

Papyrus Australia Ltd

ABN 63 110 868 409

Half Year Report

for the half year ended 31 December 2016

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Appendix 4D Requirements

Results for announcement to the market

	2016	2015		Percentage
	\$A	\$A		change
Revenues from ordinary activities	156	8,577	down	5495%
Loss from ordinary activities after tax attributable to the members	(80,789)	(107,512)	down	133%
Loss for the period attributable to members	(80,789)	(107,512)	down	133%

Dividends (distributions)

No dividend has been paid during the period ended 31 December 2016.

The directors have not proposed a dividend for the period ended 31 December 2016.

Net Tangible Assets Per Security - cents	\$	\$
	(0.002)	(0.003)

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 2016.

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 2016.

Director Details

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

Mr Edward Byrt, Chairman
Mr Ramy Azer, Managing Director
Mr Andrew Ford, Non-Executive Director
Mr Vincent Rigano, Non-Executive Director

Review of Operations

1. The Company has made measurable progress in 2016 toward the commissioning of a Joint Venture enterprise in Sohag, Egypt where the Company is actively participating in establishing a factory for banana fibre product and banana veneer production.
2. The Company is in a Joint Venture arrangement (known as Papyrus Egypt) with the Egypt Banana Fibre Company (EBFC), in which EBFC is responsible for all costs associated with and necessary for the establishment of the factory and the commencement of banana processing operations.
3. We have previously advised that the construction of the factory building on the land in the El Kawthar Industrial Zone in Sohag has been completed at the cost of EBFC and we are presently awaiting confirmation from the local authority regarding final certification. The manufacturing facility is set on a 2000 square meter plot of land and consists of a 1200 square meter steel building containing a two story office and staff amenities building.
4. The factory building has installed within a production line, storage facilities, raw material loading yard, complete electrical mechanical workshop with spare parts, effluent discharge systems, fire fighting systems, and full services connected.
5. During 2016 the Managing Director – Ramy Azer – spent most of the year in Sohag, Egypt supervising the installation of machinery and necessary infrastructure and training staff.
6. As reported personally by the Managing Director at the AGM in November 2016, the Egypt project has reached the stage where the initial challenges of the BVU machinery functionality consequent upon transit of the BVU machinery from Australia to Egypt, and the impact on some elements of the BVU machinery caused by environmental conditions of extreme heat in Sohag, have been addressed for the time being, and the BVU machinery is itself performing to our Company expectations but the quality of veneer being produced has not yet reached the quality nor volumes reasonably expected by EBFC.
7. In addition to addressing the functionality of the machinery the Managing Director worked during last year 2016 with the local Government in Sohag to establish the essential infrastructure, logistics and manual systems to support raw material harvesting and transport of BTT (banana tree trunk) from plantation to factory. Training programs for local employment to support the Papyrus Egypt project have also been introduced with local Government assistance.

8. The Managing Director also reported that the local Government in Sohag is satisfied that Papyrus Egypt has sufficiently established an operation at the factory to warrant the commencement of the formal process to transfer the ownership of the factory land to Papyrus Egypt, which is underway.
9. Trials are also underway with external parties in Sohag, Egypt, to utilise banana fibre in the production of panel board in conjunction with other available agri-waste. The Company will report on the outcome of those trials when they have been completed but early indications support the Company belief that banana fibre may be used to manufacture panel board in its own right or in blended proportions with other agri-waste such as bagasse and sorghum.
10. To date EBFC has invested around 10 million Egyptian pounds setting up its business and manufacturing facilities in Sohag raised from its investors. Papyrus Egypt has no debt but will need additional capital from the investors to complete the commissioning of the factory which is expected by mid-year.
11. The Managing Director returned to Sohag, Egypt in December 2016 to implement a production improvement plan to bring the quality and volume of banana veneer production up to the reasonable expectations of EBFC by midyear 2017.
12. In the longer run the Company believes the best commercial position for it is to be the developer and licensor of Intellectual Property. However the Company has experienced many frustrating challenges in bringing that strategy to a beneficial commercial outcome save for the Egypt project, particularly given the economic climate and the risk averse nature of potential participants in a new business venture with new technology.
13. The Company acknowledges that it must first partner 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.
14. In Australia the company has produced an Investment Proposal to seek investment in a new venture in Australia to manufacture “banana fibre moulded trays” such as fruit packaging, display and storage trays. The Company is presently seeking such potential investment from sophisticated investors known to the Company.
15. The Company continues to operate on an absolute minimum cost basis to preserve limited working capital.
16. During January 2017 the Company entered into agreements with known sophisticated shareholders to raise \$52,000 by way of a placement of 5,200,000 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share (together with an unlisted Option per share issued at an exercise price of \$0.01 per Option). The funds raised funded working capital requirements (ASX Announcement 31 January 2017).
17. The Company’s Managing Director Ramy Azer and his wife Phoebe Azer maintained a cash loan to the Company during the period 2016 through their wholly owned company Talisker Pty Ltd. The Company has agreed that Talisker shall lend the Company up to an amount of \$250,000 (“the loan”) which may be drawn down by the Company from time to time as required, (ASX Announcement 7 November 2014).

18. 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.
19. The Company's Annual Report was published (ASX Announcement 24 October 2016). The Annual General Meeting was held on 25 November 2016 whereat the Chairman and the Managing Director provided briefings of the Company's operations and in particular progress in Egypt. (ASX Announcement 25 November 2016).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is included on page 7 of this financial report and forms part of this Directors' report.

Signed in accordance with a resolution of the directors.

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

Mr Edward Byrt
Chairman

27 February 2017

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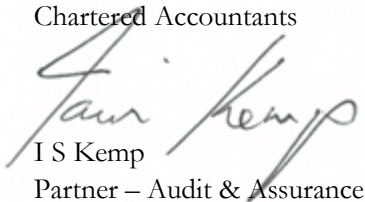
**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF PAPYRUS AUSTRALIA LTD**

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 half-year ended 31 December 2016, 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



I S Kemp
Partner – Audit & Assurance

Adelaide, 27 February 2017

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Consolidated statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2016

	Consolidated Group	
	31 December 2016 \$	31 December 2015 \$
Revenue from operating activities	156	8,577
Other income	32,517	36,655
Depreciation expense	(32,517)	(36,655)
Employee benefits expenses	(4,170)	(23,421)
Other expenses	(76,775)	(92,668)
Loss before income tax benefit	(80,789)	(107,512)
Income tax benefit	-	-
Loss for the period	(80,789)	(107,512)
Loss attributable to members of the parent entity	(80,789)	(107,512)
Other comprehensive income	-	-
Total comprehensive income for the period	(80,789)	(107,512)
Total comprehensive income attributable to members of the parent entity	(80,789)	(107,512)
Earnings per share:	<i>Cents</i>	<i>Cents</i>
Basic earnings per share	(0.04)	(0.06)
Diluted earnings per share	(0.04)	(0.06)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of financial position

As at 31 December 2016

		Consolidated Group	
		31 December 2016	30 June 2016
		\$	\$
	Note		
CURRENT ASSETS			
Cash and cash equivalents		1,315	30,361
Trade and other receivables		1,321	4,775
TOTAL CURRENT ASSETS		2,636	35,136
NON-CURRENT ASSETS			
Property, plant and equipment	6	418,191	450,708
TOTAL NON-CURRENT ASSETS		420,827	485,844
TOTAL ASSETS		420,827	485,844
CURRENT LIABILITIES			
Trade and other payables		61,910	41,793
Short-term borrowings	8	362,845	338,627
Other current liabilities	7	167,831	167,860
TOTAL CURRENT LIABILITIES		592,586	548,280
NON-CURRENT LIABILITIES			
Other non-current liabilities		485,006	513,540
TOTAL NON-CURRENT LIABILITIES		485,006	513,540
TOTAL LIABILITIES		1,077,592	1,061,820
NET LIABILITIES		(656,765)	(575,976)
EQUITY			
Issued capital	9	20,199,691	20,199,691
Reserves		915,722	915,722
Accumulated losses		(21,772,178)	(21,691,389)
TOTAL DEFICIT IN EQUITY		(656,765)	(575,976)

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 2016

	Consolidated Group				
	Note	Issued Capital \$	Accumulated losses \$	Share Option Reserve \$	Total \$
Balance at 1 July 2015		20,069,691	(21,491,897)	907,666	(514,540)
Total loss for the period		-	(107,512)	-	(107,512)
<i>Transactions with owners, in their capacity as owners:</i>					
Shares issued via private placement on 11 September 2015		100,000	-	-	100,000
Balance at 31 December 2015		20,169,691	(21,599,409)	907,666	(522,052)
Balance at 1 July 2016		20,199,691	(21,691,389)	915,722	(575,976)
Total loss for the period		-	(80,789)	-	(80,789)
Balance at 31 December 2016		20,199,691	(21,772,178)	915,722	(656,765)

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 2016

	Consolidated Group	
	31 December 2016 \$	31 December 2015 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(53,421)	(159,193)
Receipts from customers	156	-
NET CASH USED IN OPERATING ACTIVITIES	(53,265)	(159,193)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of deferred income	-	65,321
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	65,321
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	100,000
Proceeds from borrowings	24,219	29,686
NET CASH PROVIDED BY FINANCING ACTIVITIES	24,219	129,686
Net (decrease)/increase in cash and cash equivalents	(29,046)	35,814
Cash at the beginning of the financial period	30,361	3,589
CASH AT THE END OF THE FINANCIAL PERIOD	1,315	39,403

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 2016

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 2016 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 2016 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001. The Company is a for profit entity for the purposes of preparing its financial statements.

The interim financial statements have been approved and authorised for issue by the board of directors on 27 February 2016.

3. Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

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 2016 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.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

6. Property, plant and equipment

	Consolidated Group	
	31 December 2016 \$	30 June 2016 \$
Plant and equipment		
<i>Cost</i>		
Opening balance	1,961,165	1,961,165
Disposals	-	-
	1,961,165	1,961,165
<i>Accumulated depreciation</i>		
Opening balance	1,510,457	1,437,131
Depreciation for the period	32,517	73,326
	1,542,974	1,510,457
Net book value of plant and equipment	418,191	450,708
Total net book value of property, plant and equipment	418,191	450,708

7. Other current liabilities

Deferred income at 31 December 2016 represents the initial deposit and other advances received from the Egyptian Banana Fibre Company (“EBFC”) for machinery to be built and delivered by the Company.

8. Borrowings

	Consolidated Group	
	31 December 2016 \$	30 June 2016 \$
SHORT-TERM BORROWINGS		
Unsecured loan	362,845	338,627
	362,845	338,627

The unsecured loan represents a draw down facility provided by Talisker Pty Ltd, an entity associated with the Company’s Managing Director Mr Ramy Azer and short term borrowings provided by other directors of the company. The loans are unsecured and repayable from future revenues or proceeds from future equity raisings, subject to not materially prejudicing the ability of the Company to repay its creditors.

Notes to the consolidated financial statements

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

9. Share capital

	Consolidated Group	
	31 December 2016 \$	30 June 2016 \$
212,236,431 fully paid ordinary shares (30 June 2016: 199,236,431)	20,199,691	20,199,691
	20,199,691	20,199,691
	2016	
	Number	\$
Ordinary shares		
Balance at beginning of period	212,236,431	20,199,691
Shares issued pursuant to private placement	-	-
Balance at end of period	212,236,431	20,199,691

10. Subsequent events

During January 2017 the Company entered into agreements with known sophisticated shareholders to raise \$52,000 by way of a placement of 5,200,000 ordinary fully paid shares in the capital of the Company at a price of \$0.01 per new share (together with an unlisted Option per share issued at an exercise price of \$0.01 per Option).

11. Contingent liabilities and commitments

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

12. 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 \$80,789 and a net cash outflow from operating and investing activities of \$53,265 during the half-year ended 31 December 2016. The group continues to be economically dependent on the generation of cashflow from the business and/ or raising additional capital for the continued development of its Banana Ply Project and working capital. The group continues to be in consultation with its advisers to evaluate alternative means of raising additional equity and working capital.

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

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

Directors' Declaration

In the opinion of the directors of Papyrus Australia Ltd:

- (a) the consolidated financial statements and notes of Papyrus Australia Ltd are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2016 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 'Edward Byrt', is displayed on a light blue rectangular background.

Mr Edward Byrt
Chairman

27 February 2017

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

We have reviewed the accompanying half-year financial report of Papyrus Australia Ltd (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The Directors of Papyrus Australia Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Papyrus Australia Ltd is not in accordance with the *Corporations Act 2001*, including:

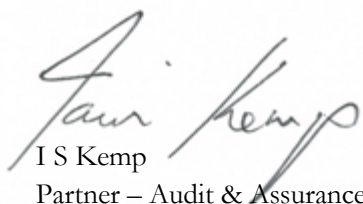
- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Material Uncertainty related to Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 12 to the financial statements which indicates that the consolidated entity incurred a net loss of \$80,789 during the period ended 31 December 2016 and, as of that date, the consolidated entity's cash outflows from operating and investing activities equates to \$53,265. These conditions, along with other matters as set forth in Note 12, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



I S Kemp
Partner – Audit & Assurance

Adelaide, 27 February 2017