



**ASX ANNOUNCEMENT
26 February 2021**

Extended Reporting and Lodgment Deadline – Half Year Accounts to 31 December 2020

Papyrus Australia Ltd (“PPY”/“Company”/“Papyrus”) a world leading “agricultural waste fibre technology company” advises that:-

In accordance with the class waiver from listing rule 4.2B to permit an entity to give its audited half year accounts and the other documents required to be lodged with ASIC under section 320 of the Corporations Act to ASX by the earlier:

- The date the audited half year accounts are ready to be given to the ASX; and
- The date the audited half year accounts must be given to ASIC under the Amended Relief,

Subject to the following conditions:

- 1 PPY is not a mining entity or an oil and gas exploration entity, and the appended information set out in Appendix 4D of the listing rules and its unaudited half year accounts have been provided within two months from the end of the relevant accounting period being 31 December 2020.
- 2 In addition, the following information is provided to the market:
 - 2.1 PPY is relying on the Amended ASIC Relief to extend the lodgment date for its audited half year accounts and other documents to be lodged with ASIC under section 320 of the Corporations Act.
 - 2.2 PPY will immediately make a further announcement to the market if it becomes aware that there will be a material difference between the unaudited half year accounts and its audited half year accounts.

On behalf of the Board

Yours sincerely

Vince Rigano

Company Secretary

Attached: Appendix 4D

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Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2020

Appendix 4D Requirements

Results for announcement to the market

	31 December 2020 \$A	31 December 2019 \$A		Percentage change
Revenues from ordinary activities	197,899	4,599	up	4,203%
Profit/(loss) from ordinary activities after tax attributable to the members	195,535	(116,412)	up	267%
Profit/(loss) for the period attributable to members	195,535	(116,412)	up	267%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2020.

The directors have not proposed a dividend for the period ended 31 December 2020.

	31 December 2020	31 December 2019
Net Tangible Assets Per Security - cents	0.011	0.001

The Group gained control of Papyrus Egypt and did not lose control of any entities during the reporting period ended 31 December 2020.

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

Review of Operations

1. In the six months to 31 December 2020 the Company has supported Papyrus Egypt (“PPYEg”) to consolidate the developing banana fibre business being undertaken in Sohag, Egypt as previously reported.
2. The Company completed the transaction for the purchase of 15% equity in Egypt Banana Fibre Company (EBFC) for an aggregate amount of EGP 3,306,055 (ASX Release: 31 August 2020) and is awaiting approval from the Egyptian Government for the issue of the share certificate. EBFC, PPY and Papyrus Egypt are presently progressing the expansion of PPY’s direct interest in EBFC and its indirect interest in Papyrus Egypt from its present interests. Following the unwinding of the royalty agreement, regained its 50% equity interest in Papyrus Egypt and through its acquisition of the 13.614% interest in EBFC referred to above, has a further 6.8% indirect “interest” in Papyrus Egypt.

Directors' Report (cont.)

For the Period ended 31 December 2020

Review of Operations (cont.)

3. EBFC advised that the moulded fibre product trials carried out by a toll manufacturer under the supervision of EBFC were successful (ASX announcement: 31 August 2020).
4. PPY commissioned a full Due Diligence of PPYEg which was concluded in December 2020. The full legal, financial and operational review was necessary before increasing our investment and ownership in PPYEg.
5. The demand for our natural organic agricultural products namely: Musa (natural fertilizer), Cairo Peat, and Bokashi produced at the Sohag factory continue to out-strip supply. With product sales for the reporting period amounting to EGP2.26 million and a net tax profit of 44%. The Company has provided funding to Papyrus Egypt to enable the purchase and installation of new production equipment in the first quarter of 2021. This equipment is expected to increase current production levels substantially to meet the current and future levels of demand.
6. Research continued to prepare for the production of moulded fibre products. Deposit to purchase new fibre refining equipment was paid. Moulded product testing at commercial facilities in the North of Egypt continued producing samples for our potential customers in China and the USA.
7. Planning commenced to expand the product line at the Sohag factory, to include moulded tableware and food packaging products.
8. In the longer term and beyond in Egypt and elsewhere, the Company believes the best commercial position for it is to be the developer and licensor of its patented and confidential Intellectual Property (IP). However, the Company has experienced many frustrating challenges in bringing that strategy to a beneficial commercial outcome save for the Egypt project and the recently announced MOA to go into China in 2022. The Company is confident that the future opportunities do exist to exploit the IP elsewhere especially given the economic climate and opportunity in several banana growing countries, notwithstanding 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 a future opportunity once the Egypt project has reached completion and demonstrates substantive profitability.
9. The Company acknowledges that for commercial reasons it must initially participate collaboratively with others, as it is doing in Egypt, to get the banana fibre production facilities commercially 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.
10. The Company continues to operate on an absolute minimum cost basis to preserve working capital.
11. In accordance with the agreement entered into with **Union Pacific Equities Pty Ltd** ("UPE") (ASX announcement: 11 November 2019), in August 2020, a further 3,000,000 fully paid shares in the capital of the Company were issued to UPE. The \$30,000 raised funded working capital requirements (ASX Announcement 20 August 2020). In addition, a further 21,000,000 unlisted options were issued to UPE.

Directors' Report (cont.)

For the Period ended 31 December 2020

Review of Operations (cont.)

12. In October 2020 a significant new investor **L39 Capital**, a small cap fund based in Melbourne agreed to make a strategic investment of \$0.5 million for the purchase of 11,075,000 fully paid shares (Tranche 1), the further purchase of 30,591,667 fully paid shares (Tranche 2) (Tranche 2) and the issue of 41,666,667 unlisted options (tranche 3) (ASX announcement: 2 October 2020). Tranches 2 and 3 were the subject of due diligence and approval of the issue at the Annual General Meeting (AGM), At the AGM held on 11 November 2020 the resolutions relating to Tranches 2 & 3 were approved by shareholders (ASX announcement: 11 November 2020). The funds raised will be used for Sales, Marketing, Financial Controls and increased production capacity, with the Company and L39 to work closely together to reposition the company as a leader in the sustainable packaging and renewable materials segment.
13. In November 2020, sophisticated shareholders converted 23,000,000 unlisted options to fully paid shares in the capital of the Company. The \$230,000 raised funded working capital requirements (ASX Announcement: 17 November 2020).
14. In December 2020, the Company successfully completed a \$3 million capital raise from sophisticated and institutional investors with the issue of 60,000,000 fully paid ordinary shares at a price of \$0.05 cents per share. The placement was non-brokered and attracted strong demand from existing and new strategic investors. This capital raising ensures that the Company is well funded, is in a position to implement its business plan and is able to proceed with the development, production and marketing of high-margin fibre-based moulded products.
15. In the 6 months to December 2020 all loans to Talisker and directors were settled.
16. 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.
17. The Company's Annual Report was published (ASX Announcement 9 October 2020). The Annual General Meeting was held on 11 November 2020 whereat the Chairman and Managing Director provided a briefing of the Company's operations and in particular progress in Egypt. (ASX Announcement 11 November 2020).

This report is based on the interim financial report as at 31 December 2020 which are in the process of being reviewed by its auditors. This document comprises the information required by Listing Rule 4.2A. This information should be read in conjunction with the 30 June 2020 Annual Financial Report.

Consolidated statement of profit or loss and other comprehensive income

For the Period ended 31 December 2020

	Note	Consolidated Group	
		31 December 2020 \$	31 December 2019 \$
Revenue from operating activities	6	197,899	4,599
Cost of sales		(73,729)	-
Gross profit		124,170	4,599
Other income		88,545	55,108
Gain on bargain purchase of Papyrus Egypt		455,577	-
Depreciation expense		(21,508)	(55,108)
Employee benefits expenses		(186,740)	(1,527)
Finance Costs		(287)	(3,143)
Legal Fees	14	(25,542)	(42,998)
Other expenses		(238,680)	(73,343)
Profit/(loss) before income tax benefit		195,535	(116,412)
Income tax expense		-	-
Profit/(loss) for the period		195,535	(116,412)
Other comprehensive income		(4,197)	-
Total comprehensive income for the year		191,338	(116,412)
Profit/(loss) attributable to the parent		163,835	(116,412)
Profit/(loss) attributable to non-controlling interest		31,700	-
Profit/(loss) for the period		195,535	(116,412)
Total comprehensive income attributable to the parent		159,638	(116,412)
Total comprehensive income attributable to non-controlling interest		31,700	-
Total comprehensive income for the year		191,338	(116,412)
Earnings per share:		<i>Cents</i>	<i>Cents</i>
Basic earnings per share		0.06	(0.05)
Diluted earnings per share		0.06	(0.05)

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 2020

	Note	Consolidated Group	
		31 December 2020 \$	30 June 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		3,308,344	28,142
Inventories		113,099	-
Trade and other receivables		145,895	33
Prepayment		13,688	260,000
TOTAL CURRENT ASSETS		3,581,026	288,175
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,373,336	91,034
Other financial assets		413	-
TOTAL NON-CURRENT ASSETS		1,373,749	91,034
TOTAL ASSETS		4,954,775	379,209
CURRENT LIABILITIES			
Trade and other payables		118,249	122,843
Short-term borrowings	9	-	46,460
TOTAL CURRENT LIABILITIES		118,249	169,303
NON-CURRENT LIABILITIES			
Other non-current liabilities	8	-	88,546
TOTAL NON-CURRENT LIABILITIES		-	88,546
TOTAL LIABILITIES		118,248	257,849
NET ASSETS		4,836,526	121,360
EQUITY			
Issued capital	10	25,190,581	21,395,581
Reserves	11	911,525	915,722
Accumulated losses		(22,026,108)	(22,189,943)
Total equity to parent		4,075,998	121,360
Equity attributable to non-controlling interests		760,528	-
TOTAL EQUITY		4,836,526	121,360

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 Period ended 31 December 2020

	Consolidated Group				
	Issued	Accumulated	Share Option	Non-Controlling	Total
	Capital	losses	Reserve	Interest	
Note	\$	\$	\$	\$	\$
Balance at 1 July 2019	20,558,821	(22,056,208)	915,722	-	(581,665)
<i>Comprehensive income</i>					
Loss for the year	-	(133,735)	-	-	(133,735)
Total comprehensive income for the period	-	(133,735)	-	-	(133,735)
<i>Total transactions with owners, in their capacity as owners, and other transactions</i>					
Shares Issued via exercise of options on 24 October 2020	35,000	-	-	-	35,000
Shares Issued to sophisticated investor on 12 November 2020 (net of transaction cost)	58,078	-	-	-	58,078
Shares Issued for part conversion of loan on 12 December 2020	274,192	-	-	-	274,192
Shares Issued via exercise of options on 19 December 2020	52,131	-	-	-	52,131
Total transactions with owners and other transactions	419,401	-	-	-	419,401
Balance at 31 December 2019	20,978,222	(22,189,943)	915,722	-	(285,666)
Balance at 1 July 2020	21,395,581	(22,189,943)	915,722	-	121,360
<i>Comprehensive income</i>					
Other comprehensive income	-	-	(4,197)	-	(4,197)
Profit/(loss) for the year	-	163,835	-	31,700	195,535
Total comprehensive income for the period	-	163,835	(4,197)	31,700	191,338
Acquisition of non-controlling interest	-	-	-	728,828	728,828
Shares Issued to sophisticated investor on 20 August 2020	30,000	-	-	-	30,000
Shares Issued to sophisticated investor on 2 October 2020	132,900	-	-	-	132,900
Shares Issued for part conversion of loan on 17 November 2020	230,000	-	-	-	230,000
Shares Issued to sophisticated investor on 17 November 2020	367,100	-	-	-	367,100
Shares Issued to sophisticated investor on 12 December 2020	3,035,000	-	-	-	3,035,000
Total transactions with owners and other transactions	3,795,000	-	-	728,828	4,523,828
Total equity of parent at 31 December 2020	25,190,581	(22,026,108)	911,525	760,528	4,836,526

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 Period ended 31 December 2020

	Consolidated Group	
	31 December 2020 \$	31 December 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(655,716)	(112,395)
Receipts from customers	40,720	4,599
NET CASH USED IN OPERATING ACTIVITIES	(614,996)	(107,796)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash acquired on business combination	150,855	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	150,855	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,795,000	147,676
Repayment from borrowings	(46,460)	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,748,540	147,676
Net increase in cash and cash equivalents	3,284,399	39,880
Effects of foreign currency translation	(4,197)	-
Cash at the beginning of the financial period	28,142	34,072
CASH AT THE END OF THE FINANCIAL PERIOD	3,308,344	73,952

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

Notes to the Financial Statements

For the Period ended 31 December 2020

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 2020 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 2020 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 26 February 2021.

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 2020, except as described below. The accounting policies included in the Group's last annual financial statements for the year ended 30 June 2020 are the relevant policies for the purposes of comparatives.

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 2020 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.

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

Notes to the Financial Statements (cont.)

For the Period ended 31 December 2020

6. Revenue

	Consolidated Group	
	31 December 2020 \$	31 December 2019 \$
Type of goods and services		
Product sales	197,899	-
Royalties	-	4,599
Total	197,899	4,599
Recognised at a point in time	197,899	4,599

The product sales relate to the sale of various products manufactured at the by Papyrus Egypt at the Sohag factory in Egypt

7. Property, plant and equipment

	Consolidated Group	
	31 December 2020 \$	30 June 2020 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	1,961,166	1,961,166
Disposals	(1,961,166)	-
Acquired through business combination	1,517,199	-
	1,517,199	1,961,166
<i>Accumulated depreciation</i>		
Opening balance	1,760,217	1,760,218
Disposals	(1,760,217)	-
Depreciation for the period	21,508	109,914
	21,508	1,870,132
Effects of foreign currency translation	(122,355)	-
Net book value of plant and equipment	1,373,336	91,034

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

Notes to the Financial Statements (cont.)

For the Period ended 31 December 2020

8. Other liabilities

		Consolidated Group	
		31 December 2020	30 June 2020
		\$	\$
Non-current			
Government grants received in advance	8(a)	-	88,456
Total non-current other liabilities		-	88,456

(a) 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 2020. 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', for the period ended 31 December 2020, \$88,456 has been released (30 June 2020: \$109,914).

9. Borrowings

		Consolidated Group	
		31 December 2020	30 June 2020
		\$	\$
Short term borrowings			
Unsecured liabilities		-	46,460
		-	46,460

The Company's unsecured loans as at 30 June 2020 were settled prior to 30 December 2020 as follows, \$2,029 (30 June 2020: \$2,029 with V Rigano (Director), E Byrt (Director) as at 31 December 2020 \$90 (30 June 2020: \$90) R Azer \$4,879 (30 June 2020: \$4,879 and Talisker \$39,462 (30 June 2020: \$39,462). All transactions between the Company and the directors are at arm's length.

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

Notes to the Financial Statements (cont.)

For the Period ended 31 December 2020

10. Share capital

427,710,066 fully paid ordinary shares
(30 June 2020: 299,343,999)

Consolidated Group	
31 December 2020	30 June 2020
\$	\$
25,190,581	21,395,581
25,190,581	21,395,581

Ordinary shares

Balance at beginning of period (1 July 2020)
Shares issued to sophisticated investor
Shares issued to sophisticated investor
Shares issued as part conversion of options
Shares issued to sophisticated investor
Shares issued to sophisticated investor
Balance at end of period (31 December 2020)

2020	
Number	\$
299,343,999	21,395,581
3,000,000	30,000
11,075,000	132,9000
23,000,000	230,000
30,591,667	367,100
60,700,000	3,035,000
427,710,666	25,190,581

11. Reserves

Reserve

Balance at beginning of financial period
Share based payments
Foreign currency translation
Balance at end of financial period

Consolidated Group	
31 December 2020	30 June 2020
\$	\$
915,722	915,722
(4,197)	-
911,525	915,722

(a) Share option reserve

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

(b) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income. The cumulative amount is reclassified to profit or loss when the net investment is disposed.

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

Notes to the Financial Statements (cont.)

For the Period ended 31 December 2020

12. Business combination

Effective on 1 July 2020, Papyrus Australia Limited relinquished its entitlement to licencing fees and royalties in Papyrus Egypt in consideration for the reacquisition of 50% equity in Papyrus Egypt from Egyptian Banana Fibre Company. The Company also completed the transaction for the purchase of 13.614% equity in Egypt Banana Fibre Company for \$319,202, increasing in indirect interest in Papyrus Egypt by 6.807%.

The acquired business contributed revenues of \$197,899 and profit after tax of \$73,390 to the consolidated entity for the period from 1 July 2020 to 31 December 2020.

Details of the transaction are as follows:

	Fair value
	\$
Cash and cash equivalents	210,855
Inventories	123,128
Prepayments	14,902
Property, plant and equipment	1,517,199
Other financial assets	449
Trade and other payables	(502,654)
Net assets acquired	<u>1,363,879</u>
Net assets acquired in line with ownership percentage of 56.807%	<u>774,779</u>
<i>Fair value of the consideration transferred</i>	
Cash paid to vendor	<u>319,202</u>
Gain on bargain purchase	<u>455,577</u>

The values identified in relation to this business combination are provisional and will be finalised within 12 months of the transaction occurring.

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

Notes to the Financial Statements (cont.)

For the Period ended 31 December 2020

13. Subsequent events

On 1 January 2021, Steve Howe retired as a director of the Company for personal health reasons.

On 7 February 2021, a Union Pacific Trading (UPT) a related party of Union Pacific Equities (UPE) signed a Memorandum of Agreement (MOA) with the Company. The MOA contemplates the establishment of the first “turn-key” factory in China in 2022 and the sale of “turn-key” factories to produce moulded banana fibre products.

The MOA contemplates a 5 stage milestone process, namely:-

- Stage 1 contemplates the establishment of a joint venture company under Chinese law, with a completion target date of end March 2021.
- Stage 2 requires the JV Company to undertake compressive project research in China regarding the Government and all other requirements to establish the first Project within or near banana growing areas.
- Stage 3 requires the JV Company to organise in 2021 field trips for PPY officers to travel to china to assess the proposed site for the first manufacturing facility and inspect the available plantations.
- Stage 4 requires the development of a business plan for the JV Company to undertake the first Project which will require patented Papyrus equipment and other proprietary fibre processing machinery required for the first Project.
- Stage 5 requires the execution of a contract between PPY and the JV Company no later than end of July 2021, together with the payment of a deposit to PPY for the purchase of proprietary plant and equipment necessary for the first Project in accordance with the agreed business plan.

14. Contingent liabilities and commitments

On 17 September 2020 the Company settled the legal claim for alleged defamation instituted by Dr Allan Branch. The terms of the settlement agreement are to remain confidential between the parties. There are no other claims against the Group.

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