

Rule 4.3A

Appendix 4E

Preliminary final report for the financial year ended 30 June 2018

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336**Reporting period:** 30 June 2018**Previous period:** 30 June 2017**Results for announcement to the market**

				\$A'000
Revenues from ordinary activities	down	(3.82%)	to	2,771
(Loss) from ordinary activities after tax	down	(13.91%)	to	(3,231)
(Loss) for the period attributable to owners of Aeris Environmental Ltd	down	(13.84%)	to	(3,230)

Dividends (distributions)	Amount per security	Franked amount per security
	Nil ¢	Nil ¢
Final dividend		
Previous corresponding period	Nil ¢	Nil ¢

Brief explanation of the above

The Group generated an ordinary revenue of \$2,771,000 and incurred an operating loss after income tax of \$3,231,000 in the year ended 30 June 2018. As at 30 June 2018, the Group had net assets of \$79,000 and cash balance of \$158,000.

This Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2017 and the annual financial report for the year ended 30 June 2018, due to be released in September 2018. It is also recommended that the Appendix 4E be considered together with any public announcements made by the Group since commencement of the 2017-18 financial year in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

NTA backing

	30-Jun-18 cents	30-Jun-17 cents
Net tangible asset backing per ordinary share	0.05	1.97

Events occurring after Balance Date

No matter or circumstance has arisen since 30 June 2018 that has significantly affected or may significantly affect the consolidated entities' operations, the results of these operations, or the consolidated entities' state of affairs in future financial years.

Details of entities over which control has been gained or lost during the period

Not Applicable

Foreign Entities details

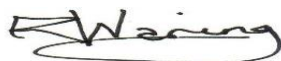
Not Applicable

Dividends

No dividends were paid or proposed during the financial year.

Audit or Review details

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



Sign here:
(Director/Company Secretary)
Print name: **Robert J Waring**

Date: **31 August 2018**

31 August 2018

Aeris Environmental Ltd (ASX:AEI) today releases its 2017-18 financial year results in the Preliminary Final Report (Appendix 4E).

- **2017-18 financial year cash receipts of \$2.69 million, a 49% increase on the prior corresponding year (2016-17 – \$1.81 million). Cash receipts of \$1.23 million for July and August 2018, including a \$667,000 ATO R&D cash-back.**
- **Several global strategic partnerships are moving towards final agreements and commercial rollout.**
- **Strong pipeline of sales opportunities with leading customers, platinum partners and specifying consultants, particularly in the USA, Asia and Europe.**
- **Contracted recurring revenue streams, improving operating cash flows, with the potential for accelerated growth driven by current deal flow.**

During the 2017-18 financial year Aeris was focussed on preparing all key product portfolios for international rollout, together with finalising emerging relationships with international leaders having existing paths to market as well as global operations and footprints. The Company's growing base of contracted business, together with the increasing adoption of the Aeris technologies in all key sectors, and outstanding relationships with international distributors, customers and wholesale channels, underpin accelerating and sustained momentum into 2019 and beyond.

2017-18 Financial Year Operational Highlights

- Core products for each business unit – AerisGuard consumables, AerisCoat Anti-Corrosion, and SmartHUB SmartENERGY and control – are all now commercially launched and gaining traction in key global markets.
- Acceleration of the programme of work in the USA, Asia and Europe with high value-added opportunities, resulting in increased near-term revenues.
- Focus on global path to market with partners who determine product usage and specification in their own right.

The Company's attention during the 2017-18 financial year was on scaling production, building Aeris' sales channels and successfully accelerating its key growth platforms such as corrosion prevention, electronic control, and mould and hygiene. In parallel, the Company has been developing relationships with international leaders that have existing paths to market and can exert substantial influence on customers to adopt Aeris' 'clean, green' technologies.

The Company continues to receive positive feedback from large-scale potential partners with the aim of replacing legacy products with the more modern Aeris products, which deliver broad efficiency improvements resulting in assets that are demonstrably more efficient, last longer and are safer for both the operator and the environment.

The Company is targeting the completion of several material agreements in North America in the December 2018 half-year. Each of these potential agreements on which Aeris is focussed is with counterparties who are leaders in their respective markets and have already provided good intelligence as to their sales potential with the Company's range. If successfully concluded, the cumulative effect on Aeris sales prospects going forward will be substantial. The Company is now putting in place technical services capabilities to support the plans of Aeris' strategic partners.

Hygiene Consumables and Corrosion

Consumables and corrosion protection products are successfully being marketed by the Company as an integrated solution to Aeris' asset efficiency offerings. In the USA, the Company has targeted channels to market that will provide access for Aeris' products at all the points of need across the broader North American continent.

The Company is concentrating on agreements to drive its proprietary technologies into vertical applications covering oil and gas, air-conditioning, refrigeration, transport, manufacturing and facilities management. In this regard, Aeris recently signed a supply agreement with Impreglon Australia Pty Ltd (Impreglon), an international company with 35 years' experience in the metal finishing industry, where Impreglon will exclusively purchase and apply the AerisCoat Corrosion protection and prevention products to all HVAC, and refrigeration units and coils that are processed at its Australian operations. This follows the previous award of a Master Service Agreement, and the successful implementation of the AerisGuard room remediation and deep cycle hygiene for Sodexo, with material orders and a pipeline of opportunities for its solutions to be utilised for the built environment for on-site camps, mining, temporary housing, facilities management, and offshore oil and gas industries.

The Company's one-step, water-based, long-life AerisCoat corrosion prevention solutions are attracting high levels of interest globally from highly-respected Original Equipment Manufacturers (OEM) in HVAC and heat exchangers, and on-site in large industrial, transport and manufacturing plants.

Real Time Asset Monitoring and Control

Aeris has expanded the technical capability of its SmartHUB ecosystem, which has seen validation within key customer groups, and is currently being scaled into a commercial rollout directly through key customers, wholesale and platinum distribution partners. The Company has the ability to drive efficiency and improve asset performance with integrated and scalable, yet simple-to-implement, solutions. The Aeris SmartHUB ecosystem delivers benefits that other building information and management systems, concentrating on data only, do not achieve. Each unit can provide full control of air-conditioning systems, including remote graphics interface, visualisation of space temperatures, unit status and alarms. Building conditions information, such as ambient temperature and relative humidity data, can be displayed on the interface via application programming interface (API) feed from the internet. This data, in conjunction with energy data and unit information, can be used as necessary for peak demand management and control through implementations of the Company's SmartENERGY strategy.

Finance

Aeris is assessing several options for capital resources to underpin its growth objectives whilst, in parallel, putting in place trade agreements targeting substantial revenue growth. The Company has received additional loan funding from its Directors, at an interest rate that is tied to the Australian Taxation Office (ATO) benchmark interest rate, as outlined in Aeris' previous ASX announcements. In July 2018 the Company received a cash-back of \$667,000 from the ATO for its research and development (R&D) activities for the financial year ended 30 June 2017, and the 2018 R&D ATO cash-back of approximately \$450,000 is expected in the December 2018 quarter.

Aeris today has a compelling portfolio of validated and disruptive products, strong engagement by market leaders in all verticals, and a clear path to revenue growth. The Company is now focussing its resources on supporting its key partners and platinum distributors with in-field technical services and product support, together with applicable regulatory registrations in key markets. Aeris continues to generate attractive margins, has a strong control on costs and is executing its clear strategy for building sustained growth in shareholder value.

Aeris Environmental Ltd

Peter Bush

Chief Executive Officer

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2018

	Note	30-Jun-18 \$'000	30-Jun-17 \$'000
Revenues from operating activities		2,752	2,746
Interest revenue		13	93
Other income		6	42
Cost of goods sold		(1,092)	(1,038)
Depreciation, amortisation and impairment		(67)	(58)
Distribution expenditure		(242)	(184)
Employee benefits expense		(2,273)	(2,238)
Financial expenditure		(63)	(38)
Occupancy expense		(276)	(248)
Impairment expense		(108)	(675)
Other general and Administration		(1,034)	(1,071)
Product registration, patents, trade marks and R&D expenditure		(504)	(509)
Sales, marketing and travel		(1,010)	(1,000)
Loss from ordinary activities before income tax expense		(3,898)	(4,178)
Income tax credit relating to ordinary activities		667	425
Loss after tax		(3,231)	(3,753)
Other Comprehensive Income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		2	31
Total Comprehensive Loss for the period		<u>(3,229)</u>	<u>(3,722)</u>
Loss for the period attributable to:			
Owners of Aeris Environmental Ltd		(3,230)	(3,749)
Non-controlling interest		(1)	(4)
		<u>(3,231)</u>	<u>(3,753)</u>
Total comprehensive loss for the period attributable to:			
Owners of Aeris Environmental Ltd		(3,228)	(3,718)
Non-controlling interest		(1)	(4)
		<u>(3,229)</u>	<u>(3,722)</u>
Earnings per share			
Basic loss per share (cents per share)	2	(2.05)	(2.40)
Diluted loss per share (cents per share)	2	(2.05)	(2.40)

Consolidated statement of financial position as at 30 June 2018

	30-Jun-18 \$'000	30-Jun-17 \$'000
CURRENT ASSETS		
Cash and cash equivalents	158	1,520
Trade and other receivables	1,819	1,445
Inventories	316	257
Other	100	114
TOTAL CURRENT ASSETS	2,393	3,336
NON-CURRENT ASSETS		
Plant and equipment	115	156
Trade and other receivables	312	353
TOTAL NON-CURRENT ASSETS	427	509
TOTAL ASSETS	2,820	3,845
CURRENT LIABILITIES		
Trade and other payables	1,241	497
Provisions	274	219
TOTAL CURRENT LIABILITIES	1,515	716
NON-CURRENT LIABILITIES		
Provisions	26	19
Borrowings	1,200	-
TOTAL NON-CURRENT LIABILITIES	1,226	19
TOTAL LIABILITIES	2,741	735
NET ASSETS	79	3,110
EQUITY		
Contributed equity	41,313	41,313
Reserves	1,554	1,354
Accumulated losses	(42,792)	(39,562)
Non-controlling interest	4	5
TOTAL EQUITY	79	3,110

Consolidated statement of changes in equity for the year ended 30 June 2018

	Equity	Reserves	Accumulated Losses	Non-controlling interest	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2016	40,100	1,181	(35,813)	9	5,477
Loss for the year	-	-	(3,749)	(4)	(3,753)
Other comprehensive loss	-	31	-	-	31
Total comprehensive loss for the year	-	31	(3,749)	(4)	(3,722)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	1,213	-	-	-	1,213
Value of employee services under ESOP	-	142	-	-	142
Balance at 30 June 2017	41,313	1,354	(39,562)	5	3,110
Balance at 1 July 2017	41,313	1,354	(39,562)	5	3,110
Loss for the year	-	-	(3,230)	(1)	(3,231)
Other comprehensive income	-	2	-	-	2
Total comprehensive loss for the year	-	2	(3,230)	(1)	(3,229)
<i>Transactions with owners in their capacity as owners:</i>					
Value of employee services under ESOP	-	198	-	-	198
Balance at 30 June 2018	41,313	1,554	(42,792)	4	79

Consolidated statement of cash flows for the year ended 30 June 2018

	Note	30-Jun-18 \$'000	30-Jun-17 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,694	1,810
Payment to suppliers and employees		(5,630)	(6,317)
Income tax credit received		425	351
Interest received		13	93
Interest paid		(46)	(38)
Other income		6	42
Net cash used in operating activities	1	(2,538)	(4,059)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of assets		(26)	(65)
Net cash used in investing activities		(26)	(65)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of Shares		-	197
Loan borrowings		1,200	-
Net cash provided by financing activities		1,200	197
Net decrease in cash held		(1,364)	(3,927)
Cash and cash equivalents at the beginning of the financial year		1,520	5,416
Effects of exchange rate changes on cash and cash equivalents		2	31
Cash and cash equivalents at the end of the financial year		158	1,520
Reconciliation of cash balance			
		30-Jun-18 \$'000	30-Jun-17 \$'000
Deposits on call		6	5
Term Deposits		-	1,000
Cash on hand and at bank		152	515
		158	1,520

NOTE 1

Reconciliation of operating loss after income tax to net cash flows from operating activities

	2018	2017
	\$'000	\$'000
Operating loss after income tax	(3,231)	(3,753)
Non cash/non-operating items included in profit and loss		
Depreciation, amortisation and impairment	67	58
Impairment of trade receivables	108	675
Share based payments	198	142
Changes in assets and liabilities		
(Increase) in receivables	(441)	(1,280)
(Increase) in inventory	(59)	(86)
Decrease / (increase) in other assets	14	21
Increase in trade creditors	545	175
Increase in employee entitlement provision	62	113
(Decrease) / increase in other creditors and accruals	199	(124)
Net cash used in operating activities	(2,538)	(4,059)

NOTE 2

Earnings per security (EPS)

Calculation of the following in accordance with AASB 133: Earnings per Share

	30-Jun-18	30-Jun-17
Net profit/(loss) - \$'000 (used to calculate basic EPS)	(3,230)	(3,749)
Interest on convertible equity portion	-	-
Net profit/(loss) - \$'000 (used to calculate diluted EPS)	<u>(3,230)</u>	<u>(3,749)</u>
Weighted average number of ordinary shares used in the calculation of the basic EPS	157,750,866	156,329,954
Convertible share options and Performance Rights	2,189,037	-
Weighted average number of ordinary shares used in the calculation of the diluted EPS	<u>159,939,903</u>	<u>156,329,954</u>
Basic EPS – loss per share (cents)	(2.05)	(2.40)
Diluted EPS – loss per share (cents)	(2.05)	(2.40)

NOTE 3

Financial reporting by geographical segments

	Australia	International	Intersegment elimination	Consolidated
	\$'000	\$'000	\$'000	\$'000
Segment revenue	2,739	48	(16)	2,771
Loss before tax	(3,902)	3	-	(3,899)
Segment assets	2,899	84	(163)	2,820
Segment liabilities	4,553	2,019	(3,831)	2,741

Notes to the Consolidated Financial Statements**NOTE 1: Basis of Preparation**

This Financial Report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The Financial Report has been prepared on an accruals basis, and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

NOTE 2: Going Concern Basis

The Group has incurred an operating loss of \$3,231,000 for the year ended 30 June 2018 (2017: \$3,753,000) and has net assets of \$79,000 as at 30 June 2018 (2017: \$3,110,000). The operating cash burn rate for the financial year ended 30 June 2018 was \$2,538,000 (2017: \$4,059,000). The cash balance as at 30 June 2018 was \$158,000 (2017: \$1,520,000). If the cash burn rate for the financial year ended 30 June 2018 continues during the year ending 30 June 2019, which it is not budgeted to do, there may be an uncertainty in relation to the Group's ability to continue as a going concern.

Implementation of product marketing measures are expected to improve the cash burn rate significantly. The Directors have an expectation that the sum of its activities will result in a positive cash position during the next 12 months ending 31 August 2019. The Group is currently assessing several options available for further capital resources to underpin its growth requirements. The Group has been able to demonstrate in previous years that they have been successful in raising capital when needed. In June 2015 \$5 million was raised, before the costs of raising. The Directors remain confident that this can again be done when and if required to support the Group's continuing activities.

Certain of the Group's Non-Executive Directors have pledged to provide financial support to the Group for an amount of up to \$1,500,000. The amount drawn down from this facility as at 30 June 2018 was \$1,200,000 and \$300,000 remains available to the Group.

In July 2018, Aeris received a cash-back of \$667,000 from the Australian Taxation Office (ATO) for its research and development (R&D) activities for the financial year ended 30 June 2017 and the 2018 R&D ATO cash-back of approximately \$450,000 is expected to be received in the December 2018 quarter.

As a consequence of the above, 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 Annual Financial Report.

NOTE 3: Accounting Policies

The Appendix 4E does not include notes of the type normally included within the Annual Financial Report, and therefore cannot be expected to provide a full understanding of the financial performance and financial position of the Group as in the full Annual Financial Report. The Appendix 4E should be read in conjunction with the Half Year Financial Report of the Group as at 31 December 2017 and the Annual Financial Report, due to be released in September 2018, for the year ended 30 June 2018. It is also recommended that the Preliminary Final Report be considered together with any public announcements made by Aeris Environmental Ltd during the year ended 30 June 2018 in accordance with the continuous disclosure obligations under the ASX Listing Rules and under the *Corporations Act 2001*.