

28 February 2019

Company Announcements Office
Australian Securities Exchange

December 2018 Half Year Report

- Revenue of \$1,476,167 for the December 2018 half year (previous half year: \$1,630,107), whilst the Company focused on the major transactions recently announced. Now forecasting to significantly increase revenue during the current half year, as reported sales initiatives come to the commercial phase.
- Gross profit margin was 49% for the December 2018 half year, reflecting sub-scale Australian manufacturing. USA-based manufacturing and supply chain is to come on-line in the March 2019 quarter.
- Operating costs continue to be carefully controlled. However, an increase of 16% in operating costs, compared to the prior corresponding period, resulted from additional expenditure being invested in order to generate an increase in forward revenue.
- Loss for the half year to 31 December 2018 was \$2,292,356 (2017: \$1,617,465).
- Two share Placements (raising \$4,000,000 and \$3,208,692) for a total of \$7,208,692, plus a Share Purchase Plan (SPP) of \$257,500, being a combined total of \$7,466,192, all at a share price of \$0.17, to institutional and sophisticated investors (including a new cornerstone strategic investor group) and to existing shareholders.
- Worldwide strategic alliance formed with Goodman Global Group, Inc., a division of Daikin Industries, Ltd. In the first quarter of 2019 the Company has been working on a launch of its products in the USA across 210 stores and with over 80,000 contractors.
- Strategic supply agreement signed with Bunzl, a leading global distributor of cleaning products, catering supplies, food production and health hygiene products, with \$10 billion in revenue and 16,000 staff in 30 countries.
- First sale to Encompass, one of the largest parts distributors in the USA, serving 50 states.
- Continuing progress in core markets, with key wins in Asia, the Middle East, Europe and Australia.
- Scale-up of new manufacturing and supply chain capability in the USA in anticipation of material growth in revenue in multiple key international markets.
- Directors' loans of \$1,500,000 have been converted into shares at \$0.17, the same price as the Placements and the SPP. The balance of the loans has been repaid from the proceeds of the Placements, making Aeris debt free during the first quarter of 2019.

Commentary

On 12 December 2018 Aeris successfully closed a share Placement of \$4,000,000. It also launched an SPP, which was concluded in January 2019 and raised \$257,500. These raisings were at an issue price of \$0.17 per share, and were made to institutional and sophisticated investors (including a new cornerstone strategic investor group), and existing shareholders. The Company held an Extraordinary General Meeting (EGM) on 29 January 2019, at which shareholders approved an additional share issue at \$0.17 per share, and this Placement was finalised on 31 January 2019 raising \$3,208,692.

Funds raised from the issues are providing expanded working and growth capital for Aeris, with a focus on rapidly developing the Company's commercial activity in North America, the world's largest market for heating, ventilation and air-conditioning (HVAC). Additionally, following EGM approval, \$1,500,000 in Directors' loans was converted into shares at the same price as the Placements and SPP, being \$0.17 per share. Aeris is now net debt free.

The two Placements were underpinned by strategic investors Stephen Girdis and James Hodgkinson, and interests associated with FDC Construction & Fitout, Moelis Australia and the Ray White Group. The Company is pleased to advise that Stephen Girdis and James Hodgkinson have now joined the Aeris advisory board, with a focus on leveraging their multi-decade expertise in the global property market.

On 29 November 2018, the Company announced a global strategic alliance with Daikin Industries, Ltd (Daikin), the largest HVAC company in the world, through a partnership with Goodman Global Group, Inc. (Goodman), a leading manufacturer of air-conditioning equipment in North America. Goodman is a division of Daikin. The agreement covers the full spectrum of the Aeris air conditioning, corrosion, mould, IEQ and 'SMART' technologies.

The Company has recently added two well-regarded and experienced senior sales executives to its USA team. They will service the Goodman sales channel and also concentrate on revenue generation with multiple partners throughout the USA.

Aeris has now entered into an agreement with a highly-regarded manufacturing partner. This now affords the Company with a direct USA-based manufacturing capability, a first-class supply chain, and leverages on the new partner's deep insight into the HVAC industry and trade in North America.

Aeris has also put in place an important supply relationship and launched joint sales activity with Bunzl, a leading multinational distributor of cleaning and hygiene products, food service, hospitality, health care and facilities management. The Company is now focussed on providing technical and marketing support, as well as joint client visits to enable a rapid growth in Aeris' consumables sales for both parties.

The Company has now successfully invested in securing leading global partners in each of its targeted fields, offering a highly-efficient sales network and with stock in trade channels close to the point of demand. Aeris today is debt free, has successfully addressed its capital needs, and has the resources and talent needed to execute its mission to leverage the Company's proven technical leadership in, and growing global demand for, advanced microbial control, mould prevention, corrosion protection and asset-level energy efficiency.

Aeris is well into its scale-up of manufacturing and supply chain capability in anticipation of material growth in revenue in key international markets, particularly in the USA, providing both cost savings and shorter lead times for the Company's expanding range of key customers in the North American market.

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 2018

Name of entity

AERIS ENVIRONMENTAL LTD ABN: 19 093 977 336

Half year report for the six months ended on 31 December 2018 (comparatives for the six months ended on 31 December 2017).

Results for announcement to the market

Revenue from ordinary activities	down	9.4%	to	1,476,167
(Loss) from ordinary activities after tax attributable to members	up	41.7%	to	(2,292,356)
Net (loss) for the period attributable to members	up	41.7%	to	(2,292,356)
Dividends (distributions)		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 2018 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 2018	31 Dec 2017
Net tangible asset backing per ordinary share	0.98 cents	1.00 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 2018 Half Year Financial Report.

Robert J Waring
Company Secretary

28 February 2019



Aeris Environmental Ltd

ABN 19 093 977 336

Half Year Financial Report

For the Half Year Ended

31 December 2018

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 Alex Sava, 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

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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 2018.

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)

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

On 12 December 2018, Company allotted 23,529,417 new fully paid ordinary shares to institutional and sophisticated investors under the Placement announced on 3 December 2018. The issue was completed at a price of \$0.17 per share and raised \$4,000,000. These shares were issued under the Company's 15% placement capacity in accordance with the ASX Listing Rules.

In addition, Company received Share Placement Application for additional 18,874,656 shares in December 2018 which were allotted on 31 January 2019 following shareholder approval at the Extraordinary General Meeting (EGM) held on 29 January 2019. This issue was also at a price of \$0.17 per share and raised \$3,208,692.

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

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

On 29 January 2019, Company allotted 1,514,698 fully paid ordinary shares under its Share Purchase Plan. The issue was completed at a price of \$0.17 per share and raised \$257,500.

In the opinion of the Directors, no other matters or circumstances have arisen since 31 December 2018 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 2018 was \$1,476,167 (31 December 2017: \$1,630,107). The net loss for the half-year to 31 December 2018 was \$2,292,356 (31 December 2017: \$1,617,465).

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 2018.

DIVIDENDS

No dividends were proposed, declared or paid during the half year period and up to the date of this report (2017: 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 2019

Aeris Environmental Ltd

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Notes	December 2018 \$	December 2017 \$
Ordinary revenues	2	1,476,167	1,630,107
Cost of sales		(719,899)	(645,457)
Employee benefits expense		(1,255,701)	(1,049,887)
Occupancy expense	3	(145,429)	(126,849)
Depreciation and amortisation expense	3	(35,670)	(33,494)
Other general and administration		(635,846)	(524,819)
Sales, marketing and travel		(395,728)	(544,502)
Distribution expense		(179,452)	(97,189)
Product registration, patents, trade marks and R&D expenditure	3	(338,073)	(212,556)
Financial expense		<u>(62,725)</u>	<u>(13,117)</u>
Loss before income tax expense		(2,292,356)	(1,617,763)
Income tax benefit relating to ordinary activities		<u>-</u>	<u>298</u>
Net loss for the period		(2,292,356)	(1,617,465)
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation gain		<u>1,877</u>	<u>413</u>
TOTAL COMPREHENSIVE LOSS FOR THE HALF YEAR		<u>(2,290,479)</u>	<u>(1,617,052)</u>
Loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(2,292,356)	(1,617,392)
Non-controlling interest		<u>-</u>	<u>(73)</u>
		<u>(2,292,356)</u>	<u>(1,617,465)</u>
Total comprehensive loss for the half-year attributable to:			
Owners of Aeris Environmental Ltd		(2,290,479)	(1,616,979)
Non-controlling interest		<u>-</u>	<u>(73)</u>
		<u>(2,290,479)</u>	<u>(1,617,052)</u>
EARNINGS PER SHARE	9	Cents	Cents
Basic loss per share		(1.43)	(1.03)
Diluted loss per share		(1.27)	(1.03)

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 2018

	Notes	December 2018 \$	June 2018 \$ Re-stated <i>Refer note 1c</i>
CURRENT ASSETS			
Cash and cash equivalents	4	6,955,634	157,643
Trade and other receivables	5A	1,343,351	1,724,006
Inventories		368,850	318,196
Other current assets		130,790	139,933
TOTAL CURRENT ASSETS		<u>8,798,625</u>	<u>2,339,778</u>
NON-CURRENT ASSETS			
Plant and equipment		84,066	115,324
Trade and other receivables	5B	72,279	46,878
TOTAL NON-CURRENT ASSETS		<u>156,345</u>	<u>162,202</u>
TOTAL ASSETS		<u>8,954,970</u>	<u>2,501,980</u>
CURRENT LIABILITIES			
Trade and other payables		1,492,449	1,281,441
Provisions		210,285	273,701
Other liabilities - share placement application	6	3,208,692	-
TOTAL CURRENT LIABILITIES		<u>4,911,426</u>	<u>1,555,142</u>
NON-CURRENT LIABILITIES			
Provisions		25,770	25,770
Borrowings		2,250,000	1,200,000
TOTAL NON-CURRENT LIABILITIES		<u>2,275,770</u>	<u>1,225,770</u>
TOTAL LIABILITIES		<u>7,187,196</u>	<u>2,780,912</u>
NET ASSETS / (LIABILITIES)		<u>1,767,774</u>	<u>(278,932)</u>
EQUITY			
Capital		45,424,862	41,313,362
Reserves		1,781,871	1,554,309
Accumulated losses		(45,442,644)	(43,150,288)
Non-controlling interest		3,685	3,685
TOTAL EQUITY / (DEFICIT)		<u>1,767,774</u>	<u>(278,932)</u>

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 2018

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Non- controlling interest \$	Total Equity \$
At 1 July 2018 (reported as at 30 June 2018)	41,313,362	(42,790,135)	1,554,309	3,685	81,221
Prior period restatement (Note 1c)	-	(360,153)	-	-	(360,153)
Re-stated as at 1 July 2018	41,313,362	(43,150,288)	1,554,309	3,685	(278,932)
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
Total comprehensive loss for the half-year	-	(2,292,356)	1,877	-	(2,290,479)
<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
At 31 December 2018	45,424,862	(45,442,644)	1,781,871	3,685	1,767,774
At 1 July 2017	41,312,862	(39,560,112)	1,354,514	4,547	3,111,811
Loss for the half year	-	(1,617,392)	-	(73)	(1,617,465)
<i>Other comprehensive income for the half year</i>					
Foreign currency translation differences	-	-	413	-	413
Total comprehensive loss for the half-year	-	(1,617,392)	413	(73)	(1,617,052)
<i>Transaction with owners in their capacity as owners</i>					
Share based payments	-	-	88,817	-	88,817
At 31 December 2017	41,312,862	(41,177,504)	1,443,744	4,474	1,583,576

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 2018

	December 2018 \$	December 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	1,079,270	1,123,209
Payments to suppliers and employees (inclusive of GST)	(3,179,826)	(2,863,229)
R&D tax offset	667,280	425,298
Interest received	11,776	10,279
Other income	7,004	2,837
Interest paid	(45,172)	(12,471)
Net cash used in operating activities	<u>(1,459,668)</u>	<u>(1,314,077)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(4,410)	(16,915)
Net cash used in investing activities	<u>(4,410)</u>	<u>(16,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
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	-
Net cash provided by financing activities	<u>8,260,192</u>	<u>-</u>
Net increase / (decrease) in cash held	6,796,114	(1,330,992)
Cash at the beginning of the half-year	157,643	1,519,941
Effects of exchange rate changes on cash and cash equivalents	1,877	413
Cash at the end of the half-year	<u>6,955,634</u>	<u>189,362</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 2018

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 2018. 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 2018 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 \$2,292,356 for the half-year to 31 December 2018 (2017: \$1,617,465). The net liabilities position (restated) has gone up from (\$278,932) as at 30 June 2018 to net assets of \$1,767,774 on 31 December 2018. The operating cash burn rate for the half year ended 31 December 2018 was \$1,459,668 (31 December 2017: \$1,314,077).

On 12 December 2018 the Company allotted 23,529,417 new fully paid ordinary shares to institutional and sophisticated investors under the Placement announced on 3 December 2018. The issue was completed at a price of \$0.17 per share and raised \$4,000,000. These shares were issued under the Company's 15% placement capacity in accordance with the ASX Listing Rules.

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, the Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

On 29 January 2019 the Company allotted 1,514,698 fully paid ordinary shares under its Share Purchase Plan. The issue was completed at a price of \$0.17 per share and raised \$257,500.

The cash balance as at 31 December 2018 was \$6,955,634 (30 June 2018: \$157,643).

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 2018 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.

AASB 15, Revenue from Contracts with Customers

The Group has adopted AASB 15, Revenue from Contracts with Customers, from 1 July 2018. The Group has applied AASB 15 using the modified approach, with any cumulative effect being recognised in opening retained earnings.

AASB 15 establishes a framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue and related interpretations. Under AASB 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. AASB introduces a 5-step approach to revenue recognition. Under AASB 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying a particular performance obligation is transferred to the customer.

An assessment has been performed and determined that during the half year ended 31 December 2018, no significant adjustments were required in relation to the adoption of AASB 15.

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 2018

(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
Extract from statement of financial position as at 30 June 2018			
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)

	December 2018 \$	December 2017 \$
2 Revenue		
Revenue from sales and services	1,457,387	1,616,991
Financial revenue	11,776	10,279
Other revenue	7,004	2,837
Total revenue	<u>1,476,167</u>	<u>1,630,107</u>

3 Expenses

Loss from ordinary activities before income tax expense includes:

Depreciation and amortisation	35,670	33,494
Research and development expenditure	338,073	212,556
Rental and occupancy expenses	145,429	126,849
Share based payments	225,685	88,817
Defined contribution superannuation expense	91,566	80,225

	December 2018 \$	June 2018 \$
4 Cash and Other Financial Assets		
Cash and Cash Equivalents		
Cash at bank and on hand	3,752,744	152,070
Deposits on call	3,202,890	5,573
	<u>6,955,634</u>	<u>157,643</u>

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

	December 2018	June 2018
5 Trade and Other receivables		
A Current	\$	\$
Trade receivables	1,909,000	1,560,891
Provision for impairment	(565,649)	(504,165)
Other receivables	-	667,280
	1,343,351	1,724,006
B Non-current		
Trade receivables	252,476	311,513
Provision for impairment	(211,197)	(264,635)
Other receivables	31,000	-
	72,279	46,878

C Notes

- (i) 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.
- (ii) 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.
- (iii) *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	503,716	161,710
3 months or more	123,659	980,836
	627,375	1,142,546

The Group has provided the necessary extension to the terms of credit for the above past due receivables. The Group is confident about the recoverability of these amounts.

6 Other liabilities - share placement application

	December 2018	June 2018
	\$	\$
Share application for 18,874,656 shares	3,208,692	-
	3,208,692	-

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

7 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 2018	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	1,437,371	25,468	(5,452)	1,457,387
Other income	18,780	-	-	18,780
Total revenue	1,456,151	25,468	(5,452)	1,476,167
Expenses				
Cost of goods sold	713,437	11,915	(5,452)	719,900
Operating expenses	2,819,935	135,135	93,553	3,048,623
Total expenses	3,533,372	147,050	88,101	3,768,523
Loss before tax	(2,077,221)	(121,582)	(93,553)	(2,292,356)
For half year ended 31 December 2017	Australia	International	Inter-segment eliminations	Consolidated
	\$	\$	\$	\$
Revenue				
Sales	1,608,880	12,121	(4,010)	1,616,991
Other income	13,116	-	-	13,116
Total revenue	1,621,996	12,121	(4,010)	1,630,107
Expenses				
Cost of goods sold	644,961	4,507	(4,010)	645,458
Operating expenses	2,615,818	14,130	(27,536)	2,602,412
Total expenses	3,260,779	18,637	(31,546)	3,247,870
Loss before tax	(1,638,783)	(6,516)	27,536	(1,617,763)

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

7 Segment Reporting (continued)

Segment Assets and Liabilities	Assets		Liabilities	
	31/12/2018	30/06/2018	31/12/2018	30/06/2018
	\$	\$	\$	\$
Australia	9,219,689	2,541,263	8,971,266	4,552,804
International	156,641	84,219	2,312,681	2,019,977
Total	9,376,330	2,625,482	11,283,947	6,572,781
Intersegment elimination	(421,360)	(163,080)	(4,096,751)	(3,831,447)
Consolidated	8,954,970	2,462,402	7,187,196	2,741,334

	December 2018 \$	December 2017 \$
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8 Issues of Equity Securities and Share Applications

Ordinary Shares Issued During the Half Year Reporting Period

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	-

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

In addition, Company received received Share Placement Applications for additional 18,874,656 shares in December 2018 which were allotted on 31 January 2018 following shareholder approval at the EGM held on 29 January 2019. This issue was also at a price of \$0.17 per share and raised \$3,208,692

9 Earnings Per Share

	December 2018 \$	December 2017 \$
Basic loss per share (cents)	(1.43)	(1.03)
Diluted loss per share (cents)	(1.27)	(1.03)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	160,397,034	157,745,387
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	180,786,388	157,745,387

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

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:

Regional Healthcare Group Pty Ltd	December 2018	December 2017
The company and its controlled entities incurred cost for services provided by Regional Healthcare Group Pty Ltd.	\$	\$
Office and administration expenses	40,558	63,483
Rent	27,386	29,505
Distribution expenses	21,291	25,957
Corporate services	44,619	45,925
	<u>133,854</u>	<u>164,870</u>
	December 2018	June 2018
	\$	\$
Outstanding balance at the end of the reporting period *	306,582	171,352

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

Novapharm Research (Australia) Pty Ltd and its Controlled Entities	December 2018	December 2017
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	\$	\$
	191,700	135,297
	<u>191,700</u>	<u>135,297</u>
	December 2018	June 2018
	\$	\$
Outstanding balance at the end of the reporting period *	421,138	179,439

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

Ensol Systems Pty Ltd	December 2018	December 2017
The Company and its controlled entities incurred cost for operational services provided by Ensol Systems Pty Ltd.	\$	\$
	2,571	5,570
	<u>2,571</u>	<u>5,570</u>
	December 2018	June 2018
	\$	\$
Outstanding balance at the end of the reporting period *	79,729	84,136

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

Bright Accountants	December 2018	December 2017
The Company and its controlled entities incurred cost for accounting services to Bright Accountants.	\$	\$
	28,105	34,178
	<u>28,105</u>	<u>34,178</u>
	December 2018	June 2018
	\$	\$
Outstanding balance at the end of the reporting period *	3,195	10,305

Mr P Bush is a related party to Bright Accountants.

Aeris Environmental Ltd

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2018

10 Related Party Transactions (continued)

	December 2018	December 2017
Vectus Biosystems Limited	\$	\$
The Company and its controlled entities provided accounting services to Vectus Biosystems Limited	<u>8,079</u>	<u>12,886</u>
	<u>8,079</u>	<u>12,886</u>
	December 2018	June 2018
	\$	\$
Outstanding balance at the end of the reporting period *	23,550	23,550

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 2018 and 30 June 2018) are unsecured, interest-free and settlement occurs in cash.

	December 2018	December 2017
Loan from Directors (contributed equally by Messrs M Stang, B Stang and S Kritzler)	\$	\$
Interest on loans	42,081	-
	December 2018	June 2018
	\$	\$
Borrowings	1,050,000	1,200,000

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

11 Events Subsequent to the Reporting Date

On 31 January 2019, following shareholder approval at the EGM held on 29 January 2019, Company allotted 18,874,656 fully paid shares to sophisticated and professional investors, which raised \$3,208,692. This issue was at a price of \$0.17 per share.

On 29 January 2019, Company allotted 1,514,698 fully paid ordinary shares under the Share Purchase Plan. The issue was completed at a price of \$0.17 per share and raised \$257,500.

There have been no other matters or circumstances, which have arisen since 31 December 2018 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2018, of the consolidated entity;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial years subsequent to 31 December 2018, of the consolidated entity.

Aeris Environmental Ltd

DIRECTORS' DECLARATION

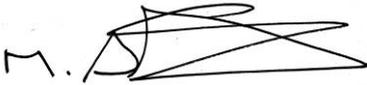
Directors' Declaration

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 2018 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 2019

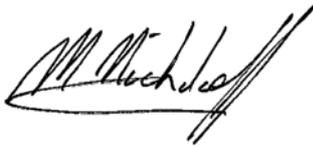
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

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 2018, 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 half-year ended 31 December 2018.

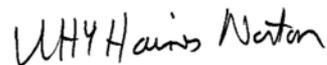


Mark Nicholaeff

Partner

Sydney

Dated: 28 February 2019



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 2018, 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, a statement of significant accounting policies, other selected explanatory notes, 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 2018 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.

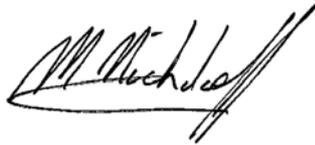
Independence

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 2018 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.

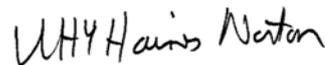


Mark Nicholaeff

Partner

Sydney

Dated: 28 February 2019



UHY Haines Norton

Chartered Accountants