a net loss of \$116,412 during the half year ended 31 December 2019 and, as of that date, the Group's total liabilities exceeded its total assets by \$281,164. As stated in Note 14, these events or conditions, along with other matters as set forth in Note 14, 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 2019 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 have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



D. Chau
Partner – Audit & Assurance

Adelaide, 28 February 2020