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# **Aeris Environmental Ltd**

ABN 19 093 977 336

## **Interim Report**

**Half Year Ended 31 December 2019**

### Highlights – Financial

- Invoiced sales revenue of \$3,225,000 in December 2019 half-year, up 121% on same corresponding period in previous year.
- Purchase orders, commitments and revenue in Q3FY2020 (i.e. March 2020) now trending in excess of \$5,000,000 outlook provided in January 2020.
- Ongoing improvement in gross margin to approximately 50% (compared to 37% for FY2019) due to increased mix of higher-margin Aeris-branded products.
- Operating cash outflow reported in December 2019 half-year (being a negative \$1,523,000) included \$1,500,000 in cash payments for inventory and payment of trade creditors. Sale of Aeris' inventory will be realised as positive revenue and cash flow (including mark up of Aeris' gross margin on sale of goods) in subsequent quarters.
- Aeris has already received over \$2,700,000 in cash receipts from its customers since 1 January 2020, with over \$4,600,000 expected by end of March 2020 quarter.

### Highlights – Operational

- Aeris Active independent test results show effective disinfection against Flu (Influenza) and Gastroenteritis (Norovirus), which World Health Organisation has noted are two major causes of deaths globally.
- The non-toxic, broad spectrum (viricidal, bactericidal, fungicidal, sporicidal) disinfection products approved for sale by Chinese National Health Commission in March 2019, which are attracting significant demand due to current epidemic.
- Singapore National Environment Agency lists Aeris Active on Interim List of General Disinfectants effective for COVID-19 (Coronavirus Disease 2019).
- Aeris is currently scaling up production, redirecting its manufacturing capacity (in near term) to multiple Australian manufacturing sites to support needs of its customers and growing demand.
- Aeris is currently receiving enquires from multiple global customers, distributors and governments, across several industrial, commercial, food service and consumer markets.
- In addition to Aeris' current focus on the USA and China, it intends to expand its sales, marketing and technical resources to European market, where Aeris has in place several European approvals, with multiple additional approvals pending. France, the UK and Italy have been prioritised for access to Aeris' infection prevention and environmental hygiene technologies.
- North America manufacturing is on track for a summer 2020 launch of Aeris' branded range, in addition to already-launched white-label products.
- Increasing use of Aeris' HVAC OEM coating products in Asia and the Middle East.
- Aeris continues to expand its manufacturing, supply chain and in-market capability to support a growing list of customers worldwide. Significant capacity is being directed towards increasing demand from the Asia Pacific region, including China.
- Aeris' environmental hygiene portfolio is increasingly recognised as being differentiated from competitors, and offering significant performance advantages over legacy products and technologies, aligned to Aeris' core capabilities of 'clean, green, protect'.

**Aeris Environmental Ltd**

**Peter Bush**

Chief Executive Officer

**Michael Kotowicz – Investor Relations**

Wentworth Place Group

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## About Aeris Environmental Ltd

Aeris manufactures and markets proprietary, environmentally-friendly technology, which drives measurable improvements in asset performance and sustainability. The Company's whole-of-system approach ensures that systems perform better, are safer, last longer and cost less to run.

Aeris' products solve real-world problems more effectively than conventional toxic chemicals. Uniquely based on validated, green formulations, the Company's enzymes and treatments, with residual protection provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene.

AerisVIEW, the Company's cloud-based visualisation network, is uniquely scalable across all climate-controlled environments, including buildings of all sizes, and vehicles. Aeris' solution delivers dramatic and proven energy savings, alongside documented benefits to system efficiency, and independently-validated indoor air quality with proven immediate improvements in sustainability and cash flow savings.

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# Appendix 4D

## Half Year Report for the six months ended on 31 December 2019

Name of entity

**AERIS ENVIRONMENTAL LTD** ABN: 19 093 977 336

**Half year report for the six months ended on 31 December 2019 (comparatives for the six months ended on 31 December 2018).**

### Results for announcement to the market

Revenue from ordinary activities	up	121.4%	to	3,268,811
(Loss) from ordinary activities after tax attributable to members	down	42.9%	to	(1,308,327)
Net (loss) for the period attributable to members	down	42.9%	to	(1,308,327)
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security
Final and interim dividends		Nil ¢		Nil ¢
Previous corresponding period		Nil ¢		Nil ¢

### Brief Explanation of Figures

Refer to attached 31 December 2019 Half Year Financial Report.

The Group applies international accounting standards in compiling the financial reports of its subsidiary foreign entities.

Net tangible assets (NTA) per security with the comparative figure for the previous corresponding period:

### Net Tangible Assets

	31 Dec 2019	31 Dec 2018
Net tangible assets per ordinary share	2.03 cents	0.98 cents

### Audit Qualification or Review

The financial statements were subject to review by the Auditors and the Review Report is attached as part of Half Year Financial Report.

### Other Comments

Refer to the attached 31 December 2019 Half Year Financial Report.

**Robert J Waring**  
Company Secretary

28 February 2020

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# **Aeris Environmental Ltd**

**ABN 19 093 977 336**

## **Half Year Financial Report**

**For the Half Year Ended**

**31 December 2019**

# Aeris Environmental Ltd

ABN 19 093 977 336



## CORPORATE DIRECTORY

ABN 19 093 977 336

### DIRECTORS

Maurie Stang, Non-Executive Chairman  
Bernard Stang, Non-Executive Director  
Steven Kritzler, Non-Executive Director

### CHIEF EXECUTIVE OFFICER

Peter Bush, Alternate Director for M and B Stang

### COMPANY SECRETARY

Robert Waring

### REGISTERED OFFICE

Level 1, 5/26-34 Dunning Avenue  
Rosebery, NSW 2018

### SHARE REGISTER

Computershare Investor Services Pty Ltd

### STOCK EXCHANGE LISTING

Aeris Environmental Ltd shares are listed on the Australian Securities Exchange  
ASX code: **AEI**

### BANKERS

ANZ Banking Group

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# Aeris Environmental Ltd

## DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Aeris Environmental Ltd (the Company) and its controlled entities together with the consolidated financial report for the half year ended 31 December 2019.

### DIRECTORS

The names and details of the Company's Directors in office during the half year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Maurie Stang (Non-Executive Chairman)  
Steven Kritzler (Non-Executive Director)  
Bernard Stang (Non-Executive Director)  
Alex Sava (Non-Executive Director)

*Until 27 November 2019*

Peter Bush (Chief Executive Officer and Alternate Director for M and B Stang)

### PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial period were the:

- provision of energy efficiency solutions across all air-conditioning and refrigeration systems;
- provision of environmental maintenance services and products for application to air-conditioning and commercial refrigeration systems;
- provision of site-specific water treatment remediation to industrial customers; and
- further development and enhancement of the AerisGuard suite of technologies for application to the global anti-microbial markets.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the nature of activities of the consolidated entity during the period.

### SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

In the opinion of the Directors, no matters or circumstances have arisen since 31 December 2019 that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years.

### REVIEW OF OPERATIONS

The total ordinary revenue for the half-year to 31 December 2019 was \$3,268,811 (31 December 2018: \$1,476,167). The net loss for the half-year to 31 December 2019 was \$1,308,327 (31 December 2018: \$2,292,356).

### LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor's Independence Declaration is set out in the attached statement from UHY Haines Norton and forms part of the Directors' Report for the half year ended 31 December 2019.

### DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2018: Nil).

This report is made in accordance with a resolution of the Directors pursuant to section 306(3)(a) of the *Corporations Act 2001*.



**Maurie Stang**  
Chairman and Director

Sydney, 28 February 2020

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended 31 December 2019

	Notes	December 2019 \$	December 2018 \$
Ordinary revenue	2	3,268,811	1,476,167
Cost of sales		(1,667,625)	(719,899)
Employee benefits expense		(1,360,737)	(1,255,701)
Occupancy expense	3	(151,729)	(145,429)
Depreciation and amortisation expense	3	(24,542)	(35,670)
Other general and administration		(567,467)	(635,846)
Sales, marketing and travel		(355,805)	(395,728)
Distribution expense		(151,800)	(179,452)
Product registration, patents, trade marks and R&D expenditure	3	(288,775)	(338,073)
Financial expense		(8,658)	(62,725)
<b>Loss before income tax expense</b>		<b>(1,308,327)</b>	<b>(2,292,356)</b>
Income tax benefit relating to ordinary activities		-	-
<b>Loss after income tax expense for the half-year</b>		<b>(1,308,327)</b>	<b>(2,292,356)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation gain		(7,669)	1,877
<b>TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR</b>		<b>(1,315,996)</b>	<b>(2,290,479)</b>
<b>Loss for the half-year attributable to:</b>			
Owners of Aeris Environmental Ltd		(1,308,327)	(2,292,356)
Non-controlling interest		-	-
		<b>(1,308,327)</b>	<b>(2,292,356)</b>
<b>Total comprehensive loss for the half-year attributable to:</b>			
Owners of Aeris Environmental Ltd		(1,315,996)	(2,290,479)
Non-controlling interest		-	-
		<b>(1,315,996)</b>	<b>(2,290,479)</b>
<b>EARNINGS PER SHARE</b>	7	<b>Cents</b>	<b>Cents</b>
Basic loss per share		(0.62)	(1.43)
Diluted loss per share		(0.61)	(1.27)

The above condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	December 2019 \$	June 2019 \$
Cash and cash equivalents	4	1,918,129	3,467,877
Trade and other receivables		2,251,827	3,442,028
Inventories		731,555	770,073
Other current assets		136,312	194,435
<b>TOTAL CURRENT ASSETS</b>		<b>5,037,823</b>	<b>7,874,413</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		85,810	91,498
Trade and other receivables		16,019	31,632
<b>TOTAL NON-CURRENT ASSETS</b>		<b>101,829</b>	<b>123,130</b>
<b>TOTAL ASSETS</b>		<b>5,139,652</b>	<b>7,997,543</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		534,536	2,136,041
Provisions		243,033	272,135
<b>TOTAL CURRENT LIABILITIES</b>		<b>777,569</b>	<b>2,408,176</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		23,380	24,543
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>23,380</b>	<b>24,543</b>
<b>TOTAL LIABILITIES</b>		<b>800,949</b>	<b>2,432,719</b>
<b>NET ASSETS</b>		<b>4,338,703</b>	<b>5,564,824</b>
<b>EQUITY</b>			
Capital		50,484,635	50,195,854
Reserves		1,937,498	2,144,073
Accumulated losses		(48,087,115)	(46,778,788)
Non-controlling interest		3,685	3,685
<b>TOTAL EQUITY</b>		<b>4,338,703</b>	<b>5,564,824</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2019

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non- controlling interest \$	Total Equity \$
<b>At 1 July 2019</b>	<b>50,195,854</b>	<b>(46,778,788)</b>	<b>2,144,073</b>	<b>3,685</b>	<b>5,564,824</b>
Loss for the half year	-	(1,308,327)	-	-	(1,308,327)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	(7,669)	-	(7,669)
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>(1,308,327)</b>	<b>(7,669)</b>	<b>-</b>	<b>(1,315,996)</b>
<i>Transaction with owners in their capacity as owners</i>					
Shares issued to consultants	265,200	-	-	-	265,200
Exercise of performance rights	23,581	-	-	-	23,581
Director's fees paid by issue of ordinary shares	-	-	-	-	-
Share based payments	-	-	(198,906)	-	(198,906)
<b>At 31 December 2019</b>	<b>50,484,635</b>	<b>(48,087,115)</b>	<b>1,937,498</b>	<b>3,685</b>	<b>4,338,703</b>
<b>At 1 July 2018</b> (reported as at 30 June 2018)	<b>41,313,362</b>	<b>(42,790,135)</b>	<b>1,554,309</b>	<b>3,685</b>	<b>81,221</b>
Prior period restatement (Note 1c)	-	(360,153)	-	-	(360,153)
<b>Re-stated as at 1 July 2018</b>	<b>41,313,362</b>	<b>(43,150,288)</b>	<b>1,554,309</b>	<b>3,685</b>	<b>(278,932)</b>
Loss for the half year	-	(2,292,356)	-	-	(2,292,356)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	1,877	-	1,877
<b>Total comprehensive loss for the half-year</b>	<b>-</b>	<b>(2,292,356)</b>	<b>1,877</b>	<b>-</b>	<b>(2,290,479)</b>
<i>Transaction with owners in their capacity as owners</i>					
Share placements	4,000,000	-	-	-	4,000,000
Exercise of share options	1,500	-	-	-	1,500
Director's fees paid by issue of ordinary shares	110,000	-	-	-	110,000
Share based payments	-	-	225,685	-	225,685
<b>At 31 December 2018</b>	<b>45,424,862</b>	<b>(45,442,644)</b>	<b>1,781,871</b>	<b>3,685</b>	<b>1,767,774</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# Aeris Environmental Ltd

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the half year ended 31 December 2019

	December 2019 \$	December 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	4,765,096	1,079,270
Payments to suppliers and employees (inclusive of GST)	(6,331,957)	(3,179,826)
R&D tax offset	-	667,280
Interest received	6,683	11,776
Other income	37,070	7,004
Interest paid	-	(45,172)
<b>Net cash used in operating activities</b>	<u>(1,523,108)</u>	<u>(1,459,668)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(18,971)</u>	<u>(4,410)</u>
<b>Net cash used in investing activities</b>	<u>(18,971)</u>	<u>(4,410)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issued share capital	-	4,000,000
Proceeds from unissued share capital applications	-	3,208,692
Proceeds from exercise of share options	-	1,500
Borrowings	-	1,050,000
<b>Net cash provided by financing activities</b>	<u>-</u>	<u>8,260,192</u>
Net (decrease) / increase in cash held	<b>(1,542,079)</b>	6,796,114
Cash at the beginning of the half-year	<b>3,467,877</b>	157,643
Effects of exchange rate changes on cash and cash equivalents	<b>(7,669)</b>	1,877
Cash at the end of the half-year	<u><b>1,918,129</b></u>	<u><b>6,955,634</b></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

### 1 Statement of Accounting Policies

#### (a) Financial Reporting Framework

This Half Year Financial Report is a general purpose financial report that has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting*, Australian Accounting Interpretations and authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The Half Year Financial Report should be read in conjunction with the annual financial report of Aeris Environmental Ltd as at 30 June 2019. It is also recommended that the Half Year Financial Report be considered together with any public announcements made by the Company during the half year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

The Half Year Financial Report does not include all notes of the type normally included within the annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the full Financial Report.

The Half Year Financial Report has been prepared on the basis of historical costs and does not take into account changing money values or fair values of assets.

#### Going Concern

The Group made operating losses of \$1,308,327 for the half-year to 31 December 2019 (2018: \$2,292,356). The net assets position has gone down from \$5,564,824 as at 30 June 2019 to \$4,338,703 on 31 December 2019. The operating cash burn rate for the half year ended 31 December 2019 was \$1,523,108 (31 December 2018: \$1,459,668).

The cash balance as at 31 December 2019 was \$1,918,129 (30 June 2019: \$3,467,877).

As the Group continues to gain traction with revenue of its suite of products, sales and cash flow continue to increase with improvement in gross margins due to a greater mix of higher margin Aeris-branded products.

In addition, the Group is also entitled to Export Market Development Grant and Research and Development cashback every year. Implementation of global product marketing and business development measures are also expected to improve the cash burn rate significantly.

The Directors are of the opinion that the Group will have adequate resources to continue to be able to meet its obligations as and when they fall due. For this reason they continue to adopt the going concern basis in preparing the Half Year Financial Report.

#### (b) Changes in Accounting Policies

The accounting policies that have been adopted in the preparation of this Financial Report have been consistently applied by the entities in the consolidated group and are consistent with those in the June 2019 Financial Report.

The Consolidated Entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current half year.

An assessment has been performed and determined that during the half year ended 31 December 2019, no significant adjustments were required in relation to the adoption of these new standards.

The adoption of all other new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

### (c) Restatement of comparatives

The Group has made a retrospective adjustment to a receivable from a customer to reflect the information that was available as at 30 June 2018 but was not provided for in the 2018 financial report. The retrospective adjustment has resulted in an additional impairment charge of \$360,153 for the year ended 30 June 2018 with a corresponding decrease in the carrying value of trade receivables. For details of the restatement refer to the table below:

	June 2018 \$	\$	June 2018 \$
	Reported	Adjustment	Restated
<b>Extract from statement of financial position as at 30 June 2018</b>			
Trade and other receivables	2,131,037	(360,153)	1,770,884
Net assets	81,221	(360,153)	(278,932)
Accumulated losses	(42,790,135)	(360,153)	(43,150,288)
Total Equity	81,221	(360,153)	(278,932)
	<b>December 2019 \$</b>		<b>December 2018 \$</b>
<b>2 Revenue</b>			
Revenue from sales and services	3,225,058		1,457,387
Financial revenue	6,683		11,776
Other revenue	37,070		7,004
Total revenue	<u>3,268,811</u>		<u>1,476,167</u>
<b>3 Expenses</b>			
<b>Loss from ordinary activities before income tax expense includes:</b>			
Depreciation and amortisation	24,542		35,670
Research and development expenditure	288,775		338,073
Rental and occupancy expenses	151,729		145,429
Share based payments	64,375		225,685
Defined contribution superannuation expense	81,313		91,566
	<b>December 2019 \$</b>		<b>June 2019 \$</b>
<b>4 Cash and Other Financial Assets</b>			
<b>Cash and Cash Equivalents</b>			
Cash at bank and on hand	845,782		1,450,012
Deposits on call	1,072,347		2,017,865
	<u>1,918,129</u>		<u>3,467,877</u>

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

### 5 Segment Reporting

The Group has identified its reporting segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The reportable segments are based on aggregated operating segments determined by the similarity of the revenue stream and products sold, and/or the services provided in Australia and internationally, as these are the sources of the Group's major risks, and have the most effect on the rates of return.

The executive management reviews revenue, cost of goods sold, operating expenses, profit before tax, assets and liabilities for the following segments:

- (a) Australian Operations - sale of Aeris products and services from Australia; and
- (b) International Operations - sales and services on account of international operations.

#### **Intersegment Transactions**

Intersegment transactions are made at arms length and are eliminated on consolidation.

#### **Intersegment Receivables, Payables and Loans**

Intersegment loans are initially recognised at the consideration received and are eliminated on consolidation.

#### **Operating Segment Information of the Consolidated Entity:**

For half year ended 31 December 2019	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	2,786,724	483,531	(45,197)	3,225,058
Other income	43,651	102	-	43,753
<b>Total revenue</b>	<b>2,830,375</b>	<b>483,633</b>	<b>(45,197)</b>	<b>3,268,811</b>
<b>Expenses</b>				
Cost of goods sold	1,384,296	328,527	(45,198)	1,667,625
Operating expenses	2,469,461	452,000	(11,948)	2,909,513
<b>Total expenses</b>	<b>3,853,757</b>	<b>780,527</b>	<b>(57,146)</b>	<b>4,577,138</b>
<b>Loss before tax</b>	<b>(1,023,382)</b>	<b>(296,894)</b>	<b>11,949</b>	<b>(1,308,327)</b>
For half year ended 31 December 2018	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	1,437,371	25,468	(5,452)	1,457,387
Other income	18,780	-	-	18,780
<b>Total revenue</b>	<b>1,456,151</b>	<b>25,468</b>	<b>(5,452)</b>	<b>1,476,167</b>
<b>Expenses</b>				
Cost of goods sold	713,437	11,915	(5,452)	719,900
Operating expenses	2,819,935	135,135	93,553	3,048,623
<b>Total expenses</b>	<b>3,533,372</b>	<b>147,050</b>	<b>88,101</b>	<b>3,768,522</b>
<b>Loss before tax</b>	<b>(2,077,221)</b>	<b>(121,582)</b>	<b>(93,553)</b>	<b>(2,292,356)</b>

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half year ended 31 December 2019

### 5 Segment Reporting (continued)

Segment Assets and Liabilities	Assets		Liabilities	
	31/12/2019	30/06/2019	31/12/2019	30/06/2019
	\$	\$	\$	\$
Australia	5,397,379	7,538,662	2,594,854	3,802,631
International	888,637	860,028	3,503,437	3,184,701
Total	6,286,016	8,398,690	6,098,291	6,987,332
Intersegment elimination	(1,146,364)	(401,147)	(5,297,342)	(4,554,613)
Consolidated	5,139,652	7,997,543	800,949	2,432,719

### 6 Issues of Equity Securities and Share Applications

#### Ordinary Shares Issued During the Half Year Reporting Period

	December 2019 \$	December 2018 \$
1,560,000 shares issued to consultants	265,200	-
142,914 shares issued on conversion of performance shares	23,581	-
150,000 shares issued against exercise of options	-	1,500
647,060 shares issued to Non-Executive Director as Directors' fees	-	110,000
23,529,417 shares issued to institutional and sophisticated investors	-	4,000,000

### 7 Earnings Per Share

	December 2019 \$	December 2018 \$
Basic loss per share (cents)	(0.62)	(1.43)
Diluted loss per share (cents)	(0.61)	(1.27)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	212,792,321	160,397,034
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	214,707,523	180,786,388

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

### 8 Related Party Transactions

A number of specified Directors, or their personally-related entities, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arms-length basis. Details of these transactions are shown below:

(a) <b>Regional Healthcare Group Pty Ltd</b>	<b>December 2019</b>	December 2018
The company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.	\$	\$
Office and administration expenses	55,994	40,558
Rent	27,747	27,386
Distribution expenses	24,726	21,291
Corporate services	41,750	44,619
	<u>150,218</u>	<u>133,853</u>
	<b>December 2019</b>	June 2019
	\$	\$
Outstanding balance at the end of the reporting period *	99,812	24,259

Mr M Stang and Mr B Stang are directors and shareholders of Regional Healthcare Group Pty Ltd.

(b) <b>Novapharm Research (Australia) Pty Ltd and its Controlled Entities</b>	<b>December 2019</b>	December 2018
The Company and its controlled entities incurred cost for services provided by Novapharm Research (Australia) Pty Ltd for research and development and other operational expenses	\$	\$
	174,007	191,700
	<u>174,007</u>	<u>191,700</u>
	<b>December 2019</b>	June 2019
	\$	\$
Outstanding balance at the end of the reporting period *	3,815	14,892

Mr M Stang, Mr S Kritzler and Mr B Stang are directors and shareholders of Novapharm Research (Australia) Pty Ltd.

(c) <b>Ensol Systems Pty Ltd</b>	<b>December 2019</b>	December 2018
The Company and its controlled entities incurred cost for operational services provided by Ensol Systems Pty Ltd.	\$	\$
	26,299	2,571
	<u>26,299</u>	<u>2,571</u>
	<b>December 2019</b>	June 2019
	\$	\$
Outstanding balance at the end of the reporting period *	19,437	82,387

Mr M Stang is the shareholder of Ensol Systems Pty Ltd.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

### 8 Related Party Transactions (continued)

(d) <b>Bright Accountants</b>	<b>2019</b>	2018
	\$	\$
The Company and its controlled entities incurred cost for accounting services to Bright Accountants.	<u>32,650</u>	<u>28,105</u>
	<u>32,650</u>	<u>28,105</u>
	<b>December</b>	June
	<b>2019</b>	2019
	\$	\$
Outstanding balance at the end of the reporting period *	4,565	6,545

Mr P Bush is a related party to Bright Accountants.

(e) <b>Teknik Lighting Solutions Pty Ltd</b>	<b>December</b>	December
	<b>2019</b>	2018
The Company and its controlled entities incurred marketing and operational cost through Teknik Lighting Solutions Pty Ltd	\$	\$
	<u>2,227</u>	<u>2,042</u>
	<u>2,227</u>	<u>2,042</u>
	<b>December</b>	June
	<b>2019</b>	2019
	\$	\$
Outstanding balance at the end of the reporting period *	1,329	3,520

Mr M Stang is the shareholder of Teknik Lighting Solutions Pty Ltd

(f) <b>Ramlist Pty Ltd</b>	<b>December</b>	December
	<b>2019</b>	2018
The Company and its controlled entities incur expenses for rent and utility outgoings through Ramlist Pty Ltd.	\$	\$
	<u>9,968</u>	<u>13,696</u>
	<u>9,968</u>	<u>13,696</u>
	<b>December</b>	June
	<b>2019</b>	2019
	\$	\$
Outstanding balance at the end of the reporting period *	3,109	882

Mr M Stang and Mr B Stang are directors and shareholders of Ramlist Pty Ltd

(g) <b>Vectus Biosystems Limited</b>	<b>December</b>	December
	<b>2019</b>	2018
The Company and its controlled entities provided accounting services to Vectus Biosystems Limited	\$	\$
	<u>10,685</u>	<u>8,079</u>
	<u>10,685</u>	<u>8,079</u>
	<b>December</b>	June
	<b>2019</b>	2019
	\$	\$
Outstanding balance at the end of the reporting period *	5,332	44,879

Messrs M Stang and P Bush are Non-Executive Directors and shareholders of the Company.

\* Outstanding balances at the end of the reporting period (31 December 2019 and 30 June 2019) are unsecured, interest-free and settlement occurs in cash.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half year ended 31 December 2019

(h) <b>Loan from Directors</b> <b>(contributed equally by Messrs M Stang, B Stang and S Kritzler)</b>	<b>December</b> <b>2019</b> \$	December 2018 \$
Interest on loans	-	42,081
	<b>December</b> <b>2019</b> \$	June 2019 \$
Borrowings	-	-

Messrs M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company. Interest is charged on these loans at 5.3% per annum.

### 9 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2019 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2019, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2019, of the consolidated entity.

# Aeris Environmental Ltd

## DIRECTORS' DECLARATION

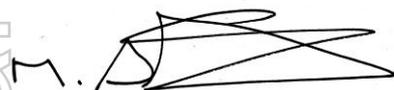
### Directors' Declaration

In the Directors' opinion:

- 1 the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- 2 the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half year ended on that date; and
- 3 there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Maurie Stang**  
Chairman and Director

Sydney, 28 February 2020

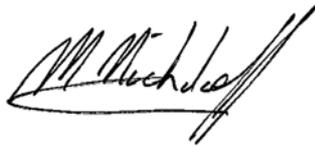
**Auditor's Independence Declaration  
Under Section 307C of the Corporations Act 2001**

**To the Directors of Aeris Environmental Ltd**

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2019, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aeris Environmental Ltd and the entities it controlled during the financial period.

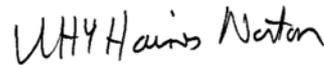


**Mark Nicholaeff**

Partner

Sydney

Dated: 28 February 2020



**UHY Haines Norton**

Chartered Accountants

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## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Members of Aeris Environmental Ltd

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of Aeris Environmental Ltd ("the company"), which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies, other selected explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

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 Aeris Environmental 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 2019 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

#### Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aeris Environmental Ltd and the entities it controlled during the

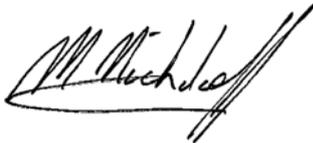
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half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

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

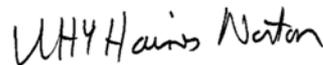


**Mark Nicholaeff**

Partner

Sydney

Dated: 28 February 2020



**UHY Haines Norton**

Chartered Accountants

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