

28 February 2017

Company Announcements Office  
Australian Securities Exchange

## Half Year Financial Results

- **Successful roll-out of key direct, distributor and wholesale operations throughout Australia, Asia and Europe. Defined path to market now in place and international sales beginning to scale.**
- **Over 25 wholesale, direct account and platinum partners in early roll-out phase. Attendance and presentation at over 20 tradeshows, lectures and industry events.**
- **Half year to-date revenue of \$1,490,645, together with additional purchase orders and committed revenue of over \$500,000.**
- **First commercial long-term agreements (up to five years), with contractual minimum annuity income stream and long-term incentives for out-performance.**
- **New generation OEM coatings gaining flagship customers and a strong revenue opportunity in calendar year 2017.**
- **Commercial entry into cold chain logistics and refrigerated transport sector, with strong customer feedback, and outstanding global potential.**
- **Corrosion prevention and mould remediation platforms launched, and demonstrating out-performance in multiple market sectors.**
- **Strategic review of USA market completed, demonstrating a credible and immediate opportunity. Launch underway, with strong distributor engagement and high levels of customer demand, early sales and shipments already achieved.**
- **Completion of research and development (R&D) phase of the breakthrough SmarHUB ecosystem, with commercial production now underway. Better-than-projected energy efficiency results from early commercial customers.**
- **Launch of AerisVIEW, an Internet of Things (IOT)-enabled, and cloud-based energy and resource analytics platform, with integration into both Aeris SmarHUB and Tridium/Niagara ecosystems.**

## Commentary

The half year ended 31 December 2016 generated both technical and commercial momentum in every one of Aeris Environmental Ltd's (Aeris or the Company) business units. It was particularly noteworthy that the Aeris team completed the SmarHUB ecosystem project, which has now been validated with key customers and is currently in scale-up commercial production.

The Company has spent significant time and resources to put in place, train and accredit distributors, wholesale partners and its own direct operations in Australia, Asia, Europe and now the USA. Aeris has taken orders and booked commercial revenue across every part of this network. The foundation has now been set for the Company and its trusted partners to work together to materially scale both the activity and outcomes over the coming quarters.

The launch of Aeris' latest generation of connected IOT-enabled devices have, to-date, outperformed the Company's internal models, projections and customers' expectations. Given that Aeris is now both the owner of the intellectual property and the manufacturer of the devices, the Company is able to profitably enter into multi-year commercial agreements (up to five years) with a contractual minimum annuity income stream and long-term incentives for out-performance.

Aeris' core value to the market, and to its shareholders, is that it not only uses data and analytics to quantify the savings it generates from its efficiency platforms, but also validates the long-term benefits of its consumable products. The SmartHUB is already becoming an invaluable sales tool for the Company's range of consumables. Aeris works on a variety of the consumables-driven solutions for each SmartHUB output – from cooling efficiency to volatile organic compounds and air contamination.

The Company's first commercial agreements have been signed and implemented in the cold chain logistics industry, which is of strategic interest to Aeris because it is a large market (globally in excess of five million refrigerated trucks, and many more refrigerators and cold rooms) that faces the dual challenges of rising energy and maintenance costs in an environment where there is intense focus on food safety due to temperature control and hygiene.

Importantly, the SmartHUB can be used for compliance with a series of governmental and non-governmental standards in the pharmaceutical, biotech, food and medical industries, including GLP, GMP, HACCP, JCAHO, CAP and local standards such as those for food safety. The Company's efficiency as a service model has demonstrated a revenue opportunity of \$500 to \$1,500 per truck, per annum, whilst generating strong margins for Aeris and a short return on investment to its customers.

The Company's proprietary mould remediation and corrosion protection ranges are demonstrating not only global high value potential, but are now gaining multiple landmark clients with increasing activity and revenue through wholesale, distributor, commercial and industrial channels.

During the half year Aeris announced a number of successful agreements in the OEM coatings market, with projected sales of over \$2 million per annum. As a consequence of an intense R&D programme, the Company is now undertaking commercial plant trials of a further breakthrough technology addressing substantial unmet needs within the global OEM market. Aeris expects to report on the results of these plant trials in the current half year. If successful, it will provide significant cost savings to the Company's customers together with an opportunity to scale revenue in a global marketplace of over 500 million coils per annum.

Aeris is now engaged in rolling out a focussed programme of investor and public relations, and building on its trade profile to position itself as the emerging leader in system and energy efficiency, whilst generating meaningful increases in commercial sales, and driving growth in shareholder value.

## **Aeris Environmental Ltd**

### **Peter Bush**

Chief Executive Officer

## **About Aeris Environmental Ltd**

Aeris develops, manufactures and markets patented, environmentally-friendly technology solutions that address the global megatrends of energy efficiency, healthier air, food safety, water quality and long-term materials protection, with core guiding principles of 'clean, green, protect'.

Smart Enzymes and Coatings provide long-term remediation, and prevention of mould, bacteria growth, corrosion and improved hygiene, with OEM, consumer and technical applications.

SmartENERGY provides dramatic and proven energy savings in the range of 19% to 33%, alongside documented improvement in system efficiency (54% to 289% improvement in airflow and up to 40% in coil efficiency), and independently-validated indoor air quality across all air-conditioning and refrigeration systems, with proven immediate cash flow savings.

# Appendix 4D

## Half Year Report for the six months ended on 31 December 2016

Name of entity

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

**Half year report for the six months ended on 31 December 2016 (comparatives for the six months ended on 31 December 2015).**

### Results for announcement to the market

Revenue from ordinary activities	up	373.1%	to	1,553,756
(Loss) from ordinary activities after tax attributable to members	up	16.6%	to	(1,489,503)
Net (loss) for the period attributable to members	up	16.6%	to	(1,489,503)
<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 2016 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:

### NTA Backing

	31 Dec 2016	31 Dec 2015
Net tangible asset backing per ordinary share	3.35 cents	4.03 cents

### Audit Qualification or Review

The accounts were subject to review by the Auditors and the review report is attached as part of half year report.

### Other Comments

Refer to the attached 31 December 2016 Half Year Financial Report.



**Robert J Waring**  
Company Secretary

28 February 2017



# **Aeris Environmental Ltd**

**ABN 19 093 977 336**

## **Half Year Financial Report**

**For the Half Year Ended**

**31 December 2016**

# Aeris Environmental Ltd

ABN 19 093 977 336



## CORPORATE DIRECTORY

ABN 19 093 977 336

<b>DIRECTORS</b>	Maurie Stang, Non-Executive Chairman Bernard Stang, Non-Executive Director Steven Kritzler, Non-Executive Director Alex Sava, Non-Executive Director
<b>CHIEF EXECUTIVE OFFICER</b>	Peter Bush, Alternate Director for M and B Stang
<b>COMPANY SECRETARY</b>	Robert Waring
<b>REGISTERED OFFICE</b>	Level 1, 5/26-34 Dunning Avenue Rosebery, NSW 2018
<b>SHARE REGISTER</b>	Computershare Investor Services Pty Ltd
<b>STOCK EXCHANGE LISTING</b>	Aeris Environmental Ltd shares are listed on the Australian Securities Exchange ASX code: <b>AEI</b>
<b>BANK</b>	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 2016.

### 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) - appointed on 3 October 2016

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 2016 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 six-month period to 31 December 2016 was \$1,553,756, an increase of 373% over the same period last year. The net loss for the period increased by 17% to \$1,489,503.

On 23 December 2016, subsequent to the shareholders' approval at the Annual General Meeting held on 28 November 2016, the Company issued 2,416,665 fully paid ordinary shares to three of its Directors, Maurie Stang, Bernard Stang and Steven Kritzler. They each received 805,555 shares by way of settlement of balance amounts owing to them relating to loans they made to the Company. Shares were issued at a price of \$0.42 per share and they rank equally in all respects with the existing fully paid shares in the Company.

### 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 2016.

### DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2015: 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 2017

# Aeris Environmental Ltd

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

For the half-year ended 31 December 2016

	Notes	December 2016 \$	December 2015 \$
Ordinary revenues	2	1,553,756	328,393
Insurance claim received	2	2,743	298,614
Cost of sales		(448,177)	(123,165)
Employee benefits expense		(1,097,988)	(701,037)
Occupancy expense		(102,023)	(121,338)
Depreciation and amortisation expense		(25,237)	(20,053)
Other general and administration		(534,027)	(480,490)
Sales, marketing and travel		(518,649)	(282,046)
Distribution expense		(45,247)	(40,050)
Product registration, patents, trade marks and R&D expenditure		(242,916)	(138,891)
Financial expense		(31,738)	(68,512)
<b>Loss before income tax expense</b>		<b>(1,489,503)</b>	<b>(1,348,575)</b>
Income tax benefit relating to ordinary activities		-	71,235
Net loss for the period		<b>(1,489,503)</b>	<b>(1,277,340)</b>
<b>Other Comprehensive Income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation loss		33,331	(5,509)
<b>TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR</b>		<b>(1,456,172)</b>	<b>(1,282,849)</b>
<b>Loss for the period attributable to:</b>			
Owners of Aeris Environmental Ltd		(1,485,528)	(1,277,340)
Non-controlling interest		(3,975)	-
		<b>(1,489,503)</b>	<b>(1,277,340)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of Aeris Environmental Ltd		(1,452,197)	(1,282,849)
Non-controlling interest		(3,975)	-
		<b>(1,456,172)</b>	<b>(1,282,849)</b>
<b>EARNINGS PER SHARE</b>	9	<b>Cents</b>	<b>Cents</b>
Basic loss per share		(0.94)	(0.85)
Diluted loss per share		(0.94)	(0.85)

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 2016

	Notes	December 2016 \$	June 2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	3,673,332	5,415,664
Trade and other receivables	5A	1,358,145	1,192,045
Inventories		204,617	170,933
Other current assets		197,923	135,634
<b>TOTAL CURRENT ASSETS</b>		<b>5,434,018</b>	<b>6,914,276</b>
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		142,874	151,281
Intangible assets		-	-
Trade and other receivables	5B	481,202	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>624,076</b>	<b>151,281</b>
<b>TOTAL ASSETS</b>		<b>6,058,093</b>	<b>7,065,557</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		588,361	447,997
Provisions		172,068	114,275
Interest-bearing liabilities	8	-	1,015,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>760,428</b>	<b>1,577,272</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions		10,764	10,764
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>10,764</b>	<b>10,764</b>
<b>TOTAL LIABILITIES</b>		<b>771,192</b>	<b>1,588,036</b>
<b>NET ASSETS</b>		<b>5,286,901</b>	<b>5,477,521</b>
<b>EQUITY</b>			
Capital		41,311,362	40,100,112
Reserves		1,268,338	1,180,706
Accumulated losses		(37,298,081)	(35,812,554)
Non-controlling interest		5,282	9,257
<b>TOTAL EQUITY</b>		<b>5,286,901</b>	<b>5,477,521</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 2016

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non-controlling interest \$	Total Equity \$
<b>At 1 July 2016</b>	<b>40,100,112</b>	<b>(35,812,554)</b>	<b>1,180,706</b>	<b>9,257</b>	<b>5,477,521</b>
Loss for the period	-	(1,485,527)	-	(3,975)	(1,489,502)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	33,332	-	33,332
<i>Transaction with owners in their capacity as owners</i>					
Issue of share capital	1,211,250	-	-	-	1,211,250
Movements in share based payments reserves	-	-	54,300	-	54,300
<b>At 31 December 2016</b>	<b>41,311,362</b>	<b>(37,298,081)</b>	<b>1,268,338</b>	<b>5,282</b>	<b>5,286,901</b>
<b>At 1 July 2015</b>	<b>38,600,112</b>	<b>(33,749,829)</b>	<b>1,186,580</b>	<b>-</b>	<b>6,036,863</b>
Loss for the period	-	(1,277,340)	-	-	(1,277,340)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	(5,509)	-	(5,509)
<i>Transaction with owners in their capacity as owners</i>					
Issue of share capital	1,500,000	-	-	-	1,500,000
Movements in share based payments reserves	-	-	631	-	631
<b>At 31 December 2015</b>	<b>40,100,112</b>	<b>(35,027,169)</b>	<b>1,181,702</b>	<b>-</b>	<b>6,254,645</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 2016

	December 2016 \$	December 2015 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers (inclusive of GST)	491,383	288,986
Payments to suppliers and employees (inclusive of GST)	(2,832,543)	(2,015,896)
R&D tax offset	351,960	71,234
Interest received	61,945	114,671
Insurance claim received	2,743	298,614
Other income	1,166	1,172
Interest paid	(31,738)	(68,512)
<b>Net cash used in operating activities</b>	<b>(1,955,084)</b>	<b>(1,309,731)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investment in term deposits	-	(1,800,000)
(Purchase) / disposal of fixed assets	(16,830)	(104,058)
<b>Net cash used in investing activities</b>	<b>(16,830)</b>	<b>(1,904,058)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares (net of issue cost)	196,250	-
Proceeds from loan borrowings	-	-
<b>Net cash provided by financing activities</b>	<b>196,250</b>	<b>-</b>
Net increase / (decrease) in cash held	(1,775,664)	(3,213,789)
Cash at the beginning of the financial period	5,415,664	3,855,574
Effects of exchange rate changes on cash and cash equivalents	33,331	(5,509)
Cash at the end of the financial period	<b>3,673,332</b>	<b>636,276</b>

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 2016

### 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 2016. 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 2016 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 Company 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 Company made operating losses of \$1,489,503 for the six months to 31 December 2016 (2015: \$1,277,340). The net assets position has gone down from \$5,477,521 as at 30 June 2016 to \$5,286,901 on 31 December 2016.

The operating cash burn rate for the half year ended 31 December 2016 was \$1,955,084 (31 December 2015: \$1,309,731). The cash balance as at 31 December 2016 was \$3,673,332 (30 June 2016: \$5,415,664).

The Directors are of the opinion that the Company 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 2016 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.

The adoption of all the 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.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

	December 2016 \$	December 2015 \$
<b>2 Revenue</b>		
Revenue from sales and services	1,490,645	212,550
Financial revenue	61,945	114,671
Other revenue	1,166	1,172
Total revenue	<u>1,553,756</u>	<u>328,393</u>

<b>Other Income</b>		
Insurance claim received	2,743	298,614
Total insurance claim	<u>2,743</u>	<u>298,614</u>

This represents insurance claims received by the Company on account of damage to the Company's property due to the hailstorms in April 2015.

## 3 Expenses

Loss from ordinary activities before income tax expense includes:

Depreciation and amortisation	25,237	20,053
Research and development expenditure	242,916	138,891
Rental and occupancy expenses	102,023	121,338
Share based payments	54,300	630
Defined contribution superannuation expense	84,691	64,112

	December 2016 \$	June 2016 \$
<b>4 Cash and Other Financial Assets</b>		
<b>Cash and Cash Equivalents</b>		
Cash at bank and on hand	267,926	59,508
Term deposits	3,200,000	5,350,000
Deposits on call	205,406	6,156
	<u>3,673,332</u>	<u>5,415,664</u>

## 5 Trade and Other receivables

<b>A Current</b>		
Trade receivables	1,625,304	1,472,403
Provision for impairment	(280,492)	(280,358)
Other receivables	13,333	-
	<u>1,358,145</u>	<u>1,192,045</u>
<b>B Non-current</b>		
Trade receivables	454,535	-
Other receivables	26,667	-
	<u>481,202</u>	<u>-</u>

### C Notes

- Trade receivables are amounts due from customers for goods or services performed in the ordinary course of business. Other receivables are loans or financial assets with fixed or determinable payments. If the collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.
- Due to the short term nature of the current receivables, their carrying amount is generally considered to be the same as their fair values. For non-current receivables, fair values were calculated based on cash flows discounted using a current lending rate. Non-current receivables include amounts that are payable in monthly instalments over five years.
- Past due but not impaired*: The aging analysis of trade receivables, which were past due but not impaired, is as listed below. These relate to independent customers for whom there is no recent history of default.

Less than 3 months	-	-
3 months or more	652,693	-
	<u>652,693</u>	<u>-</u>

The Company has extended the terms of credit for the above past due receivables to 30 June 2017. The Company is confident about the recoverability of these amounts.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

### 6 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 arm's 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 2016	Australia	International	Intersegment eliminations	Consolidated
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	1,469,696	29,889	(8,940)	1,490,645
Other income	65,854	-	-	65,854
Total revenue	1,535,550	29,889	(8,940)	1,556,499
<b>Expenses</b>				
Cost of goods sold	448,050	9,068	(8,940)	448,178
Operating expenses	2,498,728	36,011	63,085	2,597,824
Total expenses	2,946,778	45,079	54,145	3,046,002
Loss before tax	(1,411,228)	(15,190)	(63,085)	(1,489,503)
<b>For half year ended 31 December 2015</b>	<b>Australia</b>	<b>International</b>	<b>Intersegment eliminations</b>	<b>Consolidated</b>
	\$	\$	\$	\$
<b>Revenue</b>				
Sales	212,550	-	-	212,550
Other income	414,457	-	-	414,457
Total revenue	627,007	-	-	627,007
<b>Expenses</b>				
Cost of goods sold	123,165	-	-	123,165
Operating expenses	1,748,460	18,771	85,186	1,852,417
Total expenses	1,871,625	18,771	85,186	1,975,583
Loss before tax	(1,244,618)	(18,771)	(85,186)	(1,348,576)

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

### 6 Segment Reporting (continued)

#### Segment Assets and Liabilities

	Assets 31/12/2016 \$	Assets 31/12/2015 \$	Liabilities 31/12/2016 \$	Liabilities 31/12/2015 \$
Australia	6,184,252	7,883,665	2,552,326	3,225,307
International	72,271	11,524	2,056,382	1,980,426
Total	6,256,523	7,895,189	4,608,708	5,205,733
Intersegment elimination	(243,388)	(198,918)	(3,882,474)	(3,764,107)
Unallocated	-	-	-	-
Consolidated	6,013,135	7,696,271	726,234	1,441,626

### 7 Issues, Repurchases and Repayments of Equity Securities

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

3,000,000 shares to Directors towards loan repayments	-	1,500,000
2,416,665 shares to Directors towards loan repayments	1,015,000	-
750,000 shares issued to Peter Bush, CEO on exercise of options	196,250	-

On 23 December 2016, subsequent to the shareholders' approval at the Annual General Meeting held on 28 November 2016, Company issued 2,416,665 fully paid ordinary shares to three of its Directors, Maurie Stang, Bernard Stang and Steven Kritzer. They each received 805,555 shares by way of settlement of balance amounts owing to them relating to loans they made to the Company. Shares were issued at a price of \$0.42 per share and they rank equally in all respects with the existing fully paid shares in the Company.

The Company issued the following share options during the 2016 half year reporting period:

Number of options issued to Directors	100,000	-
Number of options issued to employees and consultants	1,395,000	-
	<b>1,495,000</b>	<b>-</b>

### 8 Interest Bearing Liabilities

#### Interest Bearing Liabilities

	December 2016 \$	June 2016 \$
Interest bearing current liabilities represent loans from Directors	-	1,015,000
	<b>-</b>	<b>1,015,000</b>

These loans will accrue interest at ATO benchmark rates - currently 5.45% per annum.

### 9 Earnings Per Share

	December 2016 \$	December 2015 \$
Basic loss per share (cents)	<b>(0.94)</b>	(0.85)
Diluted loss per share (cents)	<b>(0.94)</b>	(0.85)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	<b>155,021,566</b>	151,542,852
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	<b>155,021,566</b>	151,542,852

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS For the half-year ended 31 December 2016

### 10 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:

	December 2016 \$	December 2015 \$
<b>Regional Healthcare Group Pty Ltd</b>		
The company and its controlled entities paid for services provided by Regional Healthcare Group Pty Ltd.		
Office and administration expenses	62,517	72,323
Rent	26,196	10,083
Distribution expenses	13,707	15,294
Corporate services	34,350	54,100
	<u>136,770</u>	<u>151,800</u>
Outstanding balance at the end of the reporting period *	76,920	32,364

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

#### Novapharm Research (Australia) Pty Ltd

The Company and its controlled entities paid for services provided by Novapharm Research (Australia) Pty Ltd for research and development and other operational expenses

	252,412	63,724
	<u>252,412</u>	<u>63,724</u>
Outstanding balance at the end of the reporting period *	23,816	27,496

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

#### Ensol Systems Pty Ltd

The Company and its controlled entities paid for operational services provided by Ensol Systems Pty Ltd.

	1,744	-
	<u>1,744</u>	<u>-</u>
Outstanding balance at the end of the reporting period *	82,713	-

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

#### Loan from Directors (contributed equally by Messrs M Stang, B Stang and S Kritzler)

Interest on loans	28,500	67,378
Loan borrowings	-	-
Loan repaid (by issue of shares)	1,015,000	1,500,000
Outstanding balance at the end of the reporting period *	-	1,015,000

Messrs M Stang, S Kritzler and B Stang are Non-Executive Directors and shareholders of the Company. Interest is charged on these loans at 5.4% per annum (ATO benchmark rates).

\* Outstanding balances at the end of the reporting period are unsecured, interest-free and settlement occurs in cash.

#### Insurance Claim

The Company's plant, property and equipment has been insured under the common cover arranged for all entities under the Stang Group of Companies.

Insurance claim received	2,743	298,614
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The claims were initially received by Stang Group Insurance Fund and then reimbursed to the Company. Mr M Stang and Mr B Stang are the founders of the Stang Group of Companies.

# Aeris Environmental Ltd

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2016

### 11 Events Subsequent to the Reporting Date

There have been no matters or circumstances, which have arisen since 31 December 2016 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2016, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2016, of the consolidated entity.



# Aeris Environmental Ltd

## DIRECTORS' DECLARATION

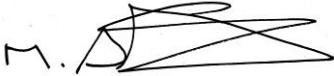
### Directors' Declaration

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 2016 and of its performance for the financial half-year ended on that date; and
- 3 there are reasonable grounds to believe that the Company 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

A handwritten signature in black ink, appearing to be 'M. Stang', written over a horizontal line.

**Maurie Stang**

Chairman and Director

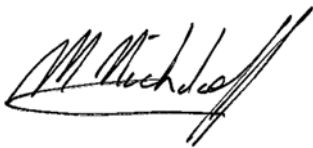
Sydney, 28 February 2017

**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 2016, 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.

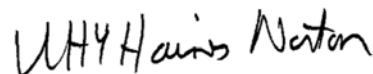


**Mark Nicholaeff**

Partner

Sydney

Dated: 28 February 2017



**UHY Haines Norton**

Chartered Accountants

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the Members of Aeris Environmental Ltd

#### ***Report on the Half-Year Financial Report***

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 2016, 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, the notes comprising a summary of significant accounting policies and other 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.

#### ***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 2016 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 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.

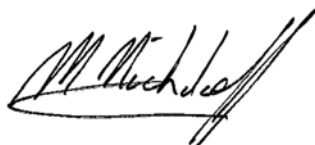
#### ***Independence***

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

**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 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 2016 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*.

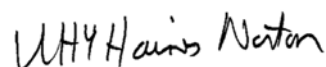


**Mark Nicholaeff**

Partner

Sydney

Dated: 28 February 2017



**UHY Haines Norton**

Chartered Accountants