UNAUDITED

Papyrus Australia Limited

ABN 63 110 868 409

Preliminary Final ASX Report

for the year ended 30 June 2012

	2012 $A	2011 $A		Percentage change
Revenues from ordinary activities	14,783	195,070	down	(92)%
Loss from ordinary activities after tax attributable to the members	(5,391,335)	(4,791,977)	up	(13)%
Loss for the period attributable to members	(5,391,335)	(4,791,977)	up	(13)%

Dividends (distributions)

No dividend has been paid during the year ended 30 June 2012

The directors have not proposed a dividend for the year ended 30 June 2012

Net Tangible Assets Per Security - cents	($0.007)	$0.023

Basis of Financial Report Preparation

This financial report is for the year ended 30 June 2012 and has been prepared in accordance with the Australian Securities Exchange Listing rules as they relate to Appendix 4E and in accordance with the Corporations Act 2001. The accounting policies adopted with the contents of this report are consistent with those of the previous financial year and corresponding interim reporting period. Comments are for the twelve months ended 30 June 2012 with comparatives for the twelve months ended 30 June 2011 shown in parentheses. All amounts are measured in Australian Dollars, unless otherwise specified.

Audit Status

The financial statements contained within this Appendix 4E are in the process of being audited and, as such, the accounts are presented unaudited.

Review of Papyrus Australia Ltd 2012 Results

Corporate

During the financial year:-

- The Company placed a total of 21,640,000 ordinary fully paid shares at a price of $0.05, raising $1.082 million; and
- A total of 750,000 unlisted options with an exercise price of $0.12 and an expiry date of 30 June 2016 were issued to key management personnel.

At 30 June 2012, the Company held $0.366 Million in available cash.

Review of Papyrus Australia Ltd 2012 Results (Cont.)

The Company's commercialisation strategy is to be a technology licensing company assisting suitable entities to establish banana veneering and fibre production factories in locations worldwide where bananas are grown. The Company's revenue will be generated from technology licencing fees, and machinery sales and support services. To that end the commercial focus during FY12 was on developing its operational activity in Egypt, the market for product in Egypt and Europe, and the development of the joint venture company Yellow Pallet BV based in the Netherlands. The Company significantly reduced its operating costs, including the non payment of directors' fees, to preserve working capital. At 30 June 2012, the Company held $366k in available cash.

Mr Christopher Smerdon retired as a director of the Company on 31 August 2011. The Company chose not to replace the position.

The Company's 2011 Annual Report was published: ASX Announcement 21 November 2011.

The Annual General Meeting of the Company was held on 23 November 2011 whereat the Chairman and Managing Director gave comprehensive reviews of the Company's operations: ASX Announcements 21 October 2011 and 23 November 2011.

During the period Shareholder Newsletters were published: ASX Announcements - 20 October 2011, 18 January 2012, 18 April 2012 and 25 June 2012.

The company's leased facility at Yeerongpilly, Brisbane, Queensland (former Brimms factory) ceased on 30 June 2012. Removal of all redundant plant and equipment has taken place and all settlement arrangements with the landlord were achieved satisfactorily.

Intellectual Property

The Company's intellectual property bank continued to grow. During FY12, patents were granted for the Method and Apparatus for Removing Sheets of Fibres from Banana Plants (Original Patent) by the United States and Taiwan. Patent rights have now been granted for this patent in the following countries: Australia, China, Egypt, Hong Kong, Indonesia, Japan, Malaysia, Mexico, New Zealand, Peru, Philippines, Russia, Singapore, South Africa, Vietnam, African Regional Intellectual Property Organisation (ARIPO) countries, the United States and Taiwan.

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 USA. 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, recently developed, and attaches to the Beta Veneering Unit (which is the patent protected under the group's Original Patent).

Capital Raising

A share placement announced to the market on 7 November 2011 injected $1082K in capital to the Company. The first tranche of $722K occurred in November 2011: ASX Announcement 7 November 2011. The balance via the second tranche of $360k followed a General Meeting of Shareholders held on 18 January 2012: ASX Announcement 18 January 2012. The funds raised were applied to working capital requirements in particular, to assist the Company in continuing to support the establishment of Papyrus Egypt and the Yellow Pallet project.

Papyrus Egypt

The Company's objective in Egypt is to develop the world's first integrated commercial banana fibre and banana veneer factory utilising waste banana tree trunks and developing strategic alliances with suppliers of raw materials, users of the factory's off take and distributers and users of the product produced in Egypt and Europe. Papyrus Australia Ltd in addition to being a 50% equity holder of the established company Papyrus Egypt will also supply the machinery, intellectual property and know-how under a licence agreement and machinery purchase agreement.

The choice of Egypt, more specifically Sohag in Upper Egypt (over 500km South of Cairo in the Nile Valley), as the location of the first factory was a considered strategic decision of the Board, having regard to many factors not the least of which were:

- the identified demand in Egypt for a new indigenous renewable and sustainable source of fibre – Egypt does not have any forests and imports at great cost most of the fibre required for its considerable domestic consumption;
- the comparatively cheaper and readily available energy, labour and infrastructure costs in Upper Egypt;
- the availability of abundant quantities of waste banana tree trunk material in Upper Egypt which is currently a nuisance waste by-product of banana fruit production, and
- the encouragement of the Egyptian government, the Executive Governor of the Sohag Governate in Upper Egypt (a Governate is the equivalent of a State in the Australian context), and leading business organisations such as the National Bank of Egypt and the Upper Egypt Investment Company, and regional communities, to establish a new, and for Upper Egypt, a significant economic enterprise which benefits the community and the environment.

Papyrus Egypt has been granted land by the local authorities of 2,000sqm in the Kawthar industrial estate in Sohag to build the factory which is around 1200 sqm of concrete and masonry construction build. The necessary operating infrastructures have been connected. This was at the cost of our partner, the Egypt Banana Fibre Company (EBFC). EBFC is solely responsible to fund the capital and initial operating requirements of Papyrus Egypt through the joint venture and Papyrus Australia will own 50% of the issued shares in Papyrus Egypt. Details of EBFC have been advised to the market during FY12 – refer Shareholder Newsletters noted above.

Another important participant in Egypt is the Egyptian Government owned NAG-HAMADY Fiber Board Company also based in the Sohag Governate. NAG-HAMADY is Egypt's largest producer of bagasse fibre (from sugarcane) MDF panelboard sold in Egypt and the Middle East region, and is seeking additional sources of agricultural fibre for its growing business to export to Europe. NAG-HAMADY has successfully undertaken testing of banana fibre (sourced from the Company's Walkamin Demonstration factory in Far North Queensland) and the off take fibre from the Papyrus Egypt factory, once operational, will be an additional natural fibre source for NAG-HAMADY for their existing business of panelboard manufacture.

As the Chairman said in the June 2012 Shareholder Newsletter, Egypt continues to challenge the Company because of the prolonged unsettled political environment and consequently the social and economic climate, that has caused some uncertainty and slowed the decision making processes of government and business. The Board is of the view that patience and persistence are required and remains confident of the future for the Papyrus Egypt project.

Yellow Pallet

The company Yellow Pallet B V has been incorporated in the Netherlands with Papyrus Australia owning 50% equity. Details of the other joint venture partners are contained in the Shareholder Newsletter No 4 published in October 2011. The objective of the Yellow Pallet project is to develop technology and new patented machinery to produce pallets from banana fibre for use in the logistic industry starting with transport pallets for use initially by the banana industry in central and southern America.

The proposal is for Yellow Pallet to sell banana fibre producing factories which will comprise the patented Papyrus banana veneering and fibre producing machines to be manufactured by the Papyrus Australia wholly owned subsidiary The Australian Advanced Manufacturing Centre Pty Ltd (AAMC). Yellow Pallet will also be the sole supplier of proprietary adhesives and other specialist machines needed to manufacture banana fibre pallets.

In March 2012 a consulting company to Yellow Pallet, Hollandia Systems B V (a leading Dutch machinery and processing equipment manufacturing company) had a senior engineer visit the Walkamin Demonstration Factory to witness and assess the proprietary Papyrus technology and processes and validate the production capacity of the machines.

The pre-feasibility work already undertaken by the Yellow Pallet project team suggests that this project will:

- Prove the utilisation of waste banana fibre and create a new industry;
- Address the huge demand from the global shipping pallet market currently relying on forest sourced timber;
- Realise a price reduction per pallet from around US$11 to about US$9;
- Create at least 150 jobs per pallet factory;
- Create a stream of new bio-mass (renewable energy source) to Europe, USA and Japan, and
- Reduce carbon emissions and the use of wood.

In addition to being a 50% equity holder of this project, the Company, through its subsidiary AAMC, stands to significantly benefit from this project through the sale of the Papyrus proprietary machines for each factory and ongoing maintenance contracts.

The Yellow Pallet project is supported in various ways by a number of governmental, institutional and private companies in Europe.

The most recent activity of the project team is the preparation of a comprehensive business case to take to identified funding institutions.

Product Development

Testing of fibre and products occurred on several fronts during the year. The process was to submit batch quantities of fibre chips taken from the Company's Walkamin factory and utilising various recipes, techniques and formulae under heat test and pressure conditions to produce panel. The test panels have been submitted for independent testing and evaluation. The objective is to achieve results of suitable standards and certification to enable banana fibre panel to be offered as a sustainable and superior panelboard product alternative to wood-based products for use in the construction industry.

The Australian trials with fibre conducted early in the year concluded more work was required on the binding properties for structural panel which has now been taken up by NAG-HAMADY in Egypt and the Fraunhoffer Institute in Germany. However, for non structural panel such as ceiling/acoustic tiles and insulation it appears banana fibre is quite suitable and is to be market tested.

NAG-HAMADY has now satisfactorily completed its own scientific analysis and industrial testing of banana fibre for the purpose of making fibre board (MDF). Together with another Egyptian company Abu El Holl, a large panelboard manufacturer introduced by NAG-HAMADY, we have jointly funded and commissioned the Fraunhofer Institute to develop the formula to make certifiable industrial-use panelboard from banana fibre. Papyrus Australia will retain ownership of any new intellectual property developed by Fraunhoffer. These two Egyptian companies (NAG-HAMADY and Abu El Holl) remain active and interested prospective commercial participants in the business opportunities presented in Egypt and Europe for MDF and panel board production from banana fibre, as an alternate to the use
of wood products.

The Fraunhofer Institute is Europe's largest agricultural application orientated research organisation and is regarded as a world leading panelboard research Institute. We expect this project to deliver an independent verification of the formula and the costs of producing panel board from banana fibre for certifiable industrial use worldwide. The results are expected in Q1 of FY13.

EBFC continues to process the veneer produced and sold from the Walkamin Demonstration Factory for the making of floorboards (the veneer being applied to MDF/HDF substrate), skins for doors and decorative panels for sale in Egypt and Europe. Additionally, EBFC has been supplying a company located in Holland, Steward Design Panels, with banana veneer laminate on bagasse MDF panel board. Steward has designed and engineered this product to create decorative acoustic ceiling panels, which has attracted the architectural profession and are now being installed in major projects in Holland. Images of these products and a catalogue can be viewed at Papyrus Australia's website: www.papyrusaustralia.com.au. The banana veneered floorboards and the decorative banana veneered panels made by EBFC are the first totally “green” natural fibre panels available in Egypt and Europe – absolutely tree free. This is a significant marketing edge for the Papyrus branded products.

During the year an alternative veneer drying process using pressure as an alternative to oven drying was trialled at the Company’s Walkamin factory. The testing was successful and the process has been documented. This drying process will now be applied at a commercial scale when the Egypt factory is ready for production.

Testing for banana fibre strength and utility for the making of pallets for the Yellow Pallet project is being conducted by the Wageningen University in the Netherlands and these results will be known in Q1 of FY13.

The Australian Advanced Manufacturing Centre Pty Ltd (AAMC)

AAMC is the wholly owned subsidiary of Papyrus Australia Ltd located at Stirling Street, Thebarton, South Australia. The Company’s main function is to design, build, commission and service machinery and equipment required by Papyrus and other customers.

The Board of AAMC decided to close down its precision engineering workshop early in the year due to the down turn in the economy and limited work being available or prospectively available in the short term. The tool shop has been contracted out in the interim. The plant and equipment will be available to the Company if and/or when required in the future.

The completion of 2 new veneering machines has been put on hold until such time as sufficient funding arrangements are in place from Egypt.

The Walkamin Demonstration Factory

The Company previously reported that production at the Walkamin Demonstration Factory had been scaled back to preserve working capital while the Company focuses its efforts in the development of the Egypt facility. Prior to the scale back in Q1, the Company was able to confidently demonstrate the machinery and in-line production - that is the linkages between the Log Yard and conveying system, to the Beta Veneering Unit, to the drying process for veneer and Fibre Production Unit for fibre chips - worked seamlessly. This was an important milestone in the context of developing the Company's (through Papyrus Egypt) first full scale operation in Egypt. Work continued during the period making minor enhancements to the Beta Veneering and the Fibre Production Units and producing sample batches of fibre forwarded for testing in Egypt, Germany and the Netherlands.

Environmental Value

The Company continues to monitor the developments and opportunities in carbon emission reduction initiatives worldwide. As previously reported, the Company is cognisant that the conversion of banana tree trunk waste into usable product will generate particularly in developing countries, “carbon certificates” which are able to be monetised and are presently tradeable in Europe.

Specifically in reference to the Company’s development in Egypt, a developing country, a carbon emission reduction project is eligible within the United Nations sponsored Clean Development Mechanism (CDM) and Papyrus Egypt is likely to be eligible for carbon certificates which are presently tradeable in Europe. As Yellow Pallet factory facilities will be in developing countries as well, these same benefits are likely to apply.

Update post 30 June 2012

In July 2012 the Company was pleased to receive the grant of patent from African Intellectual Property Organization (OAPI) and Israel for the Company's original patent application -- Method and Apparatus for Removing Sheets of Fibres from Banana Plants.

In July 2012 the Managing Director travelled to Egypt and Europe to progress the development of Papyrus Egypt and to advance the business of Yellow Pallet. He was joined by the Chairman in Egypt in late July 2012. The Managing Director remained in Egypt until mid August. The Company will announce any material developments from Egypt/Europe as matters progress and as required.

Statement of Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		Consolidated Group	
		30 June 2012 $	30 June 2011 $
Revenue from operating activities	2 (a)	14,783	195,070
Other income/(expenses)	2 (b)	202,211	21,500
Depreciation expense	2 (c)	(640,765)	(280,148)
Employee benefits expenses	2 (d)	(981,223)	(1,413,542)
Other expenses	2 (e)	(1,162,899)	(1,613,850)
Impairment expense	7&8	(3,113,104)	(1,989,489)
Loss before income tax benefit		(5,680,997)	(5,080,459)
Income tax benefit		289,662	288,482
Loss for the period		(5,391,335)	(4,791,977)
Loss attributable to members of the parent entity		(5,391,335)	(4,791,977)
Other comprehensive income		-	-
Total comprehensive income for the period		(5,391,335)	(4,791,977)
Total comprehensive income attributable to members of the parent entity		(5,391,335)	(4,791,977)
Earnings per share:		*Cents*	*Cents*
Basic earnings per share	3	(4.43)	(4.75)
Diluted earnings per share	3	(4.43)	(4.75)

Statement of Financial Position
AS AT 30 JUNE 2012

	Note	Consolidated Group 30 June 2012 $	30 June 2011 $
CURRENT ASSETS			
Cash and cash equivalents	4	366,071	832,919
Trade and other receivables	5	35,651	52,551
Other current assets	6	40,649	74,356
TOTAL CURRENT ASSETS		442,371	959,826
NON-CURRENT ASSETS			
Property, plant and equipment	7	1,829,995	5,093,770
Intangible assets	8	2,144,593	2,888,330
TOTAL NON-CURRENT ASSETS		3,974,588	7,982,100
TOTAL ASSETS		4,416,959	8,941,926
CURRENT LIABILITIES			
Trade and other payables	9	82,386	223,940
Short-term borrowings	10	26,674	26,674
Short-term provisions	11	-	66,608
Other current liabilities	12	100,000	-
TOTAL CURRENT LIABILITIES		209,060	317,222
NON-CURRENT LIABILITIES			
Long-term borrowings	10	11,715	38,389
Long-term provisions	11	-	15,188
Other non-current liabilities	12	3,030,132	3,118,031
TOTAL NON-CURRENT LIABILITIES		3,041,847	3,171,608
TOTAL LIABILITIES		3,250,907	3,488,830
NET ASSETS		1,166,052	5,453,096
EQUITY			
Issued capital	13	19,459,231	18,380,815
Reserves	14	795,646	769,771
Retained earnings/(accumulated losses)		(19,088,825)	(13,697,490)
TOTAL EQUITY		1,166,052	5,453,096

Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

		Consolidated Group			
	Note	Issued Capital $	Retained Earnings/ (Accumulated losses) $	Share Option Reserve $	Total $
Balance at 1 July 2010		16,889,136	(8,905,513)	761,252	8,744,875
Total comprehensive income for the period		-	(4,791,977)	-	(4,791,977)
Shares issued via private placement	13	1,558,234	-	-	1,558,234
Transaction costs (net of tax)	13	(66,555)	-	-	(66,555)
Share-based payments	14	-	-	8,519	8,519
Balance at 30 June 2011		18,380,815	(13,697,490)	769,771	5,453,096
Balance at 1 July 2011		18,380,815	(13,697,490)	769,771	5,453,096
Private placement on 9 November 2011	13	722,000	-	-	722,000
Private placement on 30 January 2012	13	160,000	-	-	160,000
Private placement on 10 February 2012	13	200,000	-	-	200,000
Share-based payments	14	-	-	25,875	25,875
Transaction costs (net of tax)	13	(3,584)	-	-	(3,584)
Total comprehensive income for the period		-	(5,391,335)	-	(5,391,335)
Balance at 30 June 2012		19,459,231	(19,088,825)	795,646	1,166,052

Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group 30 June 2012 $	Consolidated Group 30 June 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		41,513	158,007
R&D concession received		363,999	396,256
Payments to suppliers and employees		(1,921,417)	(3,156,338)
Grant funds received		-	623,023
Interest received		14,783	92,929
NET CASH USED IN OPERATING ACTIVITIES	4 (a)	(1,501,122)	(1,886,123)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(92,024)	(1,155,646)
Purchase of development assets		(55,607)	(23,525)
Proceeds from sale of property, plant and equipment		131,700	-
NET CASH USED IN INVESTING ACTIVITIES		(15,931)	(1,179,171)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,082,000	1,558,234
Transaction costs on issue of shares		(5,121)	(95,079)
Repayment of borrowings		(26,674)	(9,054)
NET CASH PROVIDED BY FINANCING ACTIVITIES		1,050,205	1,454,101
Net (decrease)/increase in cash and cash equivalents		(466,848)	(1,611,193)
Cash at the beginning of the financial period		832,919	2,444,112
CASH AT THE END OF THE FINANCIAL PERIOD	4	366,071	832,919

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited consolidated Annual Financial Report.

The Preliminary Final Report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The Financial Report also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board. In preparing the Preliminary Financial Report, Papyrus Australia Ltd is a for-profit entity.

The Preliminary Final Report is presented in Australian dollars and has been prepared on the basis of historical cost except where assets and liabilities are stated at their fair values in accordance with relevant accounting policies.

The consolidated Annual Financial Report is in the process of being audited and will be made available prior to 30 September 2012. This Report should also be read in conjunction with any public announcements made by Papyrus during the year in accordance with the continuous disclosure requirements arising under the Corporations Act 2001 and ASX Listing Rules.

b. Basis of consolidation

The consolidated financial statements comprise the financial statements of Papyrus Australia Ltd and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

c. Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Costs directly attributable to the combination are expensed as incurred. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

d. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

e. Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

f. Borrowing costs

Borrowing costs are recognised as an expense when incurred.

g. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

h. Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of 3 months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Trade and other receivables

All debtors are recognised at cost less provision for doubtful debts, which in practice will equal the amounts receivable upon settlement. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect on all amounts due according to the original terms of receivables. The amount of the provision is recognised in the statement of comprehensive income.

j. Income tax

Income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

k. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

l. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line over the estimated useful life of the assets as follows:

Plant and equipment 2.5 - 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in a combination of functional expense items.

m. Intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are expensed against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

n. Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

o. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

p. Employee leave benefits

Provision is made for the Group’s liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to matrity that match the expected timing of cash flows.

q. Share-based payment transactions

The Group provides benefits to employees and consultants of the Group in the form of share-based payments, whereby employees or consultants receive option incentives (equity-settled transactions).

There is currently one plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to directors and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost is recognised as an expense in the income statement, together with a corresponding increase in the share option reserve, when the options are issued. The fair value is determined using the Black Scholes option pricing model.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

r. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

s. Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

t. Significant accounting judgements and key estimates

The preparation of financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing this report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

In the year ended 30 June 2012, management reassessed its estimates in respect of:

Key Estimates — Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to an impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Significant Accounting Estimate
The Group has capitalised the development costs in relation to the development of the Banana Ply Technology. The recoverability of the asset is dependent on the successful commercialisation of the technology. As 30 June 2012, the commercialisation of the project was not yet complete.

u. Changes in accounting policies

Adoption of AASB's and improvements in AASB's 2011 – AABS 1054 and AASB 2011-11
The AASB has issued AASB 1054 Australian Additional Disclosures and 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

v. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the group

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

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

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

Consolidation standards
A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

AASB 10 Consolidated Financial Statements (AASB 10)
AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation - Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

AASB 11 Joint Arrangements (AASB 11)
AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

AASB 12 Disclosure of Interests in Other Entities (AASB 12)
AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)
AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

AASB 13 Fair Value Measurement (AASB 13)
AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)
The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)
AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

2. REVENUE AND EXPENSES

	Consolidated Group 30 June 2012 $	Consolidated Group 30 June 2011 $
REVENUE		
(a) Revenue from operating activities		
Interest received from other parties	14,783	55,851
Sales revenue	-	139,219
	14,783	195,070
(b) Other income		
Net profit on disposal of property, plant and equipment	-	21,500
Grant revenue	202,211	-
	202,211	21,500
EXPENSES		
(c) Depreciation of non-current assets		
Plant and equipment	640,765	280,148
Total depreciation	640,765	280,148
(d) Employee benefits expense		
Wages, salaries and other remuneration expenses	1,012,324	1,715,416
Superannuation expense	24,820	65,287
Transfer to/(from) annual leave provision	(81,796)	14,140
Share based payments expense	25,875	8,519
Transfer to capitalised intangibles and plant and equipment	-	(389,820)
Total employee benefits expense	981,223	1,413,542
(e) Other expenses		
Audit fees	37,000	37,500
Legal fees	38,537	11,046
Professional services	249,092	302,845
Travel and accomodation	106,955	170,438
Directors fees	-	73,333
Company secretarial	21,670	30,008
Rent	165,914	240,635
Communications expense	21,839	48,155
Share registry and ASX expenses	64,503	111,918
Marketing expenses	3,558	19,347
Public relations cost	-	39,170
Contractors	-	213,906
Freight expenses	-	46,571
Motor vehicle costs	17,344	87,135
Factory operating costs	24,025	153,223
Net loss on disposal of plant and	357,469	-
Other expenses	54,993	28,620
	1,162,899	1,613,850

3. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated Group	
	2012 $	2011 $
Net loss attributable to ordinary equity holders of the parent	(5,391,335)	(4,791,977)
	2012	**2011**
Weighted average number of ordinary shares for basic earnings per share	121,606,841	100,967,047
Effect of dilution		
Share options	-	-
Weighted average number of ordinary shares adjusted for the effect of dilution	121,606,841	85,933,005

Earnings per share:	*Cents*	*Cents*
Basic earnings per share	(4.43)	(4.75)
Diluted earnings per share	(4.43)	(4.75)

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taking into account.

4. CASH AND CASH EQUIVALENTS

	Consolidated Group	
	2012 $	2011 $
Cash at bank and in hand	366,071	832,919
	366,071	832,919

	Consolidated Group	
	2012	2011
	$	$
Reconciliation to Statement of Cash Flows		
For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise the following at 30 June:		
Cash at banks and in hand	366,071	832,919
Short-term deposits	-	-
	366,071	832,919

4(a) Reconciliation of net loss after tax to net cash flows from operations		
Net loss	(5,391,335)	(4,791,977)
Adjustments for non-cash items:		
Impairment of assets	3,113,104	1,989,489
Depreciation	640,765	280,148
Share-based payments	25,875	8,519
Non cash tax expense	1,537	28,524
Net (profit)/loss from sale of property, plant and equipment	357,469	-
Changes in assets and liabilities		
Decrease/(Increase) in trade and other receivables	16,900	90,102
Decrease/(Increase) in other current assets	33,707	72,343
Increase(Decrease) in trade and other payables	(293,041)	(294,873)
Increase/(Decrease) in provisions	81,796	29,328
Increase in deferred income	(87,899)	702,274
Net cash from operating activities	(1,501,122)	(1,886,123)

5. TRADE AND OTHER RECEIVABLES

	Consolidated Group	
	2012	2011
	$	$
Current		
Trade receivables	44,753	42,880
Provision for doubtful debts	(26,400)	(26,400)
GST receivable	17,298	36,071
	35,651	52,551

6. OTHER CURRENT ASSETS

	Consolidated Group 2012 $	Consolidated Group 2011 $
Prepayments	34,149	34,376
Other	6,500	39,980
	40,649	74,356

7. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Group 2012 $	Consolidated Group 2011 $
Plant and equipment		
Cost		
Opening balance	1,650,601	1,276,366
Additions	92,024	374,235
Disposals	(441,769)	-
Transfer from capital works in progress	3,886,615	-
Impairment of assets	(2,313,760)	-
	2,873,711	1,650,601
Accumulated depreciation		
Opening balance	443,446	163,298
Depreciation for the period	640,765	280,148
Disposals	(40,495)	-
	1,043,716	443,446
Net book value of plant and equipment	1,829,995	1,207,155
Capital works in progress		
Cost		
Opening balance	3,886,615	3,124,139
Additions	-	762,476
Transfer to plant and equipment	(3,886,615)	-
Net book value of capital works in progress	-	3,886,615
Total net book value of property, plant and equipment	1,829,995	5,093,770

In 2012, an impairment loss of $2,313,760 represented the group writing down its property plant and equipment to its recoverable amount. This was recognised in the statement of comprehensive income in the line item “Impairment expense”. The recoverable amount was based on value in use and determined using a discounted cash flow model. The discount rate applied on a pre-tax basis was 30.6%.

8. INTANGIBLE ASSETS

	Consolidated Group	
	2012	2011
	$	$
Patents and intellectual property		
Cost		
Opening balance	710,840	687,315
Additions	55,607	23,525
Net book value of patents and intellectual property	766,447	710,840
Development costs		
Cost		
Opening balance	2,177,490	4,166,979
Impairment of assets	(799,344)	(1,989,489)
Net book value of development costs	1,378,146	2,177,490
Total net book value of intangible assets	2,144,593	2,888,330

In 2012, an impairment loss of $799,344 (2011: $1,989,489) represented the group writing down its patents and intellectual property to its recoverable amount. This was recognised in the statement of comprehensive income in the line item “Impairment expense”. The recoverable amount was based on value in use and determined using a discounted cash flow model. The discount rate applied on a pre-tax basis was 30.6%.

9. TRADE AND OTHER PAYABLES

Trade payables	56,824	116,282
Sundry payables and accrued expenses	25,562	107,658
	82,386	223,940

10. BORROWINGS

SHORT-TERM BORROWINGS

Finance Lease	26,674	26,674
	26,674	26,674

LONG-TERM BORROWINGS

Finance Lease	11,715	38,389
	11,715	38,389

	Consolidated 2012 $	Consolidated 2011 $
11. PROVISIONS		
Short term		
Opening balance	66,608	52,468
Net increase/(decrease) in provision during financial year	(66,608)	14,140
Closing balance	-	66,608
Long term		
Opening balance	15,188	-
Net increase/(decrease) in provision during financial year	(15,188)	15,188
Closing balance	-	15,188

12. OTHER NON-CURRENT LIABILITIES

	2012	2011
Current		
Deferred income	100,000	-
	100,000	-
Non-current		
Deferred income	3,030,132	3,118,031
	3,030,132	3,118,031

13. ISSUED CAPITAL

	Consolidated Group 2012	Consolidated Group 2011
131,144,764 fully paid ordinary shares (2011: 109,504,764)	19,459,231	18,380,815
	19,459,231	18,380,815

Ordinary shares	2012 Number	2012 $	2011 Number	2011 $
Balance at beginning of year	109,504,764	18,380,815	96,519,483	16,889,136
Shares issued pursuant to private placement	21,640,000	1,082,000	12,985,281	1,558,234
Transaction costs (net of tax)	-	(3,584)	-	(66,555)
Balance at end of financial year	131,144,764	19,459,231	109,504,764	18,380,815

14. RESERVES

	Consolidated Group 2012 $	Consolidated Group 2011 $
Share-option reserve	795,646	769,771
	795,646	769,771
Share-option reserve		
Balance at beginning of financial year	769,771	761,252
Share based payments	25,875	8,519
Balance at end of financial year	795,646	769,771

15. SHARE BASED PAYMENTS

Employee Share Option Plan
The Company has established the Papyrus Australia Ltd Employee Share Option Plan and a summary of the Rules of the Plan are set out below:

- All employees (full time and part time) will be eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the board and if permitted by the board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire 5 years from its date of issue. An option is exercisable at any time from its date of issue (provided all relevant vesting conditions, if applicable, have been met. Options will be issued free. The exercise price of options will be determined by the board. The total number of shares the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group company for any reason other than retirement at age 60 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options cannot be transferred other than to the legal personal representative of a deceased option holder.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The board may amend the Plan Rules subject to the requirements of the Listing Rules.

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year (including those issues outside of the ESOP plan):

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	8,942,641	0.33	2,450,000	0.90
Granted during the year	750,000	0.12	6,492,641	0.12
Expired during the year	(1,000,000)	0.45	-	-
Outstanding at the end of the year	8,692,641	0.30	8,942,641	0.33
Exercisable at the end of the year	8,692,641	0.30	2,325,000	0.85

The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 was 0.98 years (2011: 1.55 years).

The range of exercise prices for options outstanding at the end of the year was $0.12 - $1.75 (2011: $0.12 - $1.75).

The weighted average fair value of options granted during the year was $0.035 (2011: Nil).

The fair value of all share options are measured at the reporting date using the Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for the year ended 30 June 2012.

Fair value at grant date	$0.035
Share price	$0.050
Exercise price	$0.120
Expected volatility	107.1%
Risk-free interest rate	4.96%

16. INTEREST IN SUBSIDIARIES

Name of entity	Country of Incorporation	Ownership Interest 2012 %	Ownership Interest 2011 %
Parent entity			
Papyrus Australia Ltd	Australia		
Subsidiaries			
PPY EU Pty Ltd	Australia	100	100
Papyrus Technology Pty Ltd	Australia	100	100
PPY Manufacturing Pty Ltd	Australia	100	100
Australian Advanced Manufacturing Centre Pty Ltd	Australia	100	100
Pulp Fiction Manufacturing Pty Ltd	Australia	100	100
Papyrus Egypt	Egypt	50	-
Yellow Pallet B.V.	The Netherlands	50	-

17. SEGMENT INFORMATION

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.

18. SUBSEQUENT EVENTS

No matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- The entity's operations in future financial years;
- The results of those operations in future financial years; or
- The entity's state of affairs in future financial years.

19. GOING CONCERN

The financial report has been prepared on the basis of going concern. The company continues to be economically dependent on generating profits from the business and/or raising additional capital for the continued development of its Banana Ply Project and working capital. The Company continues to be in consultation with its advisers to evaluate alternative means of raising additional capital.

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

COMPLIANCE STATEMENT

1. This report has been prepared in accordance with AASB Standards, other authoritative pronouncements and Urgent Issues Group Consensus Views.

2. This report gives a true and fair view of the matters disclosed.

3. This report is based on accounts which are in the process of being audited

Ramy Azer
Managing Director

31 August 2012