

23 December 2016

Company Announcements Office
Australian Securities Exchange

ISSUE OF SHARES AND OPTIONS

Aeris Environmental Ltd (ASX:AEI) advises that a total of 2,416,665 fully paid ordinary shares have been issued to three of the Company's Directors by way of settlement of amounts owing to them for loans provided to Aeris (being 805,555 fully paid ordinary shares each), as approved at the Company's 28 November 2016 Annual General Meeting (AGM).

Aeris also advises that 100,000 options have been issued to the Company's fourth Director under the terms of Aeris' Employee Incentive Plan (EIP). These options have an exercise price of \$0.42, with one third vesting each year for three years commencing on 14 October 2017, and will expire if not exercised by 14 October 2021, as approved at the Company's 28 November 2016 AGM.

The Company also advises that 725,000 options have been issued to 10 of Aeris' staff members under the terms of the Company's EIP. These five-year options have an exercise price of \$0.42, with one third vesting each year for three years commencing on 23 October 2017, and will expire if not exercised by 23 October 2021.

Aeris also advises that 220,000 options have been issued to five of the Company's consultants. These five-year options have an exercise price of \$0.42, with one third vesting each year for three years commencing on 23 October 2017, and will expire if not exercised by 23 October 2021.

The Company also advises that 450,000 options have been issued to four of Aeris' consultants as payment for the consulting work they have done for the Company. These options have an exercise price of \$0.01, vesting in two halves, commencing on dates in 2017 and ending on dates in 2018, and will expire if not exercised by 1 August 2020.

Attached is an Appendix 3B for the issue of these shares and options.

Cleansing Notice Under Section 708A(5)(e)

Aeris advises that on 23 December 2016 the Company issued 2,416,665 fully paid ordinary shares and 1,495,000 options, as set out above. The Company advises that:

- (1) this notice is being given within five business days after the day of the issue under section 708A(5)(e) of the Corporations Act 2001 (Cth);
- (2) the Company issued the securities without disclosure to investors under Part 6D.2 of the Corporations Act 2001;
- (3) as at the date of this notice, the Company has complied with:
 - (a) the provisions of Chapter 2M of the Corporations Act 2001 as they apply to the Company; and
 - (b) section 674 of the Corporations Act 2001; and
- (4) except as may be set out in this notice, there is no other information that is excluded information as at the date of this notice that is required to be set out in this notice under section 708A(6)(e) of the Corporations Act 2001.

Aeris Environmental Ltd

Robert J Waring
Company Secretary

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Aeris Environmental Ltd

ABN

19 093 977 336

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

| | | |
|---|---|---|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares Options |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 2,416,665 fully paid ordinary shares 1,495,000 options |

| | |
|---|--|
| <p>3 Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p> | <p>New shares issued, which rank equally with fully paid ordinary shares already on issue.</p> <p>100,000 options with an exercise price of \$0.42, with one third vesting each year for three years commencing on 14 October 2017, and will expire if not exercised by 14 October 2021.</p> <p>725,000 options with an exercise price of \$0.42, with one third vesting each year for three years commencing on 23 October 2017, and will expire if not exercised by 23 October 2021.</p> <p>220,000 options with an exercise price of \$0.42, with one third vesting each year for three years commencing on 23 October 2017, and will expire if not exercised by 23 October 2021.</p> <p>450,000 options with an exercise price of \$0.01, vesting in two halves, commencing on dates in 2017 and ending on dates in 2018, and will expire if not exercised by 1 August 2020.</p> |
| <p>4 Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities?</p> <p>If the additional +securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>Yes – the new shares issued rank equally with existing fully paid ordinary shares.</p> <p>Any fully paid ordinary shares issued, if and when the options are exercised, will rank equally with existing fully paid ordinary shares.</p> |
| <p>5 Issue price or consideration</p> | <p>2,416,665 fully paid ordinary shares at \$0.42 per share.</p> <p>1,045,000 (being 100,000, 725,000 and 220,000) options with an exercise price of \$0.42. The options were issued for no consideration.</p> <p>450,000 options with an exercise price of \$0.01. The options were issued for no consideration.</p> <p>Refer to the attached announcement for more information.</p> |

+ See chapter 19 for defined terms.

| | | |
|----|---|--|
| 6 | <p>Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p> | <p>2,416,665 fully paid ordinary shares issued as settlement of amounts owing for loans provided to the Company by Directors Maurie Stang, Bernard Stang and Steven Kritzler, as approved by shareholders at the Annual General Meeting (AGM) held on 28 November 2016.</p> <p>100,000 options issued to Director Alex Sava under the terms of the Company's Employee Incentive Plan (EIP), as approved by shareholders at the AGM held on 28 November 2016.</p> <p>725,000 options issued to 10 of Aeris' staff members under the terms of the Company's EIP as a component of their remuneration.</p> <p>220,000 options issued to five of the Company's key consultants as a reward for past services and as an incentive for future consulting work.</p> <p>450,000 options issued to four of Aeris' consultants as payment for the consulting work they have provided to the Company.</p> |
| 6a | <p>Is the entity an ⁺eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the ⁺securities the subject of this Appendix 3B</i>, and comply with section 6i</p> | No |
| 6b | The date the security holder resolution under rule 7.1A was passed | Not applicable |
| 6c | Number of ⁺ securities issued without security holder approval under rule 7.1 | Not applicable |
| 6d | Number of ⁺ securities issued with security holder approval under rule 7.1A | Not applicable |
| 6e | Number of ⁺ securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting) | Not applicable |

| | | | |
|----|--|------------------|----------------------------|
| 6f | Number of +securities issued under an exception in rule 7.2 | Not applicable | |
| 6g | If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation. | Not applicable | |
| 6h | If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements | Not applicable | |
| 6i | Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements | Not applicable | |
| 7 | +Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B. | 23 December 2016 | |
| 8 | Number and +class of all +securities quoted on ASX (including the +securities in section 2 if applicable) | Number | +Class |
| | | 157,595,387 | Fully paid ordinary shares |

+ See chapter 19 for defined terms.

| 9 | Number and ⁺ class of all ⁺ securities not quoted on ASX (including the ⁺ securities in section 2 if applicable) | <table><tr><th>Number</th><th>⁺Class</th></tr><tr><td>20,000</td><td>Options – Expire 23 February 2017 with an exercise price of 22 cents</td></tr><tr><td>500,000</td><td>Options – Expire 31 July 2019 with an exercise price of 20 cents</td></tr><tr><td>100,000</td><td>Options – Expire 14 October 2021 with an exercise price of 42 cents</td></tr><tr><td>725,000</td><td>Options – Expire 23 October 2021 with an exercise price of 42 cents</td></tr><tr><td>220,000</td><td>Options – Expire 23 October 2021 with an exercise price of 42 cents</td></tr><tr><td>450,000</td><td>Options – Expire 1 August 2020 with an exercise price of 1 cent</td></tr></table> | Number | ⁺ Class | 20,000 | Options – Expire 23 February 2017 with an exercise price of 22 cents | 500,000 | Options – Expire 31 July 2019 with an exercise price of 20 cents | 100,000 | Options – Expire 14 October 2021 with an exercise price of 42 cents | 725,000 | Options – Expire 23 October 2021 with an exercise price of 42 cents | 220,000 | Options – Expire 23 October 2021 with an exercise price of 42 cents | 450,000 | Options – Expire 1 August 2020 with an exercise price of 1 cent |
|---------|---|--|--------|--------------------|--------|---|---------|---|---------|--|---------|--|---------|--|---------|--|
| Number | ⁺ Class | | | | | | | | | | | | | | | |
| 20,000 | Options – Expire 23 February 2017 with an exercise price of 22 cents | | | | | | | | | | | | | | | |
| 500,000 | Options – Expire 31 July 2019 with an exercise price of 20 cents | | | | | | | | | | | | | | | |
| 100,000 | Options – Expire 14 October 2021 with an exercise price of 42 cents | | | | | | | | | | | | | | | |
| 725,000 | Options – Expire 23 October 2021 with an exercise price of 42 cents | | | | | | | | | | | | | | | |
| 220,000 | Options – Expire 23 October 2021 with an exercise price of 42 cents | | | | | | | | | | | | | | | |
| 450,000 | Options – Expire 1 August 2020 with an exercise price of 1 cent | | | | | | | | | | | | | | | |
| 10 | Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests) | Any fully paid ordinary shares issued will have full participation in any future dividends. | | | | | | | | | | | | | | |

Part 2 - Pro rata issue

Questions 11 to 33 are not applicable

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(tick one)

(a) ☒ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders
- 36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
- 1 - 1,000
 - 1,001 - 5,000
 - 5,001 - 10,000
 - 10,001 - 100,000
 - 100,001 and over
- 37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

Questions 38 to 42 are not applicable

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

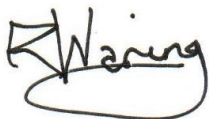
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:
(~~Director~~/Company Secretary)

Date: 23 December 2016

Print name: Robert J Waring

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+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

| Rule 7.1 – Issues exceeding 15% of capital | |
|---|--|
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue | The Company did not seek shareholder approval at its Annual General Meeting under ASX Listing Rule 7.1A. |
| Add the following: <ul style="list-style-type: none"> • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period Note: <ul style="list-style-type: none"> • <i>Include only ordinary securities here – other classes of equity securities cannot be added</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | |
| Subtract the number of fully paid +ordinary securities cancelled during that 12 month period | |
| “A” | |

+ See chapter 19 for defined terms.

| | |
|---|--|
| Step 2: Calculate 15% of “A” | |
| “B” | 0.15 <i>[Note: this value cannot be changed]</i> |
| Multiply “A” by 0.15 | |
| Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used | |
| <p>Insert number of +equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p><i>Note:</i></p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | |
| “C” | |
| Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1 | |
| <p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p> | |
| <p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p> | |
| Total [“A” x 0.15] – “C” | <i>[Note: this is the remaining placement capacity under rule 7.1]</i> |

+ See chapter 19 for defined terms.

Part 2

| | |
|--|---|
| Rule 7.1A – Additional placement capacity for eligible entities | |
| Step 1: Calculate “A”, the base figure from which the placement capacity is calculated | |
| “A” <i>Note: number must be same as shown in Step 1 of Part 1</i> | Not Applicable |
| Step 2: Calculate 10% of “A” | |
| “D” | 0.10 <i>Note: this value cannot be changed</i> |
| Multiply “A” by 0.10 | |
| Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used | |
| Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A Notes: <ul style="list-style-type: none"> • <i>This applies to equity securities – not just ordinary securities</i> • <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> | |
| “E” | |

+ See chapter 19 for defined terms.

| Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A | |
|--|---|
| “A” x 0.10 <i>Note: number must be same as shown in Step 2</i> | |
| Subtract “E” <i>Note: number must be same as shown in Step 3</i> | |
| Total [“A” x 0.10] – “E” | <i>Note: this is the remaining placement capacity under rule 7.1A</i> |

+ See chapter 19 for defined terms.